



# TRADEEASY HOLDINGS LIMITED

(易貿通集團有限公司)\*

*(incorporated in the Cayman Islands with limited liability)*

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# **FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2002**

## **Financial Highlights**

- For the financial year ended 31 Mar 2002, the Group recorded a turnover of HK\$52.8 million in comparison to HK\$19.8 million last year, representing a substantial growth of approximately 167% compared with last year.
- The Group recorded a gross profit of HK\$27.5 million this year as compared with gross loss of HK\$4.3million for the year ended 31 March 2001.
- The profit attributable to shareholders also significantly improved to this year's HK\$10.5 million from 2001's loss of HK\$47.4 million.
- Earnings per share was HK\$3.0 cents for the year ended 31 March 2002 as compared with a loss per share of HK\$ 13.5 cents recorded for the previous financial year.
- The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2002 (2001: Nil).

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Director are pleased to announce that the audited consolidated results for the year ended 31 March 2002 of the Company and its subsidiaries (collectively referred to as the “Group” or “Tradeeasy”) together with comparative audited figures are as follows:

	<i>Notes</i>	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
TURNOVER	2	52,793	19,813
Cost of sales		<u>(25,315)</u>	<u>(24,068)</u>
Gross profit/(loss)		27,478	(4,255)
Other revenue		3,518	2,416
Selling expenses		(4,148)	(4,192)
General and administrative expenses		(12,001)	(17,563)
Advertising and promotion expenses		(3,398)	(10,567)
Other operating expenses		(644)	(3,870)
Pre-operating expenses		<u>—</u>	<u>(8,791)</u>
<b>PROFIT/(LOSS) FROM OPERATING</b>			
<b>ACTIVITIES</b>	3	10,805	(46,822)
Finance costs	4	<u>(271)</u>	<u>(593)</u>
<b>PROFIT/(LOSS) BEFORE TAX</b>		10,534	(47,415)
Tax	5	<u>—</u>	<u>—</u>
<b>NET PROFIT/(LOSS) FROM ORDINARY</b>			
<b>ACTIVITIES</b>			
<b>ATTRIBUTABLE TO SHAREHOLDERS</b>		<u>10,534</u>	<u>(47,415)</u>
DIVIDENDS	8	<u>—</u>	<u>—</u>
<b>EARNINGS/(LOSS) PER SHARE</b>	6		
Basic		<u>3.0 cents</u>	<u>(13.5 cents)</u>
Diluted		<u>3.0 cents</u>	<u>N/A</u>

## 1. GROUP REORGANISATION AND BASIS OF PRESENTATION

### **The Company**

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.

### **Group reorganisation**

Pursuant to a group reorganisation (the “Group Reorganisation”) to rationalise the structure of the Group in preparation of the listing of shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited on 7 March 2002, the Company became the holding company of the companies now comprising the Group on 20 February 2002. This was accomplished by acquiring the entire issued share capital of Tradeeasy Investments Limited (“TIL”), the then holding company of the Group which consequently became the intermediate holding company of the other subsidiaries, in consideration of the allotment and issue of a total of 29,706,169 ordinary shares of HK\$0.01 each of the Company, credited and fully paid, to the then shareholders of TIL.

Further details of the Group Reorganisation are set out in the prospectus of the Company dated 26 February 2002.

### **Basis of presentation and consolidation**

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with Statement of Standard Accounting Practice 27 “Accounting for Group Reconstructions”. On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganisation for the two years ended 31 March 2002, rather than from the date of their acquisitions on 20 February 2002. Accordingly, the consolidated results and cash flows of the Group for the two years ended 31 March 2002 include the results and cash flows of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation/registration, where this is a shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole, as the principal activities of the Group were carried out by the subsidiaries prior to and after the Group Reorganisation.

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

## 2. TURNOVER

Turnover represents the value of services rendered.

Revenue from the following activities has been included in turnover:

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Integrated marketing solution services	16,004	15,399
ASP services	13,229	—
Technical consultancy services	<u>23,560</u>	<u>4,414</u>
	<u><u>52,793</u></u>	<u><u>19,813</u></u>

## 3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Staff costs (including directors' remuneration):		
Salaries and related staff costs	25,875	38,026
Pension scheme contributions*	<u>804</u>	<u>426</u>
	26,679	38,452
Less: Amount capitalised in deferred development expenditure	<u>(7,353)</u>	<u>(7,449)</u>
	<u>19,326</u>	<u>31,003</u>
Auditors' remuneration	550	350
Depreciation	4,746	3,247
Less: Amount capitalised in deferred development expenditure	<u>(939)</u>	<u>(686)</u>
	<u>3,807</u>	<u>2,561</u>
Amortisation of deferred development expenditure**	2,357	177
Minimum lease payments under operating leases:		
Land and buildings	4,017	5,009
Office equipment	69	47
Loss on disposal of fixed assets	304	4
Write-off of fixed assets	—	1,663
Provision for bad and doubtful debts on trade receivables	340	1,000
Provision for bad and doubtful debts on other receivables	—	1,207

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

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Forfeiture of customer deposits	(2,002)	—
Provision of contents	(1,285)	(943)
Interest income	(18)	(422)
Exchange gains	(8)	(39)
Management fee income	—	(982)

\* At 31 March 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: 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.

#### 4. FINANCE COSTS

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Interest on finance leases	271	245
Interest on other loan	<u>—</u>	<u>348</u>
	<u><u>271</u></u>	<u><u>593</u></u>

#### 5. 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 year (2001: Nil).

##### (ii) PRC income tax

Tradeeasy Information Technology (Guangzhou) Limited, a Sino-foreign cooperative 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.

### (iii) **Deferred tax**

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

	<b>2002</b> <i>HK\$'000</i>	<b>2001</b> <i>HK\$'000</i>
Accelerated depreciation allowances	488	876
Tax losses	<u>(5,534)</u>	<u>(6,722)</u>
	<u>(5,046)</u>	<u>(5,846)</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.

## **6. EARNINGS/(LOSS) PER SHARE**

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK\$10,534,000 (2001: net loss of HK\$47,415,000) and the weighted average of approximately 353,425,000 shares (2001: 350,000,000 shares) deemed to have been in issue during the year.

The weighted average number of shares used to calculate both the current and prior years' earnings/(loss) per share includes the pro forma issued share capital of the Company of 350,000,000 shares deemed to have been in issue prior to the new issue of shares by way of placing. The weighted average number of shares used in the current year's earnings per share calculation also includes the 50,000,000 ordinary shares issued by way of placing in connection with the public listing of the Company's shares on 7 March 2002.

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

Diluted loss per share amount for the year ended 31 March 2001 has not been disclosed as no diluting events existed during that year.

## **7. 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 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 Application Service Provider ("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 and results 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.

(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				Technical		Consolidated	
	solution services		ASP services		consultancy services		2002	2001
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	16,004	15,399	13,229	—	23,560	4,414	52,793	19,813
Other revenue from external sources	<u>1,722</u>	<u>920</u>	<u>280</u>	<u>—</u>	<u>—</u>	<u>92</u>	<u>2,002</u>	<u>1,012</u>
Total	<u>17,726</u>	<u>16,319</u>	<u>13,509</u>	<u>—</u>	<u>23,560</u>	<u>4,506</u>	<u>54,795</u>	<u>20,825</u>
Segment results	<u>1,677</u>	<u>(36,090)</u>	<u>2,756</u>	<u>—</u>	<u>5,277</u>	<u>(12,136)</u>	9,710	(48,226)

Group	Integrated marketing				Technical		Consolidated	
	solution services		ASP services		consultancy services		2002	2001
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest income							18	422
Unallocated revenue							1,498	982
Unallocated expenses							421	—
Profit/(loss) from operating activities							10,805	(46,822)
Finance costs							(271)	(593)
Profit/(loss) before tax							10,534	(47,415)
Tax							—	—
Net profit/(loss) from ordinary activities attributable to shareholders							10,534	(47,415)
Segment assets	7,289	9,394	15,547	8,229	3,984	4,738	26,820	22,361
Unallocated assets							21,876	14,621
Total assets							48,696	36,982
Segment liabilities	1,965	9,049	606	—	1,650	4,086	4,221	13,135
Unallocated liabilities							6,125	20,867
Total liabilities							10,346	34,002
Other segment information:								
Capital expenditure	3,786	11,844	6,983	8,229	451	4,576	11,220	24,649
Depreciation	1,541	2,056	1,274	—	992	505	3,807	2,561
Amortisation	2,041	177	316	—	—	—	2,357	177
Other non-cash expenses:								
- segment	—	—	—	—	644	1,005	644	1,005
- unallocated							—	2,865
							644	3,870

(b) **Geographical segments**

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

<b>Group</b>	<b>Hong Kong</b>		<b>People's Republic of China</b>		<b>Consolidated</b>	
	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>	<b>2002</b>	<b>2001</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Segment revenue:						
Sales to external customers	29,233	15,399	23,560	4,414	52,793	19,813
Other revenue from external sources	<u>2,002</u>	<u>920</u>	<u>—</u>	<u>92</u>	<u>2,002</u>	<u>1,012</u>
Total	<u>31,235</u>	<u>16,319</u>	<u>23,560</u>	<u>4,506</u>	<u>54,795</u>	<u>20,825</u>
Segment results	<u>4,433</u>	<u>(36,090)</u>	<u>5,277</u>	<u>(12,136)</u>	<u>9,710</u>	<u>(48,226)</u>
Other segment information:						
Segment assets	22,836	17,623	3,984	4,738	26,820	22,361
Capital expenditure	<u>10,769</u>	<u>20,073</u>	<u>451</u>	<u>4,576</u>	<u>11,220</u>	<u>24,649</u>

**8. DIVIDENDS**

No dividend has been paid or declared by the Company since its incorporation. The board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2002 (2001: Nil).

## 9. RESERVES

### Group

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
1 April 2000	—	3,938	—	(11,827)	(7,889)
Issue of shares of a subsidiary	—	57,976	—	—	57,976
Exchange realignments	—	—	11	—	11
Net loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(47,415)</u>	<u>(47,415)</u>
At 31 March 2001 and 1 April 2001	—	61,914	11	(59,242)	2,683
Issue of shares of a subsidiary	—	4,796	—	—	4,796
Capitalisation of shares	(3,203)	—	—	—	(3,203)
Issue of shares	24,500	—	—	—	24,500
Share issue expenses	(4,960)	—	—	—	(4,960)
Net profit for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,534</u>	<u>10,534</u>
At 31 March 2002	<u>16,337</u>	<u>66,710</u>	<u>11</u>	<u>(48,708)</u>	<u>34,350</u>

The contributed surplus of the Group includes the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group Reorganisation set out in note 1, over the nominal value of the Company's shares issued in exchange therefor.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

The financial year ended 31 March 2002 has been an exciting year for Tradeeasy Holdings Limited and its subsidiaries (the "Group" or "Tradeeasy"). The successful listing of the Group on the GEM of the Stock Exchange on 7 March 2002 has marked a milestone in our development. We believe the listing will enhance our corporate status and increase our market awareness, making a strong contribution to our future business development.

During the year, China's entry into WTO has given rise to an overwhelming enthusiasm for the Group's services as a "Trade Enabler". Our services facilitate global buyers and suppliers, helping them to trade their products in a more efficient and timely manner. We are fully committed to maintaining our position as one of the leading trade enablers in the Greater China region providing one-stop solutions to SME exporters to increase their marketability and to streamline their operations.

In view of the dynamic market environment, the Group has been developing and offering new services, exploring new business opportunities and expanding market coverage. The focus is on both on-line and off-line marketing, consultation services and business automation service solutions.

## **FINANCIAL REVIEW**

The financial year ended 31 March 2002 has been a successful year for the Group. The Group's turnover rose 167% to HK\$52.8 million in comparison to HK\$19.8 million in last financial year. The Group recorded gross profit of HK\$27.5 million this financial year as compared with a gross loss of HK\$4.3 million last financial year. The profit attributable to shareholders also significantly improved to this financial year's HK\$10.5 million in the previously financial year loss of HK\$47.4 million. The Group has successfully met the profit forecast in the prospectus, where it stated that in this financial year, the profit would not be less than HK\$10 million. Basic earnings per share were HK3.0 cents for this financial year.

### **Operation results**

The 167% rise in turnover in the financial year is attributable to the steady growth of the Integrated Marketing Solution Services, the successful rollout of the Group's first Management Automation Services as well as the increasing demand of Technical Consultancy Services. These services contributed HK\$16.0 million, HK\$13.2 million and HK\$23.6 million to the turnover of the Group and HK\$1.7 million, HK\$2.7 million and HK\$5.3 million respectively to profit for the financial year under review.

A 434% growth in turnover was recorded in the financial year from the PRC market. The Group first penetrated to the PRC market in mid of 2000, with this investment proving to be highly successful. In the year under review, the PRC market contributed HK\$23.6 million to the turnover as compared with HK\$4.4 million last year. The profit for the year recoded was HK\$5.3 million as compared to a loss of HK\$12.1 million of the year before.

Turnover in Hong Kong market grew 90% to HK\$29.2 million despite the slowdown in the economy during the financial year. As compared to last year's growth of 74%, the growth rate is slowed down in Hong Kong. However, a profit of HK\$4.4 million was recorded for the year as compared to loss of HK\$36 million in the previous year.

A 52% gross profit was achieved in the financial year, as compared to gross loss of 21% last year. The significant improvement was mainly attributable to

the high re-subscription rate of existing subscribers to the Group's services, which led to a lower costs of sales and better economy of scale from an enlarged subscriber base. The Group believes the on-going improvement in the products range and product quality, customer services as well as the general increasing understanding to the benefits of using the Group's services by our subscribers, will continue to maintain a higher re-subscription rate and attract new subscribers.

The Group changed its brand building strategy this year to direct participation in trade fairs and seminars which led to a reduction of marketing costs of HK\$7.2 million as compared to last year. Through monitoring the trade terms with suppliers, reduction in rent, streamlining in operation, selling expenses and general administration expenses reduced 1% and 32% respectively.

The improvement in gross profit margin, a better cost control and more efficient operations contributed positive growth to profit attributable to shareholders to HK\$10.5 million this year.

### **Liquidity and financial resources**

The Group is principally financed by cash flows generated internally and from the proceeds of the IPO. As at 31 March 2002, the Group's cash and cash equivalent amounted to HK\$15.6 million, 90% of which was denominated in Hong Kong dollars. The Group adopts a conservative approach to its treasury policy. Cash is generally placed on short term interest bearing deposits denominated in Hong Kong dollars.

As at 31 March 2002, the net assets value of the Group amounted to HK\$38.4 million, representing approximately HK\$9.6 cents per share. The Group had an obligation under the finance leases of HK\$0.9 million, all of which are repayable within one year from the year end date, on its computer servers and equipment of net book value HK\$2.7 million as at 31 March 2002. Apart from the said financial leases, during the year under review and at the year end date, the Group had no other borrowings, banking facilities or assets pledged. The gearing ratio (i.e. total long-term external borrowings/total equity) of the Group as at 31 March 2002 was nil (2001 : 0.13). As at 31 March 2002, the Group had total current assets of HK\$23.6 million and total current liabilities of HK\$10.3 million. The current ratio of the Group has improved to this year's 2.29 from last year's 0.46.

### **Foreign currency exposure**

The Group's reporting currency is in Hong Kong dollars. Most of the transactions, assets and liabilities of the Group are dominated 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 transaction were made during the year.

### **Contingent liabilities**

As at 31 March 2001 and 2002, the Group had no material contingent liabilities.

### **Future plans for investment or capital assets**

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

### **Acquisition and disposal of subsidiaries and affiliated companies**

During two financial years ended 31 March 2001 and 2002, the Group has no material acquisitions and disposals of subsidiaries and affiliated companies.

### **Significant investments**

During two financial years ended 31 March 2001 and 2002, the Group did not had any significant investments held.

### **Purchase, 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 from 20 September 2001 (date of incorporation) to 31 March 2002.

### **Compliance with Rule 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.

## **BUSINESS REVIEW**

### **Our Services**

#### *Integrated marketing services*

We developed a number of services this year which integrate and complement each other, providing an efficient trading platform for sellers to market their products around the world in a more effective manner.

We participated in a number of International trade fairs, assisting our “seller” members by representing them at these trade fairs. These include the Hong Kong Houseware Fair, Hong Kong Fashion Week, Hong Kong Toys Fair, International Housewares Show and International Hardware Show in Chicago, the Spring and Autumn Canton Fair in the PRC, the Spielwarenmesse International Toy Fair in Nuremberg, Germany, Premiere-paper World in Frankfurt, Germany, International Consumer Electronic Show in Las Vegas, the US, International Hardware Show in Cologne, and GDS Shoes Fair in Dusseldorf, Germany.

The Group organises the logistics , provides supporting services including translation, invites overseas buyers to visit the show, negotiates trade terms on behalf of the sellers and collects buyer information for the database. These services have generated excellent responses and provide an efficient channel for sellers to market their products overseas.

Tradeeasy’s e-marketplace, [www.tradeeasy.com](http://www.tradeeasy.com), serves as a communication platform between buyers, with information that generated from trade shows and other channels, and our seller members.

The Group also publishes industry specific trade magazines including te.Link Fashion, te.Link Hardware, te.Link Houseware, te.Link Toys and te.Link Gifts and Premiums distributed at the fairs to increase exposure. In order to upgrade our seller members’ corporate image, the Group also produces other marketing materials for them including CD-ROMS and product catalogues.

#### *Management automation services*

As international trade involves large quantities of paperwork and constant communication between buyers and sellers, the Group has developed e-IMS, a management automation system in an ASP ( Application Service Provider ) model which facilitates the maintenance of existing customer databases, manages customer relationships, processes products and conducts the necessary marketing activities. The services were first introduced in April 2001. At the end of 31 March 2002, more than 1,200 sellers were using these services. This service has been well received.

#### *Technical consultancy*

Our PRC offices are responsible for the development of electronic versions of marketing materials and product description and provision of related services

such as quality control, provision of training and after sales technical support for the Group's customers based in the PRC. Once the production of marketing materials is completed, information is sent to Hong Kong and the customers in the PRC are able to enjoy all the services provided by the Group.

## **Research and Development**

Our research and development team is fully committed to research, design and development of specific solutions and software in the trading business to meet the needs of the Group's customers. For the year ended 31 March 2002, the Group invested more than HK\$9.5 million in product development and enhancement.

As a trade enabler, we believe that we have to use whatever means are available to assist SME's in the region to run their business more efficiently. On top of marketing and sales management, streamlined operations through the adoption of management automation tools is essential. We have spent a great deal of effort in modifying our self-developed e-IMS, collecting feedback from users and making the system both more user friendly and powerful. Many features have been specially designed to cater for the Greater China region.

## **Technology**

Our e-marketplace and e-IMS are run on the Oracle 8I Enterprise Edition, supported by Sun Microsystem Enterprise Grade servers. To avoid any possible system risk which may cause interruption to the Group's operations, all service components, servers and networks come in pairs to achieve full load balancing. We use XML (Extensible Markup Language) as an open communication protocol for information delivery and to achieve cross-platform applicability.

## **Sales and Marketing**

After the rapid expansion in the previous year, the financial year under review has been a year of returns from our 12 offices in China and Hong Kong. Our sales offices, located in Hong Kong, Shenzhen, Guangzhou, Jiangmen, Dongguan, Xiamen, Fuzhou, Hangzhou, Shanghai, Qingdao, Beijing and Dalian, consist of 308 staff.

Over the years, we have built an extensive sellers' database of more than 50,000. In addition to direct visits, we also organised more than 20 seminars in the different regions last year, some of which were co-organised with local Chinese government bodies. More than 3,000 SMEs attended our trade seminars last year.

Our Buyer Services Department is responsible for sourcing international buyers through the different trade shows mentioned earlier. They also keep up with the latest buyer trends. Through this participation at overseas and local trade fairs, a database of more than 20,000 quality buyers was collected last year. Direct email campaigns have also been conducted through our e-IMS system to sellers to promote our solutions and to buyers to promote our sellers' products.

## **EMPLOYEES**

As at 31 March 2002, the Group employed 75 (2001: 110) staff in HK and 233 (2001: 354) staff in China. Total staff costs (including directors' remuneration) of the Group stood at HK\$26.7 million (2001: 38.4 million). In previous financial year, the Group engaged more staff to build up the customer database as well as the infrastructure of the Group. After this expansion, lesser staff were required to maintain the current business operation in 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 benefit include medical insurance and share options schemes.

## **PROSPECTS**

With China's accession into WTO, SME manufacturers in China will benefit from being able to export directly without having to go through trading firms with export licenses. The demand for trade enabling services, i.e. marketing services, trade consultancy services and sales automation services, will therefore increase.

To leverage these opportunities, the Group will build alliances in overseas countries to provide services that will enhance the existing business model, for example, to organise more trade shows in the different countries, establish permanent showroom areas, enhance trade and logistics services, etc.

The Group will continue to devote resources to research and development or will outsource projects to independent consultants, to continue our Supply Chain Management automation services. Our e-IMS focusing on sales management and CRM have been well received by the market, the Group is also researching other trading and manufacturing related software, e.g. in inventory and accounting, with a view to integrating these services into our existing systems.

The Group also plans to develop strategic partners to gain access to a large database of potential customers in China, cross selling additional services by leveraging our own extensive database.

As the major corporations in China grow rapidly and are eager to build their brands overseas, the Group is looking for additional products that can be tailored for major corporations in the region.

## **AUDIT COMMITTEE**

The Company has 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 annual reports and accounts, half-year 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 two independent non-executive directors, Mr. Tai Ka Luk and Mr. Tam King Ching, Kenny and the non-executive directors, Mr. Tam Ngai Hung. Since its establishment, the audit committee met once for reviewing the Group's annual report and providing advice and recommendations to the board of directors.

By order of the Board  
**Tradeeasy Holdings Limited**  
**Yu Lup Fat, Joseph**  
*Chairman*

Hong Kong, 21 June 2002

*This announcement will appear on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of this posting.*