

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

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*This report, for which the directors of Tradeeasy Holdings Limited collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange for the purpose of giving information with regard to Tradeeasy Holdings Limited. The directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: - (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*



## HIGHLIGHTS

- Turnover for the nine months ended 31 December 2003 amounted to approximately HK\$25.4 million, representing a decrease of approximately 4.3% as compared to the turnover of approximately HK\$26.6 million for the corresponding period in the previous financial year.
- Net loss attributable to shareholders for the nine months ended 31 December 2003 amounted to approximately HK\$15.0 million, representing an increase of approximately 128.4% as compared to the net loss of approximately HK\$6.5 million for the corresponding period in the previous financial year.
- During the three-month period ended 31 December 2003, the Group recognised an impairment loss of approximately HK\$10.9 million on the deferred development expenditure (2002: nil).
- Loss per share for the nine months ended 31 December 2003 was approximately HK3.74 cents.
- The board of directors do not recommend payment of any dividend for the nine months ended 31 December 2003.

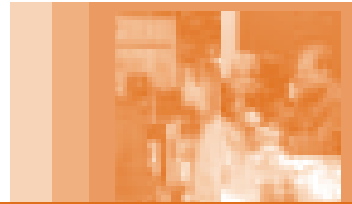


## THIRD QUARTERLY RESULTS FOR THE NINE MONTHS ENDED 31 DECEMBER 2003

The board of directors (the “Directors”) of Tradeeasy Holdings Limited (the “Company”) is pleased to announce that the unaudited consolidated third quarterly results of the Company and its subsidiaries (collectively referred to as the “Group” or “Tradeeasy”) for the three months and the nine months ended 31 December 2003, together with the comparative unaudited figures for the corresponding periods in 2002 respectively, are as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

|  | Notes | Unaudited<br>three months ended<br>31 December |                  | Unaudited<br>nine months ended<br>31 December |                  |
|--|-------|--|------------------|---|------------------|
|  |       | 2003<br>HK\$'000                               | 2002<br>HK\$'000 | 2003<br>HK\$'000                              | 2002<br>HK\$'000 |
| TURNOVER   | 3     | 7,663  | 9,272            | 25,443  | 26,573           |
| Cost of sales  |       | (4,525)  | (5,856)          | (15,697)                                      | (17,714)         |
| Gross profit   |       | 3,138  | 3,416            | 9,746   | 8,859            |
| Other revenue  |       | 5  | 35               | 32  | 293              |
| Selling and distribution costs                                       |       | (530)  | (734)            | (1,378)                                       | (2,359)          |
| General and administrative expenses                                  |       | (3,186)  | (3,755)          | (10,056)                                      | (10,459)         |
| Advertising and promotion expenses                                   |       | (457)  | (433)            | (1,976)                                       | (2,155)          |
| Other operating expenses   |       | (11,085)                                       | —                | (11,318)                                      | (573)            |
| LOSS FROM OPERATING<br>ACTIVITIES                                    |       | (12,115)                                       | (1,471)          | (14,950)                                      | (6,394)          |
| Finance costs  |       | —  | (52)             | —   | (151)            |
| Share of loss of a joint venture<br>company                          |       | (2)  | —                | (2)   | —                |
| LOSS BEFORE TAX  |       | (12,117)                                       | (1,523)          | (14,952)                                      | (6,545)          |
| Tax  | 4     | —  | —                | —   | —                |
| NET LOSS FROM ORDINARY<br>ACTIVITIES ATTRIBUTABLE<br>TO SHAREHOLDERS |       | (12,117)                                       | (1,523)          | (14,952)                                      | (6,545)          |
| DIVIDEND   |       | —  | —                | —   | —                |
| LOSS PER SHARE (HK cents)  | 5     |  |                  |   |                  |
| Basic  |       | (3.03)   | (0.38)           | (3.74)  | (1.64)           |
| Diluted  |       | N/A  | N/A              | N/A   | N/A              |



Notes:—

**1. Basis of preparation and consolidation**

These unaudited consolidated financial statements have been prepared in accordance with the Hong Kong Statements of Standard Accounting Practice (“HKSSAPs”), 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 unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries for the nine months ended 31 December 2003. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. The unaudited consolidated financial statements also comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

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

**2. Impact of the revised HKSSAPs**

The basis of preparation and principal accounting policies adopted for the preparation of these unaudited consolidated financial statements are consistent with those used in the preparation of the Group’s audited financial statements for the year ended 31 March 2003, except that the Group has adopted SSAP 12 (Revised) “Income Taxes” which prescribes new accounting measurements and disclosure practices. The adoption of this SSAP 12 (Revised) during the financial period under review does not have any significant effect on the Group’s unaudited consolidated results for the period and the prior period.

### 3. Turnover

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

Revenue from the following activities have been included in turnover:

|  | Unaudited for the<br>three months ended<br>31 December |                  | Unaudited for the<br>nine months ended<br>31 December |                  |
|--|--|------------------|---|------------------|
|  | 2003<br>HK\$'000                                       | 2002<br>HK\$'000 | 2003<br>HK\$'000                                      | 2002<br>HK\$'000 |
| Integrated marketing solution services           | 1,298  | 1,656            | 3,577   | 5,773            |
| Application Service Provider<br>("ASP") services | 3,990  | 3,498            | 13,189  | 9,889            |
| Technical consultancy services                   | 2,375  | 4,118            | 8,677   | 10,911           |
|  | <b>7,663</b>   | 9,272            | <b>25,443</b>   | 26,573           |

### 4. 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 nine months ended 31 December 2003 (2002: Nil).



#### 4. Tax (continued)

##### (ii) Mainland China Enterprise 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 enterprise 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 enterprise income tax for the years 2000 to 2002 to be followed by a 50% reduction in the enterprise income tax rate for the years 2003 to 2005.

No provision for Mainland China enterprise income tax has been made as the Group had losses brought forward from the prior year to offset the assessable profits during the nine months ended 31 December 2003 (2002: Nil).

#### 5. Loss per share

The calculation of basic loss per share for the three months and the nine months ended 31 December 2003 and 2002 respectively, is based on the net loss from ordinary activities attributable to shareholders of approximately HK\$12.1 million and HK\$15.0 million (2002: net loss of approximately HK\$1.5 million and HK\$6.5 million) and on the weighted average of 400,000,000 ordinary shares in issue (2002: 400,000,000 ordinary shares) during those periods.

Diluted loss per share for the three months and the nine months ended 31 December 2003 and 2002 respectively, have not been presented as the Company's share options outstanding during those periods had an anti-dilutive effect on the respective basic loss per share for the periods.

#### 6. Movement in reserves

Other than the net loss for the three months and nine months ended 31 December 2003 and 2002 respectively, there was no movement of reserves of the Group during both periods.



## DIVIDEND

The Directors do not recommend payment of any dividend for the nine months ended 31 December 2003 (2002: Nil).

## BUSINESS REVIEW

The turnover of the Group for the nine months ended 31 December 2003 decreased by approximately 4.3% to approximately HK\$25.4 million, a decrease of approximately HK \$1.1 million as compared to the same period in 2002. During the nine-month period under review, the Group has reduced the cost of sales to approximately HK\$15.7 million, selling and distribution costs to approximately HK\$1.4 million and the advertising and promotion expenses to approximately HK\$2.0 million, a saving of approximately HK\$3.2 million as compared to the same period in 2002. However, the Group recorded a net loss of approximately HK\$15.0 million attributable to shareholders for the nine months ended 31 December 2003, representing an increase of approximately 128.4% as compared to the net loss of approximately HK\$6.5 million for the corresponding period in the previous financial year. Such significant increase arose mainly due to the impairment of deferred development expenditure for approximately HK\$10.9 million during the period under review.

The conclusion of the Mainland/Hong Kong Closer Economic Partnership Arrangement (“CEPA”) has helped economic recovery. In light of the current market conditions in Hong Kong, measures have been implemented to rationalize and improve the Group’s overall operating efficiency. On the other hand, the Group’s cost containment strategy adopted during the economic downturn has paved the way for a business turnaround in the period under review in addition to the improvement in the market environment.



## **BUSINESS REVIEW** *(continued)*

The Group intends to diversify its products to a wide variety and essence to broaden its revenue sources. Accordingly, on 20 October 2003, the Group entered into a Joint Venture Agreement to establish a joint venture enterprise in Hong Kong and provide sourcing services for the buyers. With the establishment of the Joint Venture Company, the directors believe that the Group would be able to integrate the new product varieties into its existing operation effectively, diversifying of product types and broadening its revenue sources.

The Group also participated actively in various marketing events in the PRC in addition to regular seminars and conferences. In December 2003, the Group was appointed by Xinhui local government bodies as the official marketing agent for the China (Xinhui) Hardware & Stainless Steel Products Trade Fair to participate and promote the event. Buyer tours to the exhibition were organized by the Group, business transactions were made on spot, and the event was well received by buyers and sellers. The Group will continue to liaise with the PRC local government and trade show organizers and will participate in similar events. By assuming the role of an international trade enabler, the Group will build and enhance its brand name.



## PROSPECT

The Group's success has been made under the leadership and guidance of our professional management with extensive experience. The directors believe the Group is in a position to turn around into sound operation and will emerge stronger through the gradual economic recovery with the following developments:

The Group is in the process of re-structuring the B2B portal, tradeeasy.com and expects to launch the new portal in February 2004, with more information and better usability. The Group also expects to launch its Chinese portal aiming at facilitating domestic China B2B trade. The online B2B market in the PRC continues to grow as a result of the increasing number of users interested in utilizing the Internet as a trade platform. The addition of the Chinese portal will open the door for the Group to participate in the large B2B market in PRC and also increase the overall competitive positioning of our portal network.

The directors are well aware of the importance of research and development to the Group's continual growth and its long-term competitiveness. The Group will conduct research on new technology and endeavour to provide the best possible services to its users.



## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS

As at 31 December 2003, the interests or short positions of the directors and the chief executives of the Company in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the minimum standard of dealing by the directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules, were as follows:

| Name of director       | Number of shares held and nature of interests |         | Aggregate interests | Percentage of the Company's issued share capital |
|------------------------|---|---------|---------------------|--|
|                        | Personal                                      | Family  |                     |  |
| Yu Lup Fat, Joseph     | 5,301,927                                     | —       | 5,301,927           | 1.33%  |
| Yip Kwok Cheung (Note) | 23,610,662                                    | 518,411 | 24,129,073          | 6.03%  |
| Wong Kai Yin, Paul     | 22,284,415                                    | —       | 22,284,415          | 5.57%  |
| To Man Yau, Alex       | 10,994,162                                    | —       | 10,994,162          | 2.75%  |

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



## **DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS OR SHORT POSITIONS IN SHARES AND OPTIONS** *(continued)*

Save as disclosed above, none of the directors or their associates as well as the chief executives of the Company as at 31 December 2003 had any direct/indirect interests or short positions in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept by the Company under Section 352 of the SFO or otherwise notified to the Company and the Stock Exchange pursuant to the minimum standard of dealing by the directors as referred to in Rules 5.40 to 5.58 of the GEM Listing Rules. During the period under review, there was no debt securities issued by the Group at any time.

## **DIRECTORS' RIGHT TO ACQUIRE SHARES OR DEBENTURES**

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



## SHARE OPTION SCHEME

On 20 February 2002, the Share Option Scheme as defined in the prospectus of the Company (the "Prospectus") dated 26 February 2002 was approved by a written resolution of the sole shareholder of the Company.

The Share Option Scheme became effective on 7 March 2002 and shall be valid and effective for a period of ten years from that date, subject to earlier termination by the Company in a general meeting or by the board of directors.

On 22 April 2003, the Company under the Share Option Scheme granted certain participants, other than the Company's directors and chief executives, a total of 32,000,000 share options to subscribe for shares of HK\$0.01 each in the capital of the Company, exercisable at any time from 23 June 2003 to 22 June 2008 at an exercisable price of HK\$0.037 per share. The closing market price of the shares of the Company immediately before the date of grant was HK\$0.037 per share. As at 31 December 2003, all of the options remained outstanding. A summary of the terms of the Share Option Scheme has been set out in Appendix V of the Prospectus under the section headed "Share Option Scheme". Share options do not confer on the holders to dividends or to vote at shareholders' meetings.

The Directors do not consider it appropriate to disclose a theoretical value of the options granted on the ground that a number of variables which are crucial for the valuation of the option cannot be reasonably determined. Accordingly, the Directors believe that any valuation of the share options based on a great number of speculative assumptions would not be meaningful and may be misleading to the shareholders.



## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2003, the following entities (other than the directors or the chief executives of the Company) had an interest or short position in the shares and underlying shares of the Company, which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and required to be entered in the register kept by the Company pursuant to Section 336 of the SFO, and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group pursuant to Part XV of the SFO:

| <b>Name of shareholder</b>          | <b>Number of shares held</b> | <b>Percentage of the Company's issued share capital</b> |
|-------------------------------------|------------------------------|---|
| Manistar Enterprises Limited        | 93,364,070                   | 23.34%  |
| CCT Telecom Holdings Limited (Note) | 93,364,070                   | 23.34%  |
| Ng Tung Ming                        | 27,511,187                   | 6.88%   |

Note: The interests disclosed comprises 93,364,070 shares beneficially owned by Manistar Enterprises Limited, which is a wholly-owned subsidiary of CCT Telecom Holdings Limited.

Save as disclosed in the paragraphs headed "Substantial Shareholders" and "Directors' and Chief Executives' Interests or Short Positions in Shares and Options" above, as at 31 December 2003, the Directors are not aware of any person (other than the directors or the chief executives of the Company) who had an interest or short position in the shares and underlying shares of the Company, which were notified to the Company and the Stock Exchange pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and required to be entered in the register pursuant to Section 336 of the SFO, and/or were directly or indirectly interested in 5% or more in the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group pursuant to Part XV of the SFO.



## **SPONSOR'S INTERESTS**

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

As at 31 December 2003, neither the Sponsor nor any of its respective directors or employees or associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or of any members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or of any members of the Group.

Save as disclosed above, the Sponsor had no other interests in the Company as at 31 December 2003.

## **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 SHARES OF THE COMPANY**

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed shares during the period under review.



## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules 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 5.27 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-year reports and quarterly reports and to provide advices and comments thereon to the Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting process and internal control system. The audit committee has three members comprising two independent non-executive directors, Mr. Lau Chi Yiu and Mr. Wu Yao Hua, Terence and one non-executive director, who at the beginning of the period was Mr. Tam Ngai Hung. Mr. Tam Ngai Hung resigned on 18 December 2003 and Mr. Lau Ho Man was appointed as an non-executive director and a member of the audit committee on the same date. The audit committee has reviewed the Group's unaudited consolidated third quarterly results for the nine months ended 31 December 2003, and confirmed that the preparation of such results complied with applicable accounting standards, the Stock Exchange and legal requirements and that adequate disclosures had been made.

By order of the Board

**Tradeeasy Holdings Limited**

**YU LUP FAT, JOSEPH**

*Chairman*

Hong Kong, 11 February 2004