



TRADEEASY HOLDINGS LIMITED

(易貿通集團有限公司)*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8163)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 30 JUNE 2004

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This announcement, 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 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.

* For identification purposes only

HIGHLIGHTS

- Turnover of the Group for the three months ended 30 June 2004 was HK\$9,227,000 as compared to HK\$9,015,000 for the corresponding period in the previous financial year.
- Net profit of the Group for the three months ended 30 June 2004 was HK\$708,000 as compared to net loss of HK\$608,000 for the corresponding period in the previous financial year.
- Earnings per share of the Group was HK0.17 cents for the three months ended 30 June 2004 as compared to loss per share of HK0.15 cents for the corresponding period in the previous financial year.
- The Board does not recommend the payment of any dividend for the three months ended 30 June 2004.

FIRST QUARTERLY RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2004

The board of directors (the “Directors”) of Tradeeasy Holdings Limited (the “Company”) 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 ended 30 June 2004, together with the comparative unaudited figures for the corresponding period in 2003, are as follows:

		Unaudited	
		for the three months	
		ended 30 June	
		2004	2003
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	2	9,227	9,015
Cost of sales		<u>(4,593)</u>	<u>(5,505)</u>
Gross profit		4,634	3,510
Other revenue		6	11
Selling and distribution costs		(493)	(409)
General and administrative expenses		(2,724)	(3,372)
Advertising and promotion expenses		(685)	(326)
Other operating expenses		<u>(30)</u>	<u>(22)</u>
PROFIT/(LOSS) FROM OPERATING ACTIVITIES		708	(608)
Finance costs		<u>—</u>	<u>—</u>
PROFIT/(LOSS) BEFORE TAX		708	(608)
Tax	3	<u>—</u>	<u>—</u>
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		<u>708</u>	<u>(608)</u>
DIVIDEND		<u>—</u>	<u>—</u>
EARNINGS/(LOSS) PER SHARE	4		
Basic		<u>0.17 cents</u>	<u>(0.15 cents)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes: -

1. Basis of preparation and consolidation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the three months ended 30 June 2004. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively.

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

2. Turnover

Turnover represents the value of services rendered during the three-month period under review.

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

	Unaudited for the three months ended 30 June	
	2004	2003
	HK\$'000	HK\$'000
Integrated marketing solution services	1,479	1,102
Application Service Provider services	4,691	4,849
Technical consultancy services	<u>3,057</u>	<u>3,064</u>
	<u>9,227</u>	<u>9,015</u>

3. Tax

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year (2003: Nil).

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

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

4. Earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the three months ended 30 June 2004 is based on the net profit from ordinary activities attributable to shareholders for the three months ended 30 June 2004 of HK\$0.7 million (2003: net loss of HK\$0.6 million) and the weighted average of 421,000,000 ordinary shares in issue (2003: 400,000,000 shares).

Diluted earnings/(loss) per share for the three months ended 30 June 2004 and 30 June 2003 have not been disclosed as the share options outstanding during these periods had an anti-dilutive effect on the basic earnings/(loss) per share for the relevant periods.

5. Movement in reserves

Group	Share premium account HK\$'000	Contributed surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2003	16,337	66,710	11	(57,235)	25,823
Net loss for the year	—	—	—	(21,944)	(21,944)
At 31 March 2004 and 1 April 2004	16,337	66,710	11	(79,179)	3,879
Issue of shares*	840	—	—	—	840
Net profit for the period	—	—	—	708	708
Share issue expenses*	17,177 (53)	66,710 —	11 —	(78,471) —	5,427 (53)
At 30 June 2004	<u>17,124</u>	<u>66,710</u>	<u>11</u>	<u>(78,471)</u>	<u>5,374</u>

* On 25 February 2004, the Company has entered into a Subscription Agreement, whereby it has conditionally agreed to place 21,000,000 new shares to Bay2Peak Strategies Limited at a price of HK\$0.05 per share. This transaction was completed on 19 April 2004.

DIVIDEND

The Directors do not recommend the payment of any dividend for the three months ended 30 June 2004 (2003: Nil).

BUSINESS REVIEW

The Group is pleased to record a profit of approximately HK\$0.7 million for the three months ended 30 June 2004, as compared to a net loss of approximately HK\$0.6 million for the corresponding period of 2003. The turnover for the three months ended 30 June 2004 was approximately HK\$9.2 million, representing a moderate increase of 2%, as compared to HK\$9.0 million for the same period of 2003.

In April 2004, with the intention to complement the Group's B2B platform, the Group published the first issue of "Buyer Member Directory - Gifts and Households" as well as an interactive CD-ROMs. Both the Directories and CD-ROMs were well received by the new buyer members during the overseas trade shows and as a result, the Group had successfully recruited certain new buyer members who were receptive to conventional media. Management believes the issue of Directories will continue to bring additional income to the Group.

Equally important, Tradeeasy aimed also to increase the traffic for its seller members. The Group had entered into a content provider agreement with Yahoo! Hong Kong (Holdings) Limited to provide the Group's B2B content, sellers' information and products information for listing on Yahoo! Hong Kong's Business Finder Directory. The Group believed, that would definitely provide more value to Tradeeasy's sellers thereby increasing their popularity.

During the period under review, the Group had built up a well-recognized brand name within the community of sellers in mainland China through participation as their marketing partners in organizing overseas-buyers buying tours to various trade shows launched in major cities of China, such as Fuzhou and Hangzhou. The Group had been maintaining excellent relationships with governmental bodies in mainland China who had assisted the Group in promoting international trade.

Our management had been devoted to find new business partners and alliances to strengthen the Group's position and business model. In readiness of future business developments, a strategic investor, Bay2Peak Strategies Limited ("Bay2Peak") had been successfully brought into the Group during the period under review. Bay2Peak has extensive experience in investment banking industry and strategy development. Our management believes that with the joining of Bay2Peak and supported by its expertise, it would be able to identify and introduce new strategic partners to the Group, and accordingly enhance the Group business.

PROSPECTS

The Group is optimistic towards the future and will continue to tighten cost control. Our management believes that Tradeeasy has become a more competitive company than its past, backed by a stronger set of products, a wider range of services, a larger buyer member's community, a more streamlined operation and greater strategic alliances.

While the buyers and sellers are becoming more accustomed to the Internet and B2B platform, our management firmly believes that a true "transaction-based" revenue model with high scalability can be achieved. As an international trade enabler, the Group will continue to form alliance with other business partners, in order to develop a trade platform allowing buyers and sellers to conduct web based transactions, such as, for sellers to sell their excess stock and inventory.

On top of the entering into the provider agreement with Yahoo! Hong Kong (Holdings) Limited, the Group will continue to form strategic partnerships in mainland China, North America and Europe. This will include and not limited to: product and services such as online procurement, corporate telecommunications services (VOIP/VPN), logistics, eCRM (electronic customer relationship management), market intelligence, deep sourcing in mainland China or other emerging markets, overstock and excess inventory sales, and other business synergistic to our core business of trade enabling for the mainland China and Hong Kong markets.

Look into the future, with tremendous increase in demand for sourcing in China by foreign companies and WTO initiatives, our management strongly believes that Tradeeasy is perfectly positioned to capitalize on our position as one of the leading e-commerce players in the China market.

DIRECTORS' INTERESTS IN SHARES

At 30 June 2004, the interests of the directors in the share capital of the Company (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Number of shares held, capacity and nature of interest			Percentage of the Company's issued share capital
	Directly beneficially owned	Through spouse or minor children	Total	
Yu Lup Fat, Joseph	5,301,927	—	5,301,927	1.26
Yip Kwok Cheung (<i>note</i>)	23,610,662	518,411	24,129,073	5.73
Wong Kai Yin, Paul	22,284,415	—	22,284,415	5.29
To Man Yau, Alex	<u>10,994,162</u>	<u>—</u>	<u>10,994,162</u>	<u>2.61</u>
	<u>62,191,166</u>	<u>518,411</u>	<u>62,709,577</u>	<u>14.89</u>

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

The interests of the directors in the share options of the Company are separately disclosed under the heading "Share Option Scheme".

In addition to the above, certain directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, none of the directors had registered an interest in the shares of the Company that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' interests in shares" above and in the "Share option scheme" below, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. The Scheme was approved by the then sole shareholder of the Company on 20 February 2002 by way of a written resolution. The board of directors of the Company may, at their discretion, offer options to any full-time or part-time employee or director of any member of the Group, and any consultant of or adviser to any member of the Group (the “Participants”) to subscribe for shares of the Company. The Scheme became effective on 7 March 2002 and shall be valid and effective for a period of 10 years from that date, subject to earlier termination by the Company in a general meeting or by the board of directors.

The maximum number of shares available for issue under options which may be granted under the Scheme adopted by the Company must not in aggregate exceed 10% of the shares in issue. The maximum number of shares issued and to be issued upon exercise of the options granted and to be granted to each Participant (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of options in excess of the above limit must be subject to shareholders’ approval with such Participant and his associates (as such term is defined in the GEM Listing Rules) abstaining from voting.

If options are granted to a connected person (as such term is defined in the GEM Listing Rules) or its associates, the granting of such options will be subject to all independent non-executive directors’ (excluding independent non-executive director who is a grantee) approval; where options are proposed to be granted to a connected person who is also a substantial shareholder or independent non-executive director or any of their respective associates which will result in the total number of shares issued and to be issued upon exercise of the options granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Scheme in the past 12-month period up to and including the date of such grant: (1) exceeding 0.1% of the total issued shares for the time being; and (2) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5,000,000, the granting of such options will be subject to approval by the independent shareholders of the Company taken on a poll. All connected persons will abstain from voting (except that any connected person may vote against the resolution).

Upon acceptance of the option, the grantee shall pay HK\$1 to the Company by way of consideration for the grant. The option will be offered for acceptance for a period of 28 days (or such shorter period as the board of directors may from time to time determine) from the date on which the option is granted.

The subscription price of a share in respect of any particular option granted under the Scheme shall be such price as the board of directors in its absolute discretion shall determine, save that such price shall be the higher of: (i) the closing price of the shares as stated in the Stock Exchange’s daily quotation sheet on the date of the grant of the option, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange’s daily quotation sheets on the five business days immediately preceding the date of the grant of the option; and (iii) the nominal value of a share.

On 22 April 2003, the Company granted certain employees under the Scheme a total of 32,000,000 share options to subscribe for shares of HK\$0.01 each in the capital of the Company which are exercisable at any time from 23 June 2003 to 22 June 2008 at an exercise price of HK\$0.037 per share. The price of the Company's shares as at the date of the grant of the share option was HK\$0.037 per share. This is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options. The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

As at 30 June 2004, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Manistar Enterprises Limited (<i>note</i>)	Directly beneficially owned	93,364,070	22.18
CCT Telecom Holdings Limited (<i>note</i>)	Through a controlled corporation	93,364,070	22.18
Lee Dao Bon, Barton	Directly beneficially owned	26,314,938	6.25

Note: The ordinary shares are held by Manistar Enterprises Limited, which is wholly-owned by CCT Telecom Holdings Limited.

Save as disclosed above, no person, other than the directors of the Company, whose interests are set out in the section "Directors' interests in shares" above, had registered an interest in the shares capital of the Company that was required to be recorded pursuant to Section 336 of the SFO.

COMPETING INTERESTS

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

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 period under review.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 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 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are, among other matters, (i) to review the Company's annual reports and accounts, half-yearly reports and quarterly reports and provide advice and comments thereon to the board of directors; and (ii) to review and supervise the financial reporting process and internal control procedures of the Group. The audit committee has three members comprising one non-executive director, Mr. Lau Ho Man, Edward and two independent non-executive directors, Mr. Wu Yao Hua, Terence and Mr. Lau Chi Yiu. The audit committee has reviewed the Group's consolidated financial statements for the three months ended 30 June 2004, and confirmed that the preparation of such complied with applicable accounting standards, the requirements of the Stock Exchange and that adequate disclosures had been made.

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

Hong Kong, 9 August 2004

Executive Directors:

Mr. Yu Lup Fat, Joseph (*Chairman*)
Mr. Yip Kwok Cheung (*Chief Executive Officer*)
Mr. Wong Kai Yin, Paul
Mr. To Man Yau, Alex

Non-Executive Director:

Mr. Lau Ho Man, Edward

Independent Non-Executive Directors:

Mr. Lau Chi Yiu
Mr. Wu Yao Hua, Terence

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 Tradeeasy at www.tradeeasy.com.