



TRADEEASY HOLDINGS LIMITED

(易 貿 通 集 團 有 限 公 司)*

(incorporated in the Cayman Islands with limited liability)

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

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2003

Financial Highlights

- For the financial year ended 31 March 2003, the Group recorded a turnover of approximately HK\$34.2 million in comparison to approximately HK\$52.8 million last year, representing a decrease of approximately HK\$18.6 million.
- The Group recorded a gross profit of approximately HK\$12.5 million this year as compared with a gross profit of approximately HK\$27.5 million for the year ended 31 March 2002.
- The loss attributable to shareholders was approximately HK\$8.5 million this year as compared with a profit of approximately HK\$10.5 million in last year.
- Loss per share was approximately HK2.1 cents for the year ended 31 March 2003 as compared with earnings per share of approximately HK3.0 cents recorded in last year.
- The Board of Directors does not recommend the payment of a final dividend for the year ended 31 March 2003 (2002: Nil).

CONSOLIDATED PROFIT AND LOSS ACCOUNT

The Board of Directors of the Company is pleased to announce that the audited consolidated results for the year ended 31 March 2003 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>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
TURNOVER	2	34,163	52,793
Cost of sales		<u>(21,681)</u>	<u>(25,315)</u>
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		<u>(1,647)</u>	<u>(644)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	3	(8,353)	10,805
Finance costs	4	<u>(174)</u>	<u>(271)</u>
PROFIT/(LOSS) BEFORE TAX		(8,527)	10,534
Tax	5	<u>—</u>	<u>—</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>(8,527)</u>	<u>10,534</u>
DIVIDEND	8	<u>—</u>	<u>—</u>
EARNINGS/(LOSS) PER SHARE (HK cents)	6		
Basic		<u>(2.1)</u>	<u>3.0</u>
Diluted		<u>N/A</u>	<u>3.0</u>

Notes:

1. 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”

The adoption of the above SSAPs does not have a material effect on the consolidated financial statements, except that certain comparative previously reported have been reclassified to conform with the new disclosure requirements. Details of the effect on the adoption of these new SSAPs are set out in the annual report.

2. TURNOVER

Turnover represents the value of services rendered during the year.

Revenue from the following activities has been included in turnover:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Integrated marketing solution services	6,665	16,004
Application Service Provider (“ASP”) services	12,646	13,229
Technical consultancy services	<u>14,852</u>	<u>23,560</u>
	<u>34,163</u>	<u>52,793</u>

3. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Staff costs (including directors' remuneration):		
Salaries and related staff costs	18,133	25,875
Pension scheme contributions*	<u>618</u>	<u>804</u>
	18,751	26,679
Less: Amounts capitalised in deferred development expenditure	<u>(3,067)</u>	<u>(7,353)</u>
	<u>15,684</u>	<u>19,326</u>
Auditors' remuneration	485	550
Depreciation	4,684	4,746
Less: Amounts capitalised in deferred development expenditure	<u>(920)</u>	<u>(939)</u>
	<u>3,764</u>	<u>3,807</u>
Amortisation of deferred development expenditure**	3,810	2,357
Minimum lease payments under operating leases:		
Land and buildings	2,456	4,017
Office equipment	<u>93</u>	<u>69</u>
	<u>2,549</u>	<u>4,086</u>
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	—
Exchange losses/(gains), net	1	(8)
Forfeiture of customer deposits	—	(2,002)
Provision of contents	—	(1,285)
Interest income	<u>(99)</u>	<u>(18)</u>

* 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.

4. FINANCE COSTS

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Interest on finance leases	<u>174</u>	<u>271</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 (2002: 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.

(iii) Deferred tax

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

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

6. 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 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.

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 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.

(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	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	<u>—</u>	<u>1,722</u>	<u>—</u>	<u>280</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,002</u>
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>	(7,017)	9,710
Interest income							99	18
Unallocated revenue							202	1,498
Unallocated expenses							<u>(1,637)</u>	<u>(421)</u>
Profit/(loss) from operating activities							(8,353)	10,805
Finance costs							<u>(174)</u>	<u>(271)</u>
Profit/(loss) before tax							(8,527)	10,534
Tax							<u>—</u>	<u>—</u>
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>	26,792	26,820
Unallocated assets							<u>9,339</u>	<u>21,876</u>
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>	3,928	4,221
Unallocated liabilities							<u>2,380</u>	<u>6,125</u>
Total liabilities							<u>6,308</u>	<u>10,346</u>

Group	Integrated marketing solution services		ASP services		Technical consultancy services		Consolidated	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>

(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	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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	<u>19,311</u>	<u>31,235</u>	<u>14,852</u>	<u>23,560</u>	<u>34,163</u>	<u>54,795</u>
Other segment information:						
Segment assets	27,579	42,600	8,552	6,096	36,131	48,696
Capital expenditure	<u>4,969</u>	<u>9,830</u>	<u>3,762</u>	<u>451</u>	<u>8,731</u>	<u>10,281</u>

8. DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries during the year (2002: 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>
At 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 and 1 April 2002	16,337	66,710	11	(48,708)	34,350
Net loss for the year	<u>—</u>	<u>—</u>	<u>—</u>	<u>(8,527)</u>	<u>(8,527)</u>
At 31 March 2003	<u>16,337</u>	<u>66,710</u>	<u>11</u>	<u>(57,235)</u>	<u>25,823</u>

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 the prior year, over the nominal value of the Company's shares issued in exchange therefor.

Company

	Share premium account	Contributed surplus	Accumulated losses	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
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	<u>—</u>	<u>—</u>	<u>(345)</u>	<u>(345)</u>
At 31 March 2002 and 1 April 2002	16,337	18,203	(345)	34,195
Net loss for the year	<u>—</u>	<u>—</u>	<u>(9,969)</u>	<u>(9,969)</u>
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.

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

R18.41(3)

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.

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.

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.

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.

Segment information

R18.41(6)

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 geographic area of operations for the two years ended 31 March 2002 and 2003 is set out in note 7 to the results announcement.

Liquidity and financial resources

R18.41(1)

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. R18.41(10)

There has been no change in the capital structure of the Company during the year ended 31 March 2003. R18.41(2)

Foreign currency exposure (R18.41(11))

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 (R18.41(8))

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

Contingent liabilities R18.41(12)

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.

Future plans for investment or capital assets

R18.41(9)

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.

Employees

R18.41(7)

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\$18.8 million (2002: HK\$26.7 million). 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.

Acquisition and disposal of subsidiaries and affiliated companies

R18.41(5)

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

R18.41(4)

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

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. |
|---|---|

Taiwan

For 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 Taiwan 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

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 automation services

For the six months ended 30 September 2002

- Identify IP in respect of vertically developed software for specialised industries
- Studies and research was carried out in progress on the identification of IP in respect of vertically developed software for specialised industries
- Develop inventory and accounting software
- Specifications finalised for inventory and accounting software, looking for outsourcing partners
- Develop the intra China trade platform, establish intra China Trade sales channel
- Development has been completed and rolled out
- Develop MRP
- 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

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 2002

- 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 to enhance the overall efficiency and success rate in obtaining new customers through enhancement of existing management system
- Work flows reviewed, modification finalised

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
- Six conferences and seminars were held in Hong Kong and the PRC to promote the Group's products and services
- 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
- Continuous email campaigns and distribution of te-Link in China region were conducted. The Group participated in eight trade shows

- 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
- 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

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
- 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 proactive fault management system
- Maintain the existing server systems with the services from software manufacturer and maintenance service company

- Upgrade horizontally by purchasing more servers to support continuous growth
- The Group upgraded certain servers to support continuous growth
- Introduce new technology for the development of a powerful e-CRM system for customers
- 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 HK\$'000	Amounts utilized up to 31 March 2003 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	<u>2,250</u>	<u>1,860</u>
	<u>12,790</u>	<u>12,216</u>

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.

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.

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.

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-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 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.

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

Hong Kong, 23 June 2003

This announcement will appear on the GEM website at www.hkgem.com for at least 7 days from the date of this posting and on the website of the Company at www.tradeeasy.com.