



 Tradeeasy Holdings Limited
TRADEeasy 易貿通集團有限公司

First Quarterly Report

For the three months ended 30 June 2002



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

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

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

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid quarterly reports 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 quarterly 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 quarterly report.

This quarterly report, for which the directors of Tradeeasy Holdings Limited collectively and individually accept responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to Tradeeasy Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: — (1) the information contained in this quarterly 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 quarterly report misleading; and (3) all opinions expressed in this quarterly report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.



FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2002

The board of directors is pleased to announce that the unaudited consolidated first quarterly results of the Company and its subsidiaries (collectively referred to as the "Group" or "Tradeeasy") for the three months period ended 30 June 2002 together with the comparative unaudited figures for the corresponding period in 2001, as follows:

| | Notes | Unaudited for the three months ended 30 June, | |
|--|-------|---|--------------------------|
| | | 2002 HK\$'000 | 2001 HK\$'000 |
| TURNOVER | 2 | <u>9,147</u> | <u>15,728</u> |
| Gross profit | | 3,580 | 7,456 |
| Other revenue | | 131 | 2,993 |
| Operating expenses | | <u>(5,105)</u> | <u>(6,170)</u> |
| PROFIT/(LOSS) BEFORE TAX | | (1,394) | 4,279 |
| Tax | 3 | <u>—</u> | <u>—</u> |
| PROFIT/(LOSS) AFTER TAX AND ATTRIBUTABLE TO THE SHAREHOLDERS | | <u>(1,394)</u> | <u>4,279</u> |
| EARNINGS/(LOSS) PER SHARE | 4 | | |
| Basic | | <u>0.35 cents</u> | <u>1.22 cents</u> |

Notes: -

1. Basis of presentation

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

The results of the Group have been prepared on a merger basis as if the current group structure had been in existence throughout the periods under review or since the respective dates of incorporation or establishment of respective companies now comprising the Group, whichever is the shorter period.

All significant intra-group transactions and balances have been eliminated on consolidation.



2. Turnover

Turnover represents the value of services rendered.

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

| | Unaudited | |
|--|-----------------------------|----------|
| | for the three months | |
| | ended 30 June, | |
| | 2002 | 2001 |
| | HK\$'000 | HK\$'000 |
| Integrated marketing solution services | 2,219 | 4,460 |
| ASP services | 3,855 | 3,947 |
| Technical consultancy services | 3,073 | 7,321 |
| | 9,147 | 15,728 |

3. Tax

(i) Hong Kong Profits Tax

No provision for Hong Kong profits tax has been made as the Group either had no assessable profits arising in Hong Kong, or had losses brought forward from the prior year to offset the assessable profits during the three months period under review (2001: Nil).

(ii) PRC Income Tax

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

Tradeeasy Information Technology (Beijing) Limited, a wholly foreign-owned enterprise established and operating in Beijing, is subject to Mainland China enterprise income tax at a rate of 33%. Pursuant to a notice dated 8 January 2001 issued by 北京市海澱區國家稅務局, Tradeeasy Information Technology (Beijing) Limited has status as a High and New Technology Enterprise and hence the applicable income tax rate was reduced to 15%. The notice also stated that Tradeeasy Information Technology (Beijing) Limited is entitled to full exemption from Mainland China income tax for the years 2000 to 2002 to be followed by a 50% reduction in the income tax rate for the years 2003 to 2005.



4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the net loss from ordinary activities attributable to the shareholders for the period under review of approximately HK\$1.4 million (2001: net profit of HK\$4.3 million) and the weighted average of approximately 400,000,000 shares (2001: 350,000,000 shares) deemed to have been in issue during the period under review.

Diluted earnings/(loss) per share for the three months periods ended 30 June 2002 and 30 June 2001 are not disclosed as no diluting events occurred during those periods.

5. Movement in reserves

Other than the loss for the three months period ended 30 June 2002 and the profit for the three months period ended 30 June 2001, there was no movement of reserves of the Group during both periods.

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the three months period ended 30 June 2002 (2001: Nil).

BUSINESS REVIEW

The first quarter of 2002 was a difficult period for the Company due to the global economic slowdown. Hong Kong manufacturers were hit severely and showed no signs of recovery. A large number of them have been moving their marketing offices to China and closing their entire operations in Hong Kong. Most exporters, especially Hong Kong exporters, are skeptical of an imminent market recovery and are conservative with their marketing budgets.

Under this challenging environment, the turnover for the three months period ended 30 June 2002 reached approximately HK\$9.1 million (2001: HK\$15.7 million). Loss attributable to the shareholders amounted to approximately HK\$1.4 million (2001: net profit of HK\$4.3 million). Included in the results of the first quarter of 2001 were sales of content to another content provider and the forfeiture of non-refundable deposits from customers totaling HK\$3 million which were one-off in nature.

In light of the market condition, the management has taken measures to control cost, including streamlining operations, implementing a performance-based salary system, and maintaining promotional and administrative expenses at reasonable levels. Operating expenses were reduced by approximately 18% compared with the corresponding period in 2001.



PROSPECTS

Despite the global economic downturn, the PRC's export sector is expected to continue growing in view of China's entry to the World Trade Organisation ("WTO"). As an international trade enabler, the Group is strategically positioned to take full advantage of the immense business opportunities in China.

In order to enhance the foothold in the competitive market, the Group has to explore and secure new sources of revenue. The Group recently entered into an arrangement with Yahoo! Hong Kong to market their on-line services to major corporations in southern China.

Leveraging on the Group's existing database and sales structure, the Group aims to diversify its customer base. As such the Group is in discussion with different strategic partners in China to gain access to a large database of potential customers in China and to cross-sell additional services.

To stay in the forefront of this fast moving industry and keep well ahead of its competitors, the Group will continue to invest in products development in a prudent manner, in particular, the intra-China trade platform and the proprietary Management Automation Software, e-IMS. In the next quarter, the Group expects to commence the next phase of enhancement to e-IMS with more streamlined and efficient operational procedures.

To further expand its sales network and at the same time minimise risks, the Group is establishing sales agents in the PRC and is finalising agreements with potential parties.

The Group is optimistic that its performance will improve when the global economy recovers. The Group has adopted a cost containment strategy and will continuously enhance products and services to ensure that it is poised to capture many growth opportunities resulting from China's accession to the WTO.

DIRECTORS' INTERESTS IN SHARES

As at 30 June 2002, 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 | — |
| | 67,375,166 | 518,411 |

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



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

DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the sections headed "Directors' interests in shares" above and "Share option schemes" below, at no time during the period under review were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEMES

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

On 20 February 2002, the Company granted options under the Pre-IPO Share Option Scheme to 57 full-time employees, who are not the directors of the Company or the senior management of the Group, to subscribe for an aggregate of 5,714,500 shares in the Company. No further options were then granted under the Pre-IPO Share Option Scheme. Up to 30 June 2002, none of such options granted was exercised or cancelled.

Up to 30 June 2002, no share option was granted under Share Option Scheme.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, 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 capital |
|-------------------------------------|------------------------------|---|
| Manistar Enterprises Limited | 93,364,070 | 23.34% |
| CCT Telecom Holdings Limited (Note) | 93,364,070 | 23.34% |

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

Save as disclosed above, the directors are not aware of any person who directly or indirectly, had a registered interest of 10% or more in the issued share capital of the Company as at 30 June 2002 which was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.



SPONSOR'S INTERESTS

As at 30 June 2002, 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 GEM Listing Rules) had any interest in the share capital of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or of any members of the Group.

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

COMPETING INTEREST

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

PURCHASES, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Other than in connection with the Company's placing, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the period under review.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

The Company established an audit committee on 26 September 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The audit committee has three members comprising two independent non-executive directors, Mr. Tai Ka Luk and Mr. Tam King Ching, Kenny and one non-executive director, Mr. Tam Ngai Hung. The audit committee has reviewed the Group's unaudited consolidated first quarterly results for the three months ended 30 June 2002.

By Order of the Board of

Tradeeasy Holdings Limited

YU LUP FAT, JOSEPH

Chairman

Hong Kong, 9 August 2002