



Tradeeasy Holdings Limited
易貿通集團有限公司



ANNUAL REPORT 2002/2003

Characteristics of The Growth Enterprise Market (the “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 annual 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 annual report.

This annual 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 annual 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 annual report misleading; and 3. all opinions expressed in this annual report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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CORPORATE INFORMATION

Registered office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head office and principal place of business

Units 1-6, 8th Floor
Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Company secretary

Mr. Chan Fai Kwong, Andy

Compliance officer

Mr. Yip Kwok Cheung

Qualified accountant

Mr. Chan Fai Kwong, Andy

Audit Committee

Mr. Tam Ngai Hung
Mr. Wu Yao Hua, Terence
Mr. Lau Chi Yiu

Authorised representatives

Mr. Yu Lup Fat, Joseph
Mr. Yip Kwok Cheung

Cayman Islands principal share registrar and transfer office

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
British West Indies

Hong Kong branch share registrar and transfer office

Tengis Limited
G/F, BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Auditors

Ernst & Young
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Principal banker

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Stock Code

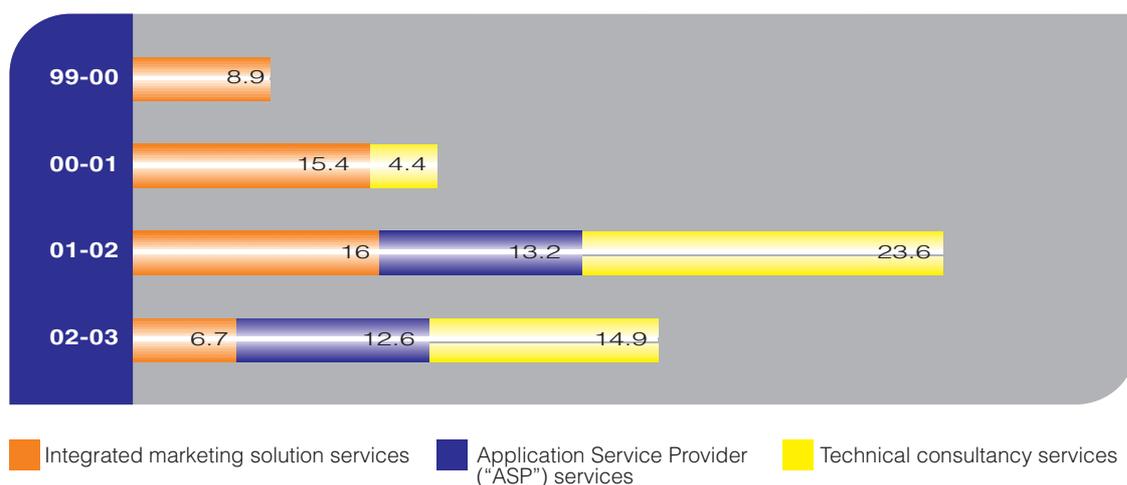
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Website

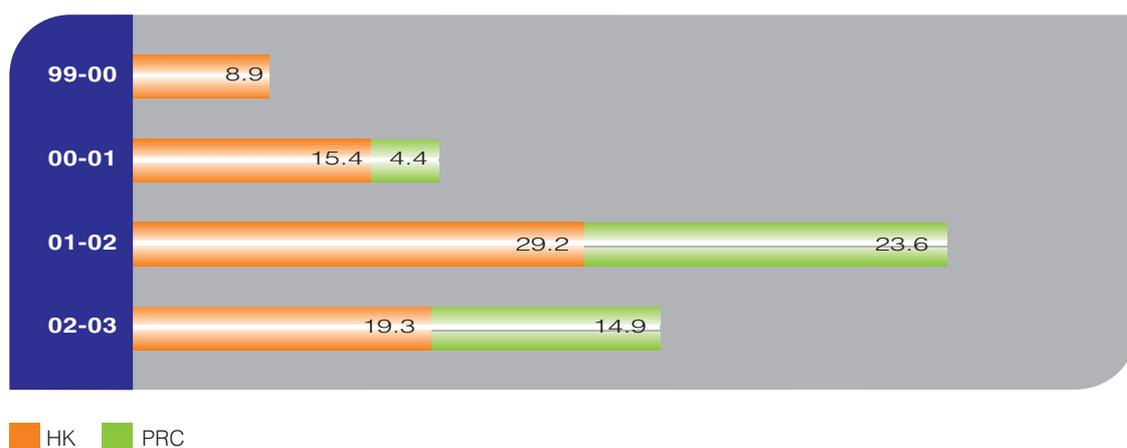
www.tradeeasy.com

FINANCIAL HIGHLIGHTS

Turnover, by business segments (HK\$ million)



Turnover, by geographical segments (HK\$ million)



HK\$'million	2002-03	2001-02
Turnover	34.2	52.8
Net profit/(loss) attributable to shareholders	(8.5)	10.5
Total assets	36.1	48.7
Total liabilities	(6.3)	(10.3)
Net assets	29.8	38.4
Basic earnings/(loss) per share (HK cents)	(2.1)	3.0



CHAIRMAN'S STATEMENT

The year 2002 was a difficult one for the export industry, in both Hong Kong and China. Having barely recovered from 911, shadows once again fell over the market with war in Iraq. SME exporters faced fierce ongoing competition and widespread cancellation of orders which forced them to cut their product prices, with the result that many found themselves struggling for survival. This difficult economic environment affected the performance of Tradeeasy Holdings Ltd and its subsidiaries (collectively the "Group" or "Tradeeasy") significantly, as many of the Group's clients demonstrated their lack of confidence in an early market recovery by cutting back on marketing budgets and IT expenditure.

Although it has not been an easy year, the Group believes that the current uncertainties to be temporary ones. Its business has inevitably been affected by gloomy short-term business sentiments, but the Group has approached the situation as an opportunity to consolidate its market position for the years ahead. Tradeeasy maintained its forward momentum during the year ended 31 March 2003, and has been taking appropriate strategic steps to ensure it will emerge from this downturn as a stronger and better company.

Modification of existing products - Despite the economic downturn, demand for ASP products has remained strong. We believe that keeping pace with advances in technology is the best way to ensure the Group is well equipped to meet challenges ahead. To this end, the Group made modifications to its Management Automation Software: e-IMS, and launched a new and improved version to encouraging market response.

New product development - The Group successfully leveraged its existing resources to integrate its on-line and off-line services. We introduced a new value-added service to benefit both buyers and sellers by the organisation of face-to-face "Purchasing Meetings" in which both parties could discuss their buying plans and sourcing needs. For the year ended 31 March 2003, the Group organised Purchasing Meetings for over 50 buyers and over 500 sellers.

Enhanced IT infrastructure - To meet increasing demand for faster server speed, the Group conducted a thorough review and close examination on its existing IT infrastructure. Changes that were made as a result included the implementation of a new and more efficient structure, the relocation of some servers, and the development of automation tools to monitor overall efficiency.

Active Sales and Marketing Initiatives - We believe that building a well-recognised brand name within the community of overseas buyers is a crucial key to our success. The Group actively participated in a number of trade shows and exhibitions, both locally and internationally, resulting in the recruitment of over 20,000 new clients as buyer members.

Appointment of agents for the Group's China operations - The Group has appointed a number of sales agents to replace the function of the Group's PRC representative offices, in Jiangmen and Xiamen, a move which has reduced overhead costs for the Group and improved motivation and productivity. The Group is examining the possibility of similar appointment of agents in PRC to improve their operational efficiency.

The latest consumer index suggests that the year ahead may show some improvement, and that demand for export products may increase. Tradeeasy has, I believe, become a more competitive company over the past year, backed by a stronger set of products than ever before, and these factors make me optimistic about the Group's future.

On behalf of the Board, I would like to take this opportunity to express a sincere gratitude to all members of the Board and staff for their dedication and for their contributions to the Group, especially during the difficult times experienced during the year under review. I would also here like to express my appreciation to our individual shareholders, investors and customers for their continuing and loyal support.

Yu Lup Fat, Joseph
Chairman

23 June 2003



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

While many had hoped to see 2002 bring with it a sustained economic recovery, the speed of any market revival was hindered by a number of external social, political and economical factors. Instability in the market impacted substantially on the export industry, and the Group was inevitably affected.

The Group recorded a turnover of approximately HK\$34.2 million during the year under review, as compared to approximately HK\$52.8 million for the same period in 2002. The Group's loss attributable to shareholders for the year ended 31 March 2003 was approximately HK\$8.5 million, against a profit of approximately HK\$10.5 million achieved in 2002.

Modification of existing products

Management believes that its ASP services provide the Group with considerable growth potential. The Group's e-IMS services bring e-marketing and e-CRM solutions to SME exporters in the region. Once the export industry begins to rebound, our customers will recognise an ongoing need to spend on marketing and management automation solutions, and will seek out specialist solutions providers such as Tradeeasy to meet this need.

Despite the sluggish environment, demand for ASP remained strong in the year under review. After incorporating market feedback, the Group developed a new version of e-IMS in September 2002, which had its soft launch in December 2002. Fine-tuning was completed in February 2003, and it was rolled out in April 2003. This new version of e-IMS incorporates improvements to operational procedures and general usability, and introduces new features including templates development and a reporting system.

The system's "simple mode" is designed for SMEs with little experience in using computer software, and is extremely easy to use. Once clients become familiar with the basic procedures, they can upgrade to "advanced mode", with which they can conduct sophisticated data mining and marketing campaigns. The testing of Chinese version of the new e-IMS was completed in April 2003.

New product development

During the year ended 31 March 2003, the Group continued its initiatives to develop new products and services that will strengthen its business model.

Mindful of the growing numbers of Hong Kong SME manufacturers who desire to market their products in the PRC, in February 2003, the Group acted as both co-organiser and agent for the Gift and Premium Trade Show in Shanghai. The Group used the opportunity provided by the trade show to compile a database containing details of over 10,000 Chinese domestic importers, retailers and distributors. Such initiatives were well received by the market, and the Group will continue to participate actively in similar events in the future, thus generating new sources of income while at the same time strengthening its intra-China trade platform.

The Group completed its internet-based intra-China domestic trade platform during the year, providing marketing automation tools that allow sellers to market their products easily to China importers.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group's success can be gauged by the levels of activity between Tradeeasy's sellers and Tradeeasy's buyers. The Group continues to participate in trade shows and other marketing events to increase the number of its buyers, while at the same time developing value-added services designed to increase buyer effectiveness by inviting overseas buyers to meet with sellers face-to-face, which can save the buying time and effort. In October 2002 the Group launched its "Purchasing Meetings" concept, a new service for international buyers which involves the Group's buyer department inviting overseas buyers to meet with Tradeeasy's sellers face-to-face, either in Hong Kong or China. Matching and screening processes were performed using the e-IMS system. Over fifty such Purchasing Meetings were held, in which more than 50 buyers met with over 500 sellers. It was an arrangement that satisfied both groups, as buyers were able to conduct their sourcing procedures more efficiently, with lesser time and effort, and sellers could increase their marketing opportunities by meeting with buyers directly.

Enhanced IT infrastructure

As the demand for the Group's ASP services grows, Tradeeasy's management recognises the importance of providing clients with reliable, uninterrupted services. To this end, a thorough review and examination on the Group's existing IT infrastructure was conducted. New hardware was installed, new systems were implemented, and other modifications were made as necessary.

The Group's Network File System was re-engineered and re-configured to increase fault tolerance and to guarantee maximum levels of stability, availability and reliability at every level of the system, from servers down to individual components. Relocation of some servers was completed to redistribute server loadings. Proactive fault management tools were also developed to monitor the performance of the entire structure. The IT department invested significant resources in system upgrading in preparation for an anticipated significant increase in transactions being made through the Group's ASP system.

Active sales and marketing initiatives

During the year under review, the Group actively participated in local and overseas trade shows held by numerous industries, including garments, gifts and premium, hardware, shoes, bags, houseware, parts and components, and consumer electronics. In the process, over 20,000 buyers were recruited as buyer members. The Group believes that building up an active and high-quality Tradeeasy's buyer community is essential to creating a successful business model. In its experience, buyers recruited at trade shows typically possess the right profile to benefit from the Group's services.

The Group conducted more than twenty seminars in China during the year, with the aim of introducing its products to and promoting them within the market there. Some of these seminars were organised in association with local Chinese trade-related organizations, and more than 2,000 China SME manufacturers attended. The Group has used such activities to build up a strong professional image within the sellers' community.



MANAGEMENT DISCUSSION AND ANALYSIS

Appointment of agents for the Group's China operations

The China market continues to be the Group's major business focus. To create higher levels of staff motivation, management appointed a number of independent sales agents to replace the function of the Group's Jiangmen and Xiamen representative offices in December 2002 and January 2003 respectively. Introducing the agent system could also help the Group to achieve management goals of reducing the Group's overhead costs, increasing operational efficiency and shortening the management's time.

Liquidity and financial resources

The Group is principally financed by cash flows generated internally and from the proceeds of the listing of the Company on 7 March 2002. As at 31 March 2003, the Group's cash and cash equivalents amounted to HK\$7.6 million, of which 79% was denominated in Hong Kong dollars. The Group adopts a conservative approach to its treasury policy. Cash is generally placed in short-term interest bearing deposits denominated in Hong Kong dollars.

As at 31 March 2003, the net assets value of the Group amounted to HK\$29.8 million, representing approximately HK7.5 cents per share. During the financial year under review and at the year end date, the Group had no other borrowings, banking facilities or assets pledged. The gearing ratio (ie. total long-term external borrowings/total equity) of the Group as at 31 March 2003 was nil (2002: nil). As at 31 March 2003, the Group had total current assets of HK\$10.9 million and total current liabilities of HK\$6.3 million. The current ratio of the Group has decreased to this year's 1.73 from 2.28 in the prior financial year.

There has been no change in the capital structure of the Company during the year ended 31 March 2003.

Foreign currency exposure

The Group's reporting currency is in Hong Kong dollars. Most of the transactions, assets and liabilities of the Group are denominated in Hong Kong dollars and Renminbi. Since the exchange rate fluctuation between the Hong Kong dollar and Renminbi is minimal, the Board considers that the Group is not significantly exposed to any exchange risk and accordingly, no hedging transactions were made during the year.

Charges on group assets

As at 31 March 2003, the Group did not have any charges on group assets.

Contingent liabilities

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$478,000 as at 31 March 2003. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group. Except for the above, the Group and the Company had no significant contingent liability as at 31 March 2003.



MANAGEMENT DISCUSSION AND ANALYSIS

Future plans for investment or capital assets

The Group's future plans for investment or capital assets will be in line with the section headed "Statement of Business Objectives" in the Prospectus of the Company. The source of funding will come from the proceeds from the listing of the shares of the Company and cash flows generated internally.

Acquisition and disposal of subsidiaries and affiliated companies

During the two financial years ended 31 March 2002 and 2003, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Significant investments

During the two financial years ended 31 March 2002 and 2003, the Group did not hold any significant investments.

Segment information

The revenue of the Group comprises the rendering of the integrated marketing solution services, the Application Service Provider ("ASP") services and the technical consultancy services.

Sales from rendering the integrated marketing solution services decreased by approximately 58.4% to HK\$6.7 million and that from provision of ASP services decreased by approximately 4.4% to HK\$12.6 million. The sales from provision of technical consultancy services decreased by approximately 37.0% to HK\$14.9 million.

As to the geographical segments, sales to Hong Kong market decreased by approximately 33.9% to HK\$19.3 million and that to the PRC market decreased by approximately 37.0% to HK\$14.9 million.

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the two years ended 31 March 2002 and 2003 is set out in note 4 to the financial statements.

USE OF PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The proceeds from the Company's issue of new shares at the time of its listing on the Hong Kong Stock Exchange in March 2002, after deduction of related issuance expenses, amounted to approximately HK\$20 million. Of this amount, approximately HK\$12.2 million has been utilised up to 31 March 2003, the details of which are set out on pages 9 to 15 of the annual report.



MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS OPERATION

The following is a comparison of the actual business progress for the year ended 31 March 2003 (“Review Period”) and the business objectives as set out on pages 101 to 105 of the Prospectus dated 26 February 2002. To attain our long-term business goals, the Group reviews its business objectives and strategies on an ongoing basis and make adjustments as necessary.

Business objectives for the Review Period as set out in the Prospectus

Actual business progress in the Review Period

BUSINESS DEVELOPMENT

The PRC

For the six months ended 30 September 2002

- | | |
|--|---|
| <ul style="list-style-type: none"> • Study and evaluate potential independent service providers as agents in the PRC
 • Appoint at least two independent service providers as agents to enhance the penetration of TRADEeasy in Jiangsu area in the PRC | <ul style="list-style-type: none"> • Due to the slowdown in the economic environment, the Group was cautious in looking for suitable agents in the PRC. The Group has discussed with several agents; however, no agreement has come up with. The Group is still looking for suitable agents in the PRC
 • Due to the limited resources, the Group has suspended the appointment of agents in Jiangsu area. Further decision to resume the appointment activities will be made when there is significant improvement in the Group resources
 • The Group formed an alliance with two PRC organisations to accumulate larger potential customer base |
|--|---|

For the six months ended 31 March 2003

- | | |
|---|---|
| <ul style="list-style-type: none"> • Study and evaluate potential independent service providers as agents in the PRC
 • Appoint at least one independent service provider as agent in Shanxi and/or Hunan to enhance the penetration of TRADEeasy in the PRC | <ul style="list-style-type: none"> • Business operations used to be carried out by Jiangmen and Xiamen representative offices were replaced by the appointment of sales agents
 • No agent was appointed in Shanxi/Hunan because our market research indicated that the market was not ready for ASP products. |
|---|---|



MANAGEMENT DISCUSSION AND ANALYSIS

Taiwan

For the six months ended 30 September 2002

- Selection of office location(s) to set up the representative office(s) in Taiwan
- Appoint at least one independent service provider as agent in Taiwan
- The Group is considering a plan of setting up the representative offices in Taiwan
- As Taiwanese manufacturers are moving their manufacturing base to the PRC, the Group is assessing the possibility and benefits of recruiting Taiwanese customers in the PRC to replace the appointment of agents in Taiwan

For the six months ended 31 March 2003

- Establish a representative office in Taipei
- Study and evaluate potential additional independent service providers as agents in Taiwan
- The Group believes that, at this stage, it is more cost effective not to set up a representative office in Taiwan. In order to save operation overheads, the Group considers it more beneficial to maintain representative offices in the PRC instead of setting up new representative office in Taiwan
- As Taiwanese manufacturers are moving their manufacturing base to the PRC, the Group is recruiting Taiwanese customers in the PRC to replace the appointment of agents in Taiwan.

Other parts of Asia

For the six months ended 30 September 2002

- Study and evaluate potential independent service providers as agents in India, Singapore or South Korea
- Studies and evaluation on potential agents were in progress

For the six months ended 31 March 2003

- Appoint at least one independent service provider as agent in India, Singapore or South Korea to enhance the penetration of TRADEeasy in Asia
- To better allocate its resources and minimize the operating overheads, the Group has suspended expansion into these markets. The Group may resume the expansion into these overseas markets when the economic environment improves. At present, the Group is focusing on its market expansion effort in the PRC market



MANAGEMENT DISCUSSION AND ANALYSIS

Strategic alliances

For the six months ended 30 September 2002

- Evaluate and form a strategic alliance with a content provider
- The Group entered into an arrangement with an international content provider in June 2002 to market their on-line services to major corporations in Southern China for a term of one year

For the six months ended 31 March 2003

- Evaluate potential strategic alliance with companies providing logistic services, payment solutions, inspection services, trade finance services, technology services and/or content providers
- The Group is negotiating with potential strategic alliances and conducting market feasibility studies for the PRC market
- The Group has established strategic alliance in February 2003 with a trade show organiser to organise trade show in the PRC

PRODUCT ENRICHMENT AND ENHANCEMENT

e-Marketplace

For the six months ended 30 September 2002

- Continue to increase the depth of the content and variety of features on *tradeeasy.com* such as the inclusion of the trading of parts and components
- The module for parts and components has been completed and rolled out

For the six months ended 31 March 2003

- Continue to increase the depth of the content and variety of features on *tradeeasy.com* such as the inclusion of the trading of parts and components
- Studies in progress on further increase of the depth of the content and variety of features on *tradeeasy.com*



MANAGEMENT DISCUSSION AND ANALYSIS

Management automation services

For the six months ended 30 September 2002

- Identify IP in respect of vertically developed software for specialised industries
- Develop inventory and accounting software
- Develop the intra China trade platform, establish intra China Trade sales channel
- Develop MRP
- Studies and reaserch was carried out in progress on the identification of IP in respect of vertically developed software for specialised industries
- Specifications finalised for inventory and accounting software, looking for outsourcing partners
- Development has been completed and rolled out
- The Group is carrying out market research on development of MRP to enhance the Group's products
- The e-marketing module in the Group's proprietary ASP service: e-IMS, was modified and enhanced to meet the demand from the market

For the six months ended 31 March 2003

- Acquire IP in respect of vertically developed software for specialised industries
- Official release and roll out of the inventory and accounting software
- Develop MRP
- Soft launch and roll out of the intra China trade platform, establishment of intra China Trade sales channel
- The market research indicated that the market sentiment was not appropriate with the vertically developed software for specialised industries
- The Group is focusing on modifying the existing e-marketing, e-CRM system and the e-IMS. The new version was rolled out in April 2003
- Certain market research was conducted for other software related to the supply chain management. The market sentiment was not appropriate for those products
- The Group has restructured its ASP business and has put more emphasis on the e-marketing activities instead of MRP development
- The intra China trade platform was established in October 2002



MANAGEMENT DISCUSSION AND ANALYSIS

Others

For the six months ended 30 September 2002

- Consider the possibility of organising tradeshows in Europe, US for houseware, garment or premium gift industries for TRADEeasy customers to promote their products
- Represent customers at tradeshows and exhibitions in overseas countries
- The Group is carrying out market research in progress on the possibility of organising overseas tradeshows.
- Represented customers to participate in eight different tradeshows held in the US, Japan, Germany and the United Kingdom

For the six months ended 31 March 2003

- Organize tradeshows for customers to promote their products
- Due to uncertainty about the economic environment and limited resources, the Group has suspended its efforts on organising the overseas tradeshows. Further decision to resume the organising of overseas tradeshows will be made when there is significant improvement in the Group resources. The Group is currently focusing the resources on expansion of PRC market
- Formed an alliance with a trade show organiser and co-organised The Gift and Premium Trade Fair in Shanghai in February 2003
- Study the mode of operation for overseas advertisement placement for the customers
- Market research completed and evaluation on the mode of operation was carried out

MARKETING AND PROMOTION

For the six months ended 30 September 2002

- Continue to advertise and promote the brand name of TRADEeasy brand name via multimedia and by attending or organising at least six conferences and seminars in the PRC and Hong Kong
- Six conferences and seminars were held in Hong Kong and the PRC, participated in 8 overseas trade shows to promote the Group's products and services
- Modify the sales cycle in order to enhance the overall efficiency and success rate in obtaining new customers through enhancement of existing management system
- Work flows reviewed and modification finalised



MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 March 2003

- Continue to advertise and promote the brand name of TRADEeasy via multimedia and by attending or organising at least six conferences and seminars in the PRC and Hong Kong
- Diversify the publicity works of TRADEeasy into the Greater China region through e-mail campaigns, distribution of te-Link and participating in at least six trade shows in US, Europe, the PRC and Hong Kong
- Modify the sales cycle in order to enhance the overall efficiency and success rate on obtaining new customers through the development and enhancement of the internal sales and customer services automation system
- Six conferences and seminars were held in Hong Kong and the PRC to promote the Group's products and services
- Continuous email campaigns and distribution of te-Link in China region were conducted. The Group participated in eight trade shows
- Modifications completed, internal management tools were developed to improve work flow for sales management, CRM and reporting

TECHNOLOGY MAINTENANCE

For the six months ended 30 September 2002

- Evaluate the existing computer hardware and software applications
- Upgrade all application areas by applying XML technology and maintaining the existing server systems to support continuous growth
- Certain hardware had been fine tuned and upgraded to maintain operational efficiency
- Review on the information management system was in progress; certain fine-tuning had been completed to support increasing demand on server speed



MANAGEMENT DISCUSSION AND ANALYSIS

For the six months ended 31 March 2003

- Evaluate the existing computer hardware and software applications particularly its capacity for corporate application
- Maintain the existing server systems to support continuous growth
- Upgrade horizontally by purchasing more servers to support continuous growth
- Introduce new technology for the development of a powerful e-CRM system for customers
- A review on the IT infrastructure completed. Tasks completed including: servers re-location, re-distribution of load sharing, re-engineering of Network File System, development of pro-active fault management system
- Maintain the existing server systems with the services from software manufacturer and maintenance service company
- The Group upgraded certain servers to support continuous growth
- The Group is performing the research on the introduction of new technology for the development of e-CRM system

USE OF PROCEEDS

The placement of shares of the Company in the initial public offering has raised proceeds of approximately HK\$20 million. The Group utilized the net proceeds as follows: -

Business objectives	Planned use of proceeds as stated in the Prospectus up to 31 March 2003	Amounts utilized up to 31 March 2003
	HK\$'000	HK\$'000
Business development	2,005	1,662
Product enrichment and enhancement	6,635	6,544
Marketing and promotion	1,900	2,150
Technology maintenance	2,250	1,860
	12,790	12,216

In order to enhance the foothold in the competitive market, the Group has accelerated the modification and enhancement of the e-marketing module in e-IMS. More resources were allocated to promotional activities in this period so as to meet with the schedule for overseas trade shows. The Group estimated total expenditure to achieve the Group's business objectives will be in line with the amounts disclosed in the paragraph "Statement of Business Objectives" in the section headed "Business Objectives" in the Prospectus. The Group has placed the unused balance of proceeds from the initial public offering with authorised financial institutions in Hong Kong as short-term deposits.



MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES

As at 31 March 2003, the Group employed 56 staff in Hong Kong (2002: 75) and 168 staff in China (2002: 233). Total staff costs (including directors' remuneration) of the Group stood at HK\$18.8million (2002: HK\$26.7million). In the prior financial year, the Group engaged more staff to build up the customer database as well as the operating structure of the Group. After the expansion, less staff were required to maintain the current business operation during this financial year. Staff are remunerated according to their performance and working experience. In addition to the basic salaries and participation in the mandatory provident fund scheme, staff benefits include share options schemes.

Future Prospects

Although this has been a difficult year for Tradeeasy, management remains cautiously optimistic about the future. The war in Iraq is over, consumption is beginning to pick up, and overseas buyers are once again ready to purchase after a few months of holding back.

China's accession to the World Trade Organization is expected to keep the export sector growing. Management is aware that business practices, rules and regulations are different in China, and that competition there can be fierce. The Group has put strenuous efforts, however, in establishing a strong sales network, building up a reputable brand name and improving its product range, and as a result, the Group believes its optimism about the potential of the China market is not unrealistic. As an international trade enabler, the Group is now strategically positioned to take full advantage of the immense opportunities opening up in China.

The Group will remain focused on enlarging Tradeeasy's buyer community, increasing their levels of activity with Tradeeasy's sellers, and enhancing its leadership in the provision of ASP services to the export industry.

The Group will continue to attend trade shows and work with other trade associations to build up an ever-larger database of buyers. To increase trade activities between buyers and sellers, the Group will also leverage its existing resources to integrate its on-line and off-line services, and to provide value-added services such as its new "Purchasing Meetings". The Group will continue to modify its e-IMS services, giving clients the option of customising them according to their specific needs.

It is the management's opinion that the best levels of efficiency for the Group in China will be achieved through a combination of maintaining representative offices and operating an agent system. Several representative offices are currently being assessed with a view to re-structure them on an agent basis, a move which will eventually further lower the Group's overhead costs.

Management believes that the initiatives undertaken by the Group over the prior year have made Tradeeasy into a stronger and more competitive service provider. This, in conjunction with gradually improving market sentiment, help to carry the Group to a brighter future.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Lup Fat, Joseph, aged 55, is the chairman of Tradeeasy. Mr. Yu is responsible for the Group's corporate financial development and strategic business planning. Mr. Yu has over 30 years of experience in the financial industry, holding key positions in various financial institutions and associations. He holds a Master's Degree in Applied Finance from Macquarie University in Australia and a Diploma of Management Studies from the University of Hong Kong. Mr. Yu joined Tradeeasy in April 2000.

Mr. Yip Kwok Cheung, aged 39, is the chief executive officer of Tradeeasy. Mr. Yip is responsible for the Group's management, and directing overall business and development strategies. Prior to joining the Group, Mr. Yip had over 13 years of experience in starting and developing several service-oriented businesses in Hong Kong and Australia. He is a graduate from Australian National University majoring in Economics and Accountancy. Mr. Yip joined the Group in November 1996.

Mr. Wong Kai Yin, Paul, aged 40, is an executive director and one of the founders of Tradeeasy. Mr. Wong is responsible for the Group's sales and marketing in Hong Kong and the PRC. He graduated from the University of Hong Kong and majored in Psychology and Philosophy. He worked for an international advertising agency and has completed an advanced advertising course organised by the Accredited Association of Advertising Agencies.

Mr. To Man Yau, Alex, aged 40, is an executive director and one of the founders of Tradeeasy. Mr. To is responsible for the Group's business development in the PRC. He worked in an international advertising agency as an Account Manager for over five years.

NON-EXECUTIVE DIRECTOR

Mr. Tam Ngai Hung, aged 49, is the finance director of CCT Telecom Holdings Limited. He has more than 23 years of experience in finance and accounting management; and also has extensive experience in mergers and acquisitions. He is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Society of Accountants and The Institute of Chartered Secretaries and Administrators. Prior to joining CCT Telecom Holdings Limited, he held a number of senior positions in several listed companies. He joined Tradeeasy in December 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Yao Hua, Terence, aged 51, has extensive experience in the industry of life insurance for almost 30 years. Mr. Wu is a graduate of the General Managers Program of the Harvard Business School, a Certified Financial Planner CM, a member of the Chartered Institute of Marketing and a fellow of the Life Management Institute of the USA. He joined Tradeeasy in September 2002.

Mr. Lau Chi Yiu, aged 38, has extensive experience in fund management and providing full range of business consulting and financing advisory services. Mr. Lau founded GV Capital in 2002 and co-founded irasia.com in 1996, and has served as Director for both companies since then. Mr. Lau has a MBA from Chinese University of Hong Kong, a M.S. in Electrical Engineering from National Technological University of Colorado, and a B.S. in Electrical and Computer Engineering from State University of New York at Buffalo. He joined Tradeeasy in April 2003.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Chan Fai Kwong, Andy, aged 32, is the Chief Financial Officer, the Qualified Accountant and the Company Secretary of the Group. He has over eight years of experience in financial management, auditing and taxation. He started his professional career with a major international accounting firm in 1994. Mr. Chan holds a Bachelor's Degree of Arts in Accountancy from the Hong Kong Polytechnic University. He is a fellow of the Association of Chartered Certified Accountants. Mr. Chan joined the Group in November 2002.

Mr. Chan Ka Fai, aged 40, is the Chief Technical Officer of the Group. Mr. Chan is responsible for the Group's corporate-wide IT infrastructure and strategic direction. Prior to joining Tradeeasy, Mr. Chan worked for a telecom company for 12 years. Mr. Chan joined Tradeeasy in February 2000.

Mr. Lee Wing Kwong, aged 35, is a technical officer and one of the founders of Tradeeasy. Mr. Lee is responsible for the implementation of the Group's internal IT system as well as project management. Prior to joining the Group, Mr. Lee worked for a telecommunication group for over eight years.

Mr. Lam Kuen Sing, aged 49, is a technical officer and one of the founders of Tradeeasy. Mr. Lam works with Mr. Lee Wing Kwong on the implementation of the Group's internal IT system as well as project management. Prior to joining the Group, Mr. Lam worked in a bank for over 16 years.

Mr. Choy Kwok Kwong, Don, aged 40, is the general manager of the PRC Division. He is responsible for the Group's sales and marketing operations in the PRC. Prior to joining the Group, he had over 16 years' sales and marketing experience in various companies. Mr. Choy joined Tradeeasy in November 1998.

Mr. Chou Hing Yan, Stephen, aged 40, is the business and product development manager of the Group. He has over 11 years of experience in advertising, marketing, business and product development. Mr. Chou holds a Bachelor's Degree of Commerce in Marketing from the McMaster University in Canada. He joined the Group in February 2000.



REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2003.

Principal activities

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results

The Group's loss for the year ended 31 March 2003 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 26 to 58.

Summary financial information

A summary of the published results and assets and liabilities of the Group for the last four financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on page 59. This summary does not form part of the audited financial statements.

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the year ended 31 March 2003, together with the reasons therefor, are set out in notes 22 and 23 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (Revised) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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 year.



REPORT OF THE DIRECTORS

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 24 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

As at 31 March 2003, the Company's reserves available for distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK\$24,226,000. This includes the Company's share premium and contributed surplus accounts aggregating to approximately HK\$34,540,000 as at 31 March 2003, which is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

Directors

The directors of the Company during the period up to the date of this report were as follows:

Executive directors:

Yu Lup Fat, Joseph
Yip Kwok Cheung
Wong Kai Yin, Paul
To Man Yau, Alex

Non-executive director:

Tam Ngai Hung

Independent non-executive directors:

Wu Yao Hua, Terence	(appointed on 25 September 2002)
Tai Ka Luk	(resigned on 25 September 2002)
Lau Chi Yiu	(appointed on 1 April 2003)
Tam King Ching, Kenny	(resigned on 1 April 2003)

In accordance with article 87 of the Company's articles of association, Mr. Yip Kwok Cheung will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting. In accordance with article 86(3) of the Company's articles of association, Messrs. Wu Yao Hua, Terence and Lau Chi Yiu will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.



REPORT OF THE DIRECTORS

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 17 to 18 of the annual report.

Directors' service contracts

Each of the four executive directors has entered into a service agreement with the Company for an initial term of three years commenced from 1 February 2002 which is subject to termination by either party giving not less than three months' notice in writing or making payment in lieu of notice.

Each of the non-executive director and the independent non-executive directors was appointed for a period commencing from his date of appointment and is subject to retirement by rotation in accordance with the Company's articles of association.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No director had a material interest in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

Directors' interests in shares

At 31 March 2003, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (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	—
	<u>67,375,166</u>	<u>518,411</u>

Note: The family interest of Mr. 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.



REPORT OF THE DIRECTORS

Directors' rights to acquire shares or debentures

Apart from as disclosed under the share option schemes disclosures in note 23 to the financial statements, at no time during the year 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 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 schemes

Due to the adoption of Statement of Standard Accounting Practice No. 34 "Employee benefits" during the year, most of the detailed disclosures relating to the Company's share option schemes have been moved to note 23 to the financial statements.

Substantial shareholders

As at 31 March 2003, the following interests of 10% or more of the 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 share capital
Manistar Enterprises Limited	93,364,070	23.34%
CCT Telecom Holdings Limited (Note)	93,364,070	23.34%

Note: The interests disclosed includes 93,364,070 shares beneficially owned by Manistar Enterprises Limited, which is a wholly-owned subsidiary of 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 share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Sponsor's interests

As at 31 March 2003, neither Hantec Capital Limited (the "Sponsor") nor any of its respective directors or employees or associates (as referred in Note 3 to Rule 6.35 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") 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.



REPORT OF THE DIRECTORS

Connected transaction

Pursuant to a grant of non-exclusive use (the “Grant”) made on 23 October 2001 by CCT Infrastructure Limited (“CCTI”), a wholly-owned subsidiary of CCT Telecom Holdings Limited which in turn is a substantial shareholder of the Company, in favour of Tradeeasy Limited, a wholly-owned subsidiary of the Company, CCTI granted the non-exclusive use of a part of premises located at 20th Floor, 1063 King’s Road, Quarry Bay, Hong Kong, to the Group. The Grant was terminated on 31 December 2002.

During the year, an aggregate amount of approximately HK\$1,132,000 (2002: HK\$772,000) was paid to CCTI by the Group under the above-mentioned arrangement.

The above-mentioned arrangement was defined as a “Non-Exempt Continuing Connected Transaction” in the prospectus of the Company dated 26 February 2002. The Stock Exchange of Hong Kong Limited has granted a conditional waiver to the Company from strict compliance with the requirements for this Non-Exempt Continuing Connected Transaction as set out in the GEM Listing Rules for the two financial years ended 31 March 2002 and 2003.

The independent non-executive directors of the Company have reviewed and confirmed that the Non-Exempt Continuing Connected Transaction was conducted in accordance with Rule 20.27 of the GEM Listing Rules.

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 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 5.23 to 5.25 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 system of the Group. The audit committee has three members comprising one non-executive director, Mr. Tam Ngai Hung and two independent non-executive directors, who at the beginning of the year were Mr. Tai Ka Luk and Mr. Tam King Ching, Kenny. Mr. Tai Ka Luk resigned on 25 September 2002 and Mr. Wu Yao Hua, Terence was appointed as an independent non-executive director and a member of the audit committee on the same date. Subsequently, on 1 April 2003, Mr. Tam King Ching, Kenny resigned and Mr. Lau Chi Yiu replaced him as an independent non-executive director and a member of the audit committee. The audit committee has held four meetings during the year ended 31 March 2003 and has performed the functions specified in the GEM Listing Rules.



REPORT OF THE DIRECTORS

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Yip Kwok Cheung

Director

Hong Kong

23 June 2003

REPORT OF THE AUDITORS



■ **Certified Public Accountants**
15/F Hutchison House,
10 Harcourt Road,
Central, Hong Kong

■ Phone: 852 2846 9888
852 2526 5371
Fax: 852 2868 4432
852 2845 9208

To the members

Tradeeasy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 26 to 58 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Hong Kong

23 June 2003

Year ended 31 March 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2003 HK\$'000	2002 HK\$'000
TURNOVER	5	34,163	52,793
Cost of sales		(21,681)	(25,315)
Gross profit		12,482	27,478
Other revenue		301	3,518
Selling and distribution costs		(2,869)	(4,148)
General and administrative expenses		(13,423)	(12,001)
Advertising and promotion expenses		(3,197)	(3,398)
Other operating expenses		(1,647)	(644)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	6	(8,353)	10,805
Finance costs	7	(174)	(271)
PROFIT/(LOSS) BEFORE TAX		(8,527)	10,534
Tax	10	—	—
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	(8,527)	10,534
DIVIDEND	12	—	—
EARNINGS/(LOSS) PER SHARE (HK cents)	13		
Basic		(2.1)	3.0
Diluted		N/A	3.0



CONSOLIDATED BALANCE SHEET

	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	4,509	8,442
Deferred development expenditure	15	20,684	16,630
		<u>25,193</u>	<u>25,072</u>
CURRENT ASSETS			
Trade receivables	17	1,599	1,748
Prepayments, deposits and other receivables	18	1,749	6,274
Cash and cash equivalents	19	7,590	15,602
		<u>10,938</u>	<u>23,624</u>
CURRENT LIABILITIES			
Trade payables	20	51	264
Deferred service fees received in advance		3,928	4,221
Accruals and other payables		2,329	4,920
Finance lease payables		—	941
		<u>6,308</u>	<u>10,346</u>
NET CURRENT ASSETS			
		<u>4,630</u>	<u>13,278</u>
		<u>29,823</u>	<u>38,350</u>
CAPITAL AND RESERVES			
Issued capital	22	4,000	4,000
Reserves	24(a)	25,823	34,350
		<u>29,823</u>	<u>38,350</u>

Yip Kwok Cheung
Director

Wong Kai Yin
Director

Year ended 31 March 2003

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	297	—	61,914	11	(59,242)	2,980
Issue of shares of a subsidiary	—	—	4,796	—	—	4,796
Capitalisation of shares	3,203	(3,203)	—	—	—	—
Issue of shares	500	24,500	—	—	—	25,000
Share issue expenses	—	(4,960)	—	—	—	(4,960)
Net profit for the year	—	—	—	—	10,534	10,534
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002 and 1 April 2002	4,000	16,337	66,710	11	(48,708)	38,350
Net loss for the year	—	—	—	—	(8,527)	(8,527)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	<u>4,000</u>	<u>16,337</u>	<u>66,710</u>	<u>11</u>	<u>(57,235)</u>	<u>29,823</u>



CONSOLIDATED CASH FLOW STATEMENT

	2003 HK\$'000	2002 HK\$'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(loss) before tax	(8,527)	10,534
Adjustments for:		
Finance costs	174	271
Interest income	(99)	(18)
Depreciation	3,764	3,807
Amortisation of deferred development expenditure	3,810	2,357
Loss on disposal of fixed assets	1,036	304
Provisions for bad and doubtful debts on trade receivables	390	340
Write off of deposits	221	—
Operating profit before working capital changes	769	17,595
Increase in trade receivables	(241)	(1,131)
Decrease in prepayments, deposits and other receivables	472	589
Increase/(decrease) in trade payables	(213)	179
Decrease in deferred service fees received in advance	(293)	(8,914)
Decrease in accruals and other payables	(2,591)	(12,628)
Cash used in operations	(2,097)	(4,310)
Interest element on finance lease rental payments	(174)	(271)
Hong Kong profits tax refunded	—	460
Net cash outflow from operating activities	(2,271)	(4,121)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	99	18
Purchases of fixed assets	(1,787)	(1,756)
Proceeds from disposal of fixed assets	—	145
Additions to deferred development expenditure	(6,944)	(8,525)
Net cash outflow from investing activities	(8,632)	(10,118)

continued/...

Year ended 31 March 2003

CONSOLIDATED CASH FLOW STATEMENT

	Notes	2003 HK\$'000	2002 HK\$'000 (Restated)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of share capital of a subsidiary		—	4,796
Proceeds from issue of share capital		—	25,000
Share issue expenses		—	(4,960)
Repayments of placing expenses from shareholders	18	3,832	—
Repayments of advances from directors		—	(222)
Capital element of finance lease rental payments		(941)	(2,071)
		<hr/>	<hr/>
Net cash inflow from financing activities		2,891	22,543
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		15,602	7,298
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		7,590	15,602
		<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	19	3,590	7,602
Non-pledged time deposits with original maturity of less than three months when acquired	19	4,000	8,000
		<hr/>	<hr/>
		7,590	15,602
		<hr/>	<hr/>



BALANCE SHEET

	Notes	2003 HK\$'000	2002 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	28,424	34,014
CURRENT ASSETS			
Prepayments, deposits and other receivables	18	—	4,193
Cash and bank balances		175	1,118
		175	5,311
CURRENT LIABILITIES			
Accruals and other payables		373	1,130
NET CURRENT ASSETS/(LIABILITIES)			
		(198)	4,181
		28,226	38,195
CAPITAL AND RESERVES			
Issued capital	22	4,000	4,000
Reserves	24(b)	24,226	34,195
		28,226	38,195

Yip Kwok Cheung
Director

Wong Kai Yin
Director

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The registered office of Tradeeasy Holdings Limited is located at the offices of Codan Trust Company (Cayman) Limited, Century Yard, Cricket Square, Hutchins Drive, P. O. Box 2681 GT, George Town, Grand Cayman, British West Indies.

During the year, the Group was principally involved in the provision of integrated marketing solution, Application Service Provider (“ASP”) and technical consultancy services.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following new and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 1 (Revised): “Presentation of financial statements”
- SSAP 11 (Revised): “Foreign currency translation”
- SSAP 15 (Revised): “Cash flow statements”
- SSAP 34: “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 28 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required and in place of the Group's reserves note.

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries are now translated into Hong Kong dollars at the weighted average exchange rates for the year, whereas previously they were translated at the exchange rates ruling at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of this SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. In addition, cash flows from overseas subsidiaries arising during the year are now translated to Hong Kong dollars at the exchange rates at the dates of the transactions, or at an approximation thereto, whereas previously they were translated at the exchange rates at the balance sheet date. Further details about the impact of these changes and the prior year adjustments that have resulted from them are included in the accounting policy for “Foreign currencies” in note 3 and note 25, respectively, to the financial statements.



NOTES TO FINANCIAL STATEMENTS

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) *(continued)*

SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no material change to the previously adopted accounting treatments for employee benefits as at the balance sheet date. In addition, disclosures are now required in respect of the Company's share option schemes, as detailed in note 23 to the financial statements. These share option schemes disclosures are similar to the Listing Rules disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with 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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2003. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

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

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Furniture and fixtures	20%
Computer and office equipment	20% - 33%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.



NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Research and development expenditure

All research expenditure is charged to the profit and loss account as incurred.

Development expenditure incurred on the development of software products is capitalised and deferred only when the products are clearly defined, the expenditure is separately identifiable and can be measured reliably, and there is reasonable certainty that the products are technically feasible and have commercial value. Development expenditure which does not meet these criteria are expensed when incurred.

Deferred development expenditure is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over a period of five years, which represents the expected economic useful lives of the products, commencing from the date of sale.

Leased assets

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

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

Cash and cash equivalents

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

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

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Revenue recognition

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

- (i) integrated marketing solution service income, including the development and hosting of web sites, is recognised ratably over the terms of contracts;
- (ii) ASP service income, is recognised based on the percentage of completion of the services rendered;
- (iii) technical consultancy service income, when the services are rendered; and
- (iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Deferred service fees

Deferred service fees represent integrated marketing solution service and ASP service income, which have been invoiced, but the related services have not been rendered. Deferred service fees for integrated marketing solution and ASP service income are recognised ratably over the terms of the contracts and based on the percentage of completion of the services rendered, respectively.

Advertising and promotion expenses

Advertising and promotion expenses are expensed as incurred.

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.



NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits *(continued)*

Employment Ordinance long service payments (continued)

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share option schemes

The Company operates two share option schemes for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. The financial impact of share options granted under the share option schemes are not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies *(continued)*

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

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts of overseas subsidiaries and the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. These changes have had no material effect on the financial statements.

4. SEGMENT INFORMATION

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

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

- (a) the integrated marketing solution services segment provides an Internet platform to allow international buyers to identify suppliers and products and to enable suppliers to market their products to buyers;
- (b) the ASP services segment provides international traders with an integrated management automation system for carrying out the maintenance of their existing customer base, the management of customer relationships, order processing and the enhancement of potential trade enquiries; and
- (c) the technical consultancy services segment provides the development and production of electronic versions of marketing materials and product descriptions, and the provision of related technology services.

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

NOTES TO FINANCIAL STATEMENTS



4. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	Integrated marketing solution services		ASP services		Technical consultancy services		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:								
Sales to external customers	6,665	16,004	12,646	13,229	14,852	23,560	34,163	52,793
Other revenue from external sources	—	1,722	—	280	—	—	—	2,002
Total	<u>6,665</u>	<u>17,726</u>	<u>12,646</u>	<u>13,509</u>	<u>14,852</u>	<u>23,560</u>	<u>34,163</u>	<u>54,795</u>
Segment results	<u>(2,150)</u>	<u>1,677</u>	<u>(5,313)</u>	<u>2,756</u>	<u>446</u>	<u>5,277</u>	<u>(7,017)</u>	<u>9,710</u>
Interest income							99	18
Unallocated revenue							202	1,498
Unallocated expenses							(1,637)	(421)
Profit/(loss) from operating activities							(8,353)	10,805
Finance costs							(174)	(271)
Profit/(loss) before tax							(8,527)	10,534
Tax							—	—
Net profit/(loss) from ordinary activities attributable to shareholders							<u>(8,527)</u>	<u>10,534</u>
Segment assets	<u>4,090</u>	<u>7,289</u>	<u>16,538</u>	<u>15,547</u>	<u>6,164</u>	<u>3,984</u>	<u>26,792</u>	<u>26,820</u>
Unallocated assets							9,339	21,876
Total assets							<u>36,131</u>	<u>48,696</u>
Segment liabilities	<u>1,236</u>	<u>1,965</u>	<u>653</u>	<u>606</u>	<u>2,039</u>	<u>1,650</u>	<u>3,928</u>	<u>4,221</u>
Unallocated liabilities							2,380	6,125
Total liabilities							<u>6,308</u>	<u>10,346</u>
Other segment information:								
Capital expenditure	273	3,317	4,696	6,513	3,762	451	8,731	10,281
Depreciation	1,270	2,010	2,411	1,744	1,003	992	4,684	4,746
Amortisation	889	2,041	2,921	316	—	—	3,810	2,357
Other non-cash expenses:								
- segment	288	—	547	—	772	644	1,607	644
- unallocated							40	—
							<u>1,647</u>	<u>644</u>

NOTES TO FINANCIAL STATEMENTS

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following tables present revenue and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Mainland China		Consolidated	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Segment revenue:						
Sales to external customers	19,311	29,233	14,852	23,560	34,163	52,793
Other revenue from external sources	—	2,002	—	—	—	2,002
Total	19,311	31,235	14,852	23,560	34,163	54,795
Other segment information:						
Segment assets	27,579	42,600	8,552	6,096	36,131	48,696
Capital expenditure	4,969	9,830	3,762	451	8,731	10,281

5. TURNOVER

Turnover represents the value of services rendered during the year.

Revenue from the following activities has been included in turnover:

	Group	
	2003 HK\$'000	2002 HK\$'000
Integrated marketing solution services	6,665	16,004
ASP services	12,646	13,229
Technical consultancy services	14,852	23,560
	34,163	52,793



NOTES TO FINANCIAL STATEMENTS

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2003 HK\$'000	2002 HK\$'000
Staff costs (including directors' remuneration – note 8):		
Salaries and related staff costs	18,133	25,875
Pension scheme contributions *	618	804
	18,751	26,679
Less: Amounts capitalised in deferred development expenditure	(3,067)	(7,353)
	15,684	19,326
Auditors' remuneration	485	550
Depreciation	4,684	4,746
Less: Amounts capitalised in deferred development expenditure	(920)	(939)
	3,764	3,807
Amortisation of deferred development expenditure **	3,810	2,357
Minimum lease payments under operating leases:		
Land and buildings	2,456	4,017
Office equipment	93	69
	2,549	4,086
Loss on disposal of fixed assets	1,036	304
Provisions for bad and doubtful debts on trade receivables	390	340
Write off of deposits	221	—

NOTES TO FINANCIAL STATEMENTS

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES *(continued)*

The Group's profit/(loss) from operating activities is arrived at after charging/(crediting):

	2003 HK\$'000	2002 HK\$'000
Exchange losses/(gains), net	1	(8)
Forfeiture of customer deposits	—	(2,002)
Provision of contents	—	(1,285)
Interest income	(99)	(18)
	—————	—————

* At 31 March 2003, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2002: Nil).

** The amortisation of deferred development expenditure for the year is included in "Cost of sales" on the face of the profit and loss account.

7. FINANCE COSTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Interest on finance leases	174	271
	—————	—————

NOTES TO FINANCIAL STATEMENTS

8. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and Section 161 of the Companies Ordinance is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Executive directors:		
Fees	—	—
Other emoluments:		
Salaries, housing allowances, other allowances and benefits in kind	1,929	2,091
Pension scheme contributions	48	48
	1,977	2,139
Independent non-executive directors:		
Fees	209	40
Non-executive director:		
Fees	—	20

Each of the four executive directors of the Company received emoluments of approximately HK\$319,000 (2002: HK\$285,000), HK\$588,000 (2002: HK\$638,000), HK\$600,000 (2002: HK\$661,000) and HK\$470,000 (2002: HK\$555,000) for the year ended 31 March 2003.

Each of the three (2002: two) independent non-executive directors and one (2002: one) non-executive director of the Company received emoluments of HK\$58,000 (2002: HK\$20,000), HK\$120,000 (2002: HK\$20,000), HK\$31,000 (2002: Nil) and nil (2002: HK\$20,000) for the year ended 31 March 2003.

During the year, the non-executive director agreed to waive director's fees of a total HK\$120,000 (2002: Nil).

During the year, no share options were granted to the directors in respect of their services to the Group.

NOTES TO FINANCIAL STATEMENTS

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2002: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2002: two) non-director, highest paid employees are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Salaries, housing allowances, other allowances and benefits in kind	1,067	1,160
Pension scheme contributions	24	24
	<u>1,091</u>	<u>1,184</u>

The remuneration of each of the two non-director, highest paid employees for the two years ended 31 March 2003 and 2002 fell within the range from nil to HK\$1,000,000.

During the year, no share options were granted to any of the two non-director, highest paid employees in respect of their services to the Group.

10. 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 year (2002: Nil).

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.



NOTES TO FINANCIAL STATEMENTS

11. NET PROFIT /(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2003 dealt with in the financial statements of the Company is approximately HK\$9,969,000 (2002: approximately HK\$345,000).

12. DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries during the year (2002: Nil).

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net loss attributable to shareholders for the year of approximately HK\$8,527,000 (2002: net profit of HK\$10,534,000) and the weighted average of approximately 400,000,000 ordinary shares in issue (2002: 353,425,000 shares deemed to have been in issue) during the year.

A diluted loss per share amount for the year ended 31 March 2003 has not been disclosed as there were no outstanding potential ordinary shares as at 31 March 2003.

The calculation of diluted earnings per share for the year ended 31 March 2002 was based on the net profit attributable to shareholders for the year of approximately HK\$10,534,000. The weighted average number of ordinary shares used in the calculation of diluted earnings per share was the 353,425,000 shares deemed to have been in issue during that year, as used in the basic earnings per share calculation; and the weighted average of approximately 174,000 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during that year.

NOTES TO FINANCIAL STATEMENTS

14. FIXED ASSETS

Group

	Leasehold improvements	Furniture and fixtures	Computer and office equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:				
At beginning of year	1,697	941	14,223	16,861
Additions	636	140	1,011	1,787
Disposals	(1,437)	(85)	(97)	(1,619)
	<u>896</u>	<u>996</u>	<u>15,137</u>	<u>17,029</u>
At 31 March 2003				
Accumulated depreciation:				
At beginning of year	423	407	7,589	8,419
Provided during the year	303	181	4,200	4,684
Disposals	(510)	(34)	(39)	(583)
	<u>216</u>	<u>554</u>	<u>11,750</u>	<u>12,520</u>
At 31 March 2003				
Net book value:				
At 31 March 2003	<u>680</u>	<u>442</u>	<u>3,387</u>	<u>4,509</u>
At 31 March 2002	<u>1,274</u>	<u>534</u>	<u>6,634</u>	<u>8,442</u>

The net book value of the Group's fixed assets held under finance leases and included in the total amounts of computer and office equipment at 31 March 2003 amounted to nil (2002: HK\$2,723,000).



NOTES TO FINANCIAL STATEMENTS

15. DEFERRED DEVELOPMENT EXPENDITURE

	Group
	HK\$'000
Cost:	
At beginning of year	19,164
Additions	7,864
	<hr/>
At 31 March 2003	27,028
	<hr/>
Accumulated amortisation:	
At beginning of year	2,534
Provided during the year	3,810
	<hr/>
At 31 March 2003	6,344
	<hr/>
Net book value:	
At 31 March 2003	20,684
	<hr/>
At 31 March 2002	16,630
	<hr/>

16. INTERESTS IN SUBSIDIARIES

	Company	
	2003	2002
	HK\$'000	HK\$'000
Unlisted shares, at cost	18,500	18,500
Due from subsidiaries	18,471	15,514
	<hr/>	<hr/>
	36,971	34,014
Provision for impairment	(8,547)	—
	<hr/>	<hr/>
	28,424	34,014
	<hr/>	<hr/>

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tradeeasy Investments Limited	British Virgin Islands	HK\$2,970,618 Ordinary	100	—	Investment holding
Datawin Limited	Hong Kong	HK\$100,000 Ordinary	—	100	Provision of integrated marketing solution and ASP services
Mega Wealth Investments Limited	Hong Kong	HK\$100 Ordinary	—	100	Investment holding
Wonderful Goal Investments Limited	Hong Kong	HK\$100 Ordinary	—	100	Investment holding
Tradeeasy Information Technology (Guangzhou) Limited ("Tradeeasy Guangzhou") (Note 1)	Mainland China	US\$300,000	—	100	Provision of technical consultancy services
Tradeeasy Information Technology (Beijing) Limited ("Tradeeasy Beijing") (Note 2)	Mainland China	US\$300,000	—	100	Provision of technical consultancy services
End User Technology Limited	British Virgin Islands	US\$100 Ordinary	—	100	Provision of technical consultancy services



NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tradeeasy (BVI) Limited	British Virgin Islands	US\$100 Ordinary	—	100	Holding of service mark
Tradeeasy Limited	Hong Kong	HK\$100 Ordinary	—	100	Vehicle for holding Hong Kong office licence

Note 1: Tradeeasy Guangzhou is a Sino-foreign co-operative joint venture company established in Mainland China for a period of 15 years commencing from 26 June 2000. The registered capital was fully paid up on 11 July 2000.

Note 2: Tradeeasy Beijing is a wholly foreign-owned enterprise with an operating period of 20 years commencing from 21 June 2000. The registered capital was fully paid up on 14 July 2000.

17. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 30 days	389	515
31 to 60 days	309	192
61 to 90 days	174	148
Over 90 days	727	893
	1,599	1,748

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

NOTES TO FINANCIAL STATEMENTS

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The prior year balance included an amount of approximately HK\$3,832,000 in relation to the placing expenses borne by certain shareholders of the Company (the "Vendors") in respect of the Group reorganisation and the listing of shares of the Company on the GEM on 7 March 2002. Such balance was fully settled during the year.

Both the Company and the Vendors agreed to bear 50% of all of the placing expenses, and further details of this sharing arrangement are set out in the prospectus of the Company dated 26 February 2002.

19. CASH AND CASH EQUIVALENTS

	Group	
	2003 HK\$'000	2002 HK\$'000
Cash and bank balances	3,590	7,602
Time deposits	4,000	8,000
	<u>7,590</u>	<u>15,602</u>

20. TRADE PAYABLES

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Current to 30 days	38	142
31 to 60 days	1	36
61 to 90 days	5	62
Over 90 days	7	24
	<u>51</u>	<u>264</u>

NOTES TO FINANCIAL STATEMENTS



21. DEFERRED TAX

The principal components of the Group's net deferred tax asset position not recognised in the financial statements are as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Accelerated depreciation allowances and other timing differences	26	488
Tax losses	(7,609)	(5,534)
	<u>(7,583)</u>	<u>(5,046)</u>

The benefit of any future tax relief has not been included as an asset in the balance sheet because the directors consider that the benefit should not be recognised until it is assured beyond reasonable doubt.

The Company had no unprovided deferred tax at the balance sheet date (2002: Nil).

22. SHARE CAPITAL

	2003 HK\$'000	2002 HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
400,000,000 ordinary shares of HK\$0.01 each	<u>4,000</u>	<u>4,000</u>

Details of the Company's share option schemes are included in note 23 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

23. SHARE OPTION SCHEMES

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, the following detailed disclosures relating to the Company's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure was also a requirement of the GEM Listing Rules.

The Company operates two share option schemes during the year, of which further details are set out below:

- (i) 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 consultants or advisers 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 which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes adopted by the Company must not exceed 30% of the shares in issue from time to time. After the listing of the shares on the GEM, the total number of shares available for issue under options which may be granted under the Scheme and any other schemes adopted by the Company must not in aggregate exceed 10% of the shares in issue upon the completion of the placing and the capitalisation issue. At 31 March 2003, there were no share options granted by the Company under the Scheme. The total 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 or any other scheme in the past 12-month period up to and including the date of such grant: (1) exceeds 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 in value, 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).

NOTES TO FINANCIAL STATEMENTS**23. SHARE OPTION SCHEMES** *(continued)*

- (i) 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 of directors 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 quotations sheet on the date of 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 quotations sheets on the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a share.

Subsequent to the balance sheet date, on 22 April 2003, the Company granted certain employees under the Scheme a total of 32,000,000 share options to subscribe for shares of HK\$0.1 each in the capital of the Company exercisable at any time from 23 June 2003 to 22 June 2008 at an exercisable price of HK\$0.037 per share.

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

- (ii) The Company operates another share option scheme (the "Pre-IPO Scheme") for the purpose of recognising the contribution of certain employees of the Group and/or other persons to the growth of the Group and/or to the listing of shares on the GEM. The principal terms of the Pre-IPO Scheme, approved by a written resolution of the sole shareholder of the Company dated 20 February 2002, are substantially the same as the terms of the Scheme except that:
- (a) no option will be granted to the directors or members of the senior management of the Company or its subsidiaries under the Pre-IPO Scheme;
 - (b) the subscription price for shares shall not be less than 60% of the placing price, but otherwise shall be determined by the board of directors;
 - (c) subject to the total scheme limit as referred in paragraph (f) below, there is no limit on the grant of options to a particular individual or company;
 - (d) there is no specific restriction against the granting of options to a connected person;

NOTES TO FINANCIAL STATEMENTS

23. SHARE OPTION SCHEMES *(continued)*

- (ii) (e) each grantee to whom an option shall have been granted conditionally under the Pre-IPO Scheme shall be entitled to exercise up to 50% of the underlying shares granted under such option within 10 business days from and including the Specified Date (the "1st Tranche"), and the remaining 50% of the underlying shares granted under such option within 10 business days from and including the date which falls six calendar months after the Specified Date (the "2nd Tranche") provided that if a grantee shall exercise less than 50% of the underlying shares granted under his option in the 1st Tranche, he shall not be entitled to carry over any such unexercised rights for converting his option into shares in relation to the 1st Tranche (the "Unexercised 1st Tranche Portion") to the 2nd Tranche and the Unexercised 1st Tranche Portion shall be deemed to lapse automatically and without notice. For the above purpose, the "Specified Date" means any business day within six months after 7 March 2002 as shall be notified by the Company to the grantee for exercising his option under the Pre-IPO Scheme; and
- (f) the total number of shares subject to the Pre-IPO Scheme shall not exceed 5,714,500 shares.

On 20 February 2002, the Company granted options under the Pre-IPO Scheme to 57 full-time employees, who are not the directors of the Company or members of senior management of the Group, to subscribe for an aggregate of 5,714,500 shares, representing in aggregate approximately 1.4% of the then issued share capital of the Company immediately following the completion of the placing, at an exercise price of HK\$0.30 each. No further options will be granted under the Pre-IPO Scheme after the listing of the Company's shares on the GEM.

No options had been granted and exercised during the year. The entire 5,714,500 share options, being granted in the prior year under the Pre-IPO Scheme at an exercise price of HK\$0.30 each, lapsed during the year in accordance with the paragraph (e) above.

NOTES TO FINANCIAL STATEMENTS



24. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 28 of the financial statements.

The contributed surplus of the Group includes the difference between the nominal value of the shares and the share premium accounts of the subsidiaries acquired in prior years, over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium account	Contributed surplus	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	—	—	—	—
Arising on acquisition of a subsidiary	—	18,203	—	18,203
Capitalisation of shares	(3,203)	—	—	(3,203)
Issue of shares	24,500	—	—	24,500
Share issue expenses	(4,960)	—	—	(4,960)
Net loss for the year	—	—	(345)	(345)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002 and 1 April 2002	16,337	18,203	(345)	34,195
Net loss for the year	—	—	(9,969)	(9,969)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2003	<u>16,337</u>	<u>18,203</u>	<u>(10,314)</u>	<u>24,226</u>

The contributed surplus of the Company includes the excess of the fair value of the shares of a subsidiary acquired in the prior year, over the nominal value of the Company's shares issued in exchange therefor.

Under the Companies Law (Revised) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company, provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as and when they fall due in the ordinary course of business.

NOTES TO FINANCIAL STATEMENTS

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

Prior year adjustments

SSAP 15 (Revised) was adopted during the current year, as detailed in note 2 to the financial statements, which was resulted in a change to the layout of consolidated cash flow statement. The consolidated cash flow statement is now presented under three headings: cash flows from operating activities, investing activities and financing activities. Previously five headings were used, comprising the three headings listed above, together with cash flows from returns on investments and servicing of finance and from taxes paid. The significant reclassifications resulting from the change in presentation are that taxes paid are now included in cash flows from operating activities and interest received is now included in cash flows from investing activities. The presentation of the 2002 comparative consolidated cash flow statement has been changed to accord with the new layout.

The method of calculation of certain items in the consolidated cash flow statement has changed under the revised SSAP 15, as explained under the heading "Foreign currencies" in note 3 to the financial statements. Cash flows of overseas subsidiaries are now translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year. Previously, the cash flows of overseas subsidiaries were translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

26. CONTINGENT LIABILITIES

The Group has a contingent liability in respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, with a maximum possible amount of approximately HK\$478,000 as at 31 March 2003, as further explained under the heading "Employee benefits" in note 3 to the financial statements. The contingent liability has arisen because, at the balance sheet date, a number of current employees have achieved the required number of years of service to the Group in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated under certain circumstances. A provision has not been recognised in respect of such possible payments, as it is not considered probable that the situation will result in a material future outflow of resources from the Group. Except for the above, the Group and the Company had no significant contingent liability as at 31 March 2003.

NOTES TO FINANCIAL STATEMENTS



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

	Group	
	2003 HK\$'000	2002 HK\$'000
Within one year	1,121	1,090
In the second to fifth years, inclusive	467	365
	<u>1,588</u>	<u>1,455</u>

28. COMMITMENTS

Other than the operating lease commitments detailed in note 27 above, neither the Group, nor the Company had any significant commitments at balance sheet date.

29. RELATED PARTY TRANSACTION

Pursuant to a grant of non-exclusive use (the "Grant") made on 23 October 2001 by CCT Infrastructure Limited ("CCTI"), a wholly-owned subsidiary of CCT Telecom Holdings Limited which in turn is a substantial shareholder of the Company, in favour of Tradeeasy Limited, a wholly-owned subsidiary of the Company, CCTI granted the non-exclusive use of a part of premises located at 20th Floor, 1063 King's Road, Quarry Bay, Hong Kong, to the Group. The Grant was terminated on 31 December 2002.

During the year, an aggregate amount of approximately HK\$1,132,000 (2002: HK\$772,000) was paid to CCTI by the Group under the above-mentioned arrangement.

The above transaction is also disclosed under the section headed "Connected transaction" in the Report of the Directors on page 23 of the financial statements.



31 March 2003

NOTES TO FINANCIAL STATEMENTS

30. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of certain items in the financial statements has been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to confirm with the current year's presentation.

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 23 June 2003.

SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results and consolidated assets and liabilities of the Group for each of the four years ended 31 March 2003 prepared on the basis set out in the notes below:

RESULTS

	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000
Turnover	8,860	19,813	52,793	34,163
Profit/(loss) from operating activities	(5,899)	(46,822)	10,805	(8,353)
Finance costs	(127)	(593)	(271)	(174)
Profit/(loss) before tax	(6,026)	(47,415)	10,534	(8,527)
Tax	—	—	—	—
Net profit/(loss) from ordinary activities attributable to shareholders	(6,026)	(47,415)	10,534	(8,527)
Basic earnings/(loss) per share (HK cents)	(1.7)	(13.5)	3.0	(2.1)
ASSETS AND LIABILITIES				
Non-current assets	1,859	21,404	25,072	25,193
Current assets	7,633	15,578	23,624	10,938
	9,492	36,982	48,696	36,131
Current liabilities	17,082	33,614	10,346	6,308
Non-current liabilities	—	388	—	—
	17,082	34,002	10,346	6,308

Notes:

- The Company was incorporated in the Cayman Islands on 20 September 2001 and became the holding company of the companies comprising the Group on 20 February 2002 as a result of the Group reorganisation (the "Group Reorganisation"). Further details of the Group Reorganisation are set out in the Company's prospectus dated 26 February 2002.
- The results of the Group for each of the two years ended 31 December 2000 and 2001 presented above have been extracted from the Company's prospectus dated 26 February 2002 when the listing of the Company's shares was sought on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
- The results of the Group for the two years ended 31 March 2002 and 2003 presented above have been extracted from the consolidated profit and loss account as set out on page 26 of the financial statements.
- The financial summary of the Group, which is presented for information only, has been prepared on the basis that the structure and business activities of the Group immediately after the completion of the Group Reorganisation had been in existence throughout the three years ended 31 March 2002.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of Tradeeasy Holdings Limited (the "Company") will be held in the Crystal Room of Holiday Inn Golden Mile Hong Kong of 50 Nathan Road, Tsim Sha Tsui, Kowloon on Tuesday, 29 July, 2003 at 9:00 a.m. for the following purposes:

- 1) To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the year ended 31 March, 2003.
- 2) To re-elect retiring directors and to authorise the board of directors (the "Board") to fix the directors' remuneration.
- 3) To re-appoint auditors and to authorise the Board to fix their remuneration.
- 4) As special business, to consider and, if though fit, pass the following resolutions with or without amendments as ordinary resolutions:

A "THAT:

- (i) subject to paragraph (iii) of this resolution and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market on the Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or options, warrants, or similar rights to subscribe for any shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall authorise the directors of the Company during the Relevant Period to make and grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the directors of the Company pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or, (b) the grant or exercise of rights of conversion under any securities which are convertible into shares of the Company or, (c) any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or a part of a dividend on shares of the Company pursuant to the Articles of the Association of the Company from time to time, (d) the grant or exercise of any options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to the directors, officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly; and



NOTICE OF ANNUAL GENERAL MEETING

- (iv) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

"Right issue" means the allotment or issue of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the directors of the Company made to holders of shares of the Company or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

B "THAT:

- (i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own issued shares in the capital of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Future Commission and the Stock Exchange in accordance with all the applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this resolution shall not exceed 10 per cent of the aggregate nominal amount of share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and
- (iii) for the purpose of this resolution:

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting."



NOTICE OF ANNUAL GENERAL MEETING

- C** "THAT condition upon the resolution numbered 4B in the notice convening this meeting being passed, the general mandate granted to the directors of the Company to allot, issue and deal with additional securities pursuant to resolution numbered 4A in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the said resolution numbered 4B."

By Order of the Board

Chan Fai Kwong

Company Secretary

Hong Kong, 23 June, 2003

Principal Place of Business:

Units 1-6
8th Floor
Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Notes:

1. In order to qualify for attending the forthcoming annual general meeting of the Company, all shares transfer accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting.
2. Every member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
3. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Branch Share Registrar in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting or any adjournment thereof. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.
4. An Explanatory Statement containing further details regarding resolution numbered 4B above as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange will be dispatched to the members of the Company together with the 2003 annual report.
5. In the case of a poll taken subsequently to the date of the meeting or adjourned meeting, the form of proxy must be deposited at the Company's Branch Share Registrar in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the time fixed for the taking of the poll.
6. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.