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

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

The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this annual report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this annual report.

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



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CORPORATE INFORMATION

Registered office

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Head office and principal place of business

Units 1-6, 8/F
Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

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Company secretary

Ms. Siu Chi Man

Compliance officer

Mr. Yip Kwok Cheung

Qualified accountant

Ms. Siu Chi Man

Audit committee

Mr. Lau Ho Man, Edward
Mr. Wu Yao Hua, Terence
Mr. Lau Chi Yiu

Authorised representatives

Mr. Yu Lup Fat, Joseph
Mr. Yip Kwok Cheung

Cayman Islands principal share registrar and transfer office

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
British West Indies

Hong Kong branch share registrar and transfer office

Tengis Limited
G/F, BEA Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

Auditors

Ernst & Young
15th Floor, Hutchison House
10 Harcourt Road
Central
Hong Kong

Principal banker

Hang Seng Bank Limited
83 Des Voeux Road Central
Hong Kong

Stock Code

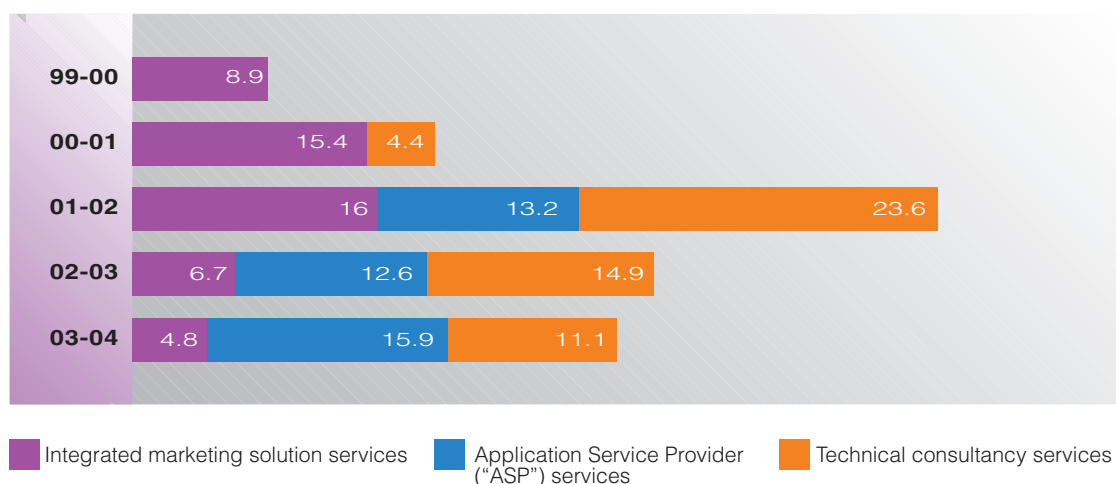
8163

Website

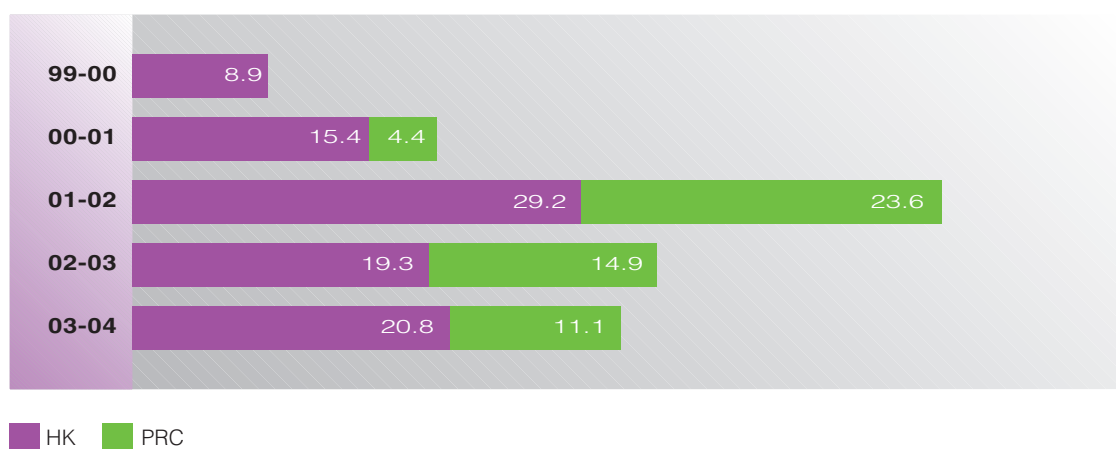
www.tradeeasy.com

FINANCIAL HIGHLIGHTS

Turnover, by business segments (HK\$ million)



Turnover, by geographical segments (HK\$ million)



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HK\$'million	2003-04	2002-03
Turnover	31.9	34.2
Net loss from ordinary activities attributable to shareholders	(21.9)	(8.5)
Total assets	17.4	36.1
Total liabilities	(9.5)	(6.3)
Net assets	7.9	29.8
Basic loss per share (HK cents)	(5.5)	(2.1)



CHAIRMAN'S STATEMENT

The year 2003-2004 was a significant year for Tradeeasy as our Group had been taking a number of initiatives to strengthen our core business by adding to it high-growth and high-scalability revenue models.

Modification of existing products and services – We had modified our existing products and services and that a new version of e-IMS was successfully launched in April 2003 which had increased both the demand and revenue for ASP services. Besides, a revamping of tradeeasy.com had enhanced the search results and proved to be user-friendly.

New product/services development – The publishing of “Buyer Member Directory” on bi-monthly basis and CD-ROMs in April 2004 was successfully in bringing extra information to Tradeeasy buyers and at the same time, helped in recruiting new buyer members. Value-added services, among which, Procurement Meetings had continued to provide face-to-face communication opportunities between buyers and sellers. Meanwhile, Matching Conferences which are comparatively larger in scale as compared to Procurement Meetings, were conducted during the year. This had helped serving over 200 buyers from United States, Europe and Hong Kong to meet with over 2,000 sellers from mainland China and Hong Kong, and allowed business transactions to take place immediately on spot.

Buyer recruitment – We are pleased to announce that during the year under review, the Group had recorded a significant increase of over 60% of buyers recruited in Trade Shows conducted in United States and Europe, as compared with last year. Those buyers the Group regarded as of very high quality and came from over 50 countries.

Alliances – The Group had formed strategic alliances with trade show organizers from mainland China together with which, the Group believed could further enhance our business in the region. Buyer tours were organized by the Group for buyers to join trade shows, such as China (Xinhui) Hardware & Stainless Steel Products Trade Fair 2003 and Donguan's China Shoes • China Shoetec 2004.

During the year under review, the Group had devoted a lot of efforts in reducing costs while at the same time, aggressively exploring business opportunities. Looking forward, our Group will continue to form valuable alliances with global entities that provide product and services such as online procurement, shipping and logistics, eCRM (electronic customer relationship management), real-time pricing data, market intelligence, deep sourcing in China or other emerging markets, translation and localization services, overstock and excess inventory sales, and other business synergistic. The Group believes this will add to our core trading business high value benefiting us in the mainland China and Hong Kong markets.

China, as to our belief and perhaps to most of the others, will continue to be the main focus in the coming year. The constantly increasing free flow of information will drive more SME buyers to source directly in mainland China. Needless to say, the role of China as the world's factory will grow more significantly and therefore demand for Tradeeasy as a trusted trade enabler will optimistically increase. With the implementation of online trading platform which allows a massive amount of e-commerce, our Group is able to provide the most efficient and cost effective mean for buyers and suppliers to access data and procure materials and products in mainland China and Hong Kong.

To take advantage of the business potential of the internet, the Group has entered into a content provider agreement with Yahoo! Hong Kong (Holdings) Limited, the most heavily trafficked internet site in Hong Kong. Equally important, Tradeeasy will also review opportunities to merge with, acquire, invest in other entities as well as to receive strategic investment in Tradeeasy shares by global partners.



CHAIRMAN'S STATEMENT

The forthcoming year is another challenging year for the management of Tradeeasy but we are confident to have positioned ourselves on the right track.

On behalf of the Board, I would like to take this opportunity to thank all staff for their contribution. The Group, as a whole, will continue to improve in all aspects and ensure that we will have the highest quality of service to our customers and business partners and strive to provide value to our shareholders.

Yu Lup Fat, Joseph

Chairman

18 June 2004



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS AND OPERATIONS REVIEW

The Group recorded a turnover of approximately HK\$31.9 million during the year under review, as compared to approximately HK\$ 34.2 million for the same period in 2003, and this represented a moderate rate of 6.7% decrease from last year. Due to the write-off of deferred development expenditure of approximately HK\$ 13.7 million, the Group recorded a net loss of approximately HK\$ 21.9 million attributable to shareholders for the twelve months ended 31 March 2004, representing an increase of 157.6 % as compared to the net loss of approximately HK\$ 8.5 million for the corresponding period in last financial year.

During the year under review, deferred development expenditure of approximately HK\$13.7 million for the old versions of ASP services and integrated marketing solution services were considered obsolete and fully written-off.

The Group has undertaken a number of initiatives to strengthen its core business and is in the process of enhancing its core business by adding to it high-growth and high-scalability revenue models.

Modifications of existing products

A new version of the group's ASP services (e-marketing and e-CRM services) was successfully launched in April 2003. This new version has added certain improvements to operational procedures and general usability with its new features on templates development and reporting system. As a result, it was well received and more customers became to know its advantages. The Group is pleased to note that revenue generated from the ASP services had increased from HK\$12.6 million for the year ended 31 March 2003 to HK\$15.9 million for the year ended 31 March 2004.

The Group's B2B portal "tradeeasy.com" was re-structured and revamped in February 2004. It has been equipped with new technology to ensure our customers with better search results and efficiency.

New products / services development

In order to complement the online products showcase on "tradeeasy.com", the Group has published on a bi-monthly basis the "Buyer Member Directory" together with CD-ROMs since April 2004. The Directory had been distributed to the buyers during overseas trade shows, for both purposes of broadcasting sellers' products and recruiting new buyer members.

The Group first started to organize Procurement Meetings for over 50 buyers as value-added services to meet up with over 500 sellers on a face-to-face basis in the last financial year 2003. This year, while having accumulated the experiences earned from individual trade show organizers in organizing such Procurement Meetings, the Group has stepped ahead to start organizing Matching Conferences. By so doing, it enabled the Group to serve a greater number of buyers and sellers in each event. Matching Conferences were being organized in mainland China and Hong Kong, covered vertical industries including shoes, garments, gifts, bags, household items and consumer electronics. More than 200 buyers were able to meet up with over 2,000 sellers at the same time, business transactions were made on the spot.



MANAGEMENT DISCUSSION AND ANALYSIS

Buyer recruitment

The management believes that the building-up of an active and high-quality buyer community is our key to success. From our experiences, buyers recruited at trade shows typically possess the right profile to benefit the Group's seller members. For the year under review, the Group actively participated in 10 local and overseas trade shows and had recruited over 100,000 new buyer members from over 50 countries including United States, Europe and Hong Kong. The total number of high-quality buyers (those recruited from trade shows) has increased by more than 60% as compared with last year.

Alliances

The Group's success can be gauged by the level of activities between Tradeeasy's sellers and buyers. Our business development team has been progressively seeking adequate alliances to achieve our business goals. An alliance program was developed during the year with trade show organizers in the PRC, in order to sponsor Tradeeasy buyers to participate the trade shows and meet up with sellers face-to-face. Other similar programs were also developed with various trade consulates to organize overseas buying tours to China.

In order to increase the traffic for Tradeeasy's sellers, the Group has 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. Our management believes that Tradeeasy's sellers should be able to gain wider exposure through such valuable cooperation.

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Liquidity and financial resources

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 2004, the Group's cash and bank balance amounted to HK\$8.4 million, of which 59% was denominated in Hong Kong dollars.

As at 31 March 2004, the net assets value of the Group amounted to HK\$7.9 million, representing approximately HK2.0 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 2004 was nil (2003: nil). As at 31 March 2004, the Group had total current assets of HK\$10.8 million and total current liabilities of HK\$9.5 million. The current ratio of the Group has decreased to this year's 1.14 from 1.73 in the prior financial year.

There has been no change in the capital structure of the Company during the year ended 31 March 2004.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign currency exposure

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 Hong Kong dollars and Renminbi is minimal, the Board considers that the Group is not exposed to any significant exchange risk and accordingly, no hedging transaction was made during the year.

Charges on group assets

As at 31 March 2004, the Group did not have any charges on group assets.

Contingent liabilities

The Group had 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 HK\$659,000 (2003: HK\$478,000) as at 31 March 2004. 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 had no significant contingent liability as at the year end date.

Future plans for investment or capital assets

The Group expects its primary capital expenditures to be investments in computer hardware and software required for operations and development of new or value-added services based on the current plan. The directors do not see the need to make any material borrowings and funding will be generated internally.

Acquisition and disposal of subsidiaries and affiliated companies

During the two financial years ended 31 March 2003 and 2004, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Significant investments

During the two financial years ended 31 March 2003 and 2004, the Group did not hold any significant investment.



MANAGEMENT DISCUSSION AND ANALYSIS

Segment information

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 27.4% to HK\$ 4.8 million and that from provision of ASP services increased by approximately 26.0% to HK\$15.9 million. The sales from provision of technical consultancy services decreased by approximately 25.4% to HK\$11.1 million.

As to the geographical segments, sales to Hong Kong market increased by approximately 7.6% to HK\$20.8 million and that to mainland China market decreased by approximately 25.4% to HK\$11.1 million. During the year, two representative offices in Shenzhen and Fuzhou were appointed as sales agents where approximately 30% of the sales were taken up as turnover, and hence the turnover of mainland China reduced.

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 2003 and 2004 is set out in note 4 to the financial statements.

USE OF PROCEEDS FROM THE COMPANY’S INITIAL PUBLIC OFFERING

The proceeds from the Company’s issue of new shares at the time of its listing on the Hong Kong Stock Exchange in March 2002, after deduction of related issuance expenses, amounted to approximately HK\$20 million. Of this amount, approximately HK\$19.1 million has been utilised up to 31 March 2004, the details of which are set out on pages 16 and 17 of the annual report.



MANAGEMENT DISCUSSION AND ANALYSIS

COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS OPERATION

The following is a comparison of the actual business progress for the year ended 31 March 2004 (“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 2003

- Study and evaluate potential independent service providers as agents in the PRC.
- Two more agents were successfully appointed, evaluation continues.
- Appoint at least two independent service providers as agents to enhance the penetration of TRADEeasy in Hubei and/or Yunnan in the PRC.
- Instead, two agents were appointed in Shenzhen and Fuzhou. No agent was finally appointed in Hubei and Yunnan as the Group’s market research indicated that both areas were not ready for ASP products.

For the six months ended 31 March 2004

- Study and evaluate potential independent service providers as agents in the PRC.
- Two more agents were successfully appointed, evaluation and plan continue.
- Appoint at least one agent in Guizhou and/or Guangxi to enhance the penetration of TRADEeasy in the PRC.
- No agent appointed in either Guizhou or Guangxi because market is not ready for ASP products.



MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives for the Review Period as set out in the Prospectus

Actual business progress in the Review Period

Taiwan

For the six months ended 30 September 2003

- | | |
|--|---|
| <ul style="list-style-type: none"> • Establish a representative office in Kaohsiung.
 • Appoint at least one independent service provider as agent to enhance the penetration of TRADEeasy in Taiwan. | <ul style="list-style-type: none"> • The Group believes that it is not cost effective to set up a representative office in Taiwan at this stage.
 • As Taiwan manufacturers are moving their manufacturing bases to the PRC, the Group is now recruiting these manufacturers as our customers in the PRC to replace the need of appointment of agents in Taiwan. |
|--|---|

For the six months ended 31 March 2004

- | | |
|---|---|
| <ul style="list-style-type: none"> • Appoint at least one independent service provider as agent to enhance the penetration of TRADEeasy in Taiwan. | <ul style="list-style-type: none"> • No Taiwan agent was appointed as Taiwanese manufacturers are moving their production to the PRC. Instead, the Group is developing alliance in Taiwan. |
|---|---|

Other parts of Asia

For the six months ended 30 September 2003

- | | |
|--|---|
| <ul style="list-style-type: none"> • Appoint at least one independent service provider as agent in India, Singapore or South Korea to enhance the penetration of TRADEeasy in Asia.
 • Revise and evaluate the performance of an agency plan. | <ul style="list-style-type: none"> • Due to the rapid growth of the PRC export market, the Group will focus its market expansion effort first in the PRC. The Group may resume its expansion into other Asian markets when the economic environment improves.
 • The Group continues to revise the elements of agency plan in order to improve both competitiveness and operational efficiency of the Group. |
|--|---|



MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives for the Review Period as set out in the Prospectus

For the six months ended 31 March 2004

- Appoint at least one independent service provider as agent in India, Singapore or South Korea to enhance the penetration of TRADEeasy in Asia.
- Revise and evaluate the performance of an agency plan.

Strategic alliance

For the six months ended 30 September 2003

- Evaluate potential strategic alliance with companies providing logistic services, payment solutions, inspection services, trade finance services, technology services and/or content providers.

For the six months ended 31 March 2004

- Form strategic alliances with companies providing logistic services, payment solutions, inspection services, trade finance services, technology services and/or content providers.

Actual business progress in the Review Period

- No agent was appointed in other parts of Asia. Resources were allocated to PRC, the largest market in Asia.
- The Group is developing strategic alliances to gain exposure in other parts of Asia.

- The Group has established an alliance with a technology company to modify the existing e-IMS system for B2C market.
- In alliance with an international company, the Group is considering to provide accreditation services to PRC manufacturers.

- Alliances with inspection services company, payment solution, trade services and world leading content provider were formed.



MANAGEMENT DISCUSSION AND ANALYSIS

**Business objectives for the Review Period
as set out in the Prospectus**

Actual business progress in the Review Period

PRODUCT ENRICHMENT AND ENHANCEMENT

e-Marketplace

For the six months ended 30 September 2003

- Continue to increase the depth of the content and variety of features on tradeeasy.com in relation to China domestic trade, China import and export trade.
- The group is constructing a new tradeeasy.com with Chinese version to promote domestic trade in the PRC.

For the six months ended 31 March 2004

- Continue to increase the depth of the content and variety of features on tradeeasy.com in relation to China domestic trade, China import and export trade.
- Chinese version of tradeeasy.com is ready to launch.

Management automation services

For the six months ended 30 September 2003

- Roll out MRP system.
- The market sentiment is not appropriate for providing MRP system to the SME's , and therefore the Group will focus in e-marketing and e-CRM.
- Enrich product width to Supply Chain Management ("SCM").
- New services, "Procurement Meeting", was introduced to allow sellers to meet with buyers face-to-face.
- The Group is considering to provide "Factory Audit" services to enhance "SCM".



MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives for the Review Period as set out in the Prospectus

For the six months ended 31 March 2004

- Formal launch of MRP system.
- Enrich product width to Supply Chain Management (“SCM”).

Others

For the six months ended 30 September 2003

- Launch overseas advertisement placement services for TRADEeasy’s customers in overseas international trade magazine.

For the six months ended 31 March 2004

- Launch overseas advertisement placement services for TRADEeasy’s customers in overseas international trade magazine.
- Evaluate the operations on overseas advertisement placement.

Actual business progress in the Review Period

- The market sentiment is not appropriate for providing MRP system to SMEs, and therefore the Group focuses in e-marketing and e-CRM.
- New service “Matching Conference” was introduced.

- Such services were launched.

- Such services were launched.

- Evaluation is in progress.



MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives for the Review Period as set out in the Prospectus

Actual business progress in the Review Period

MARKETING AND PROMOTION

Marketing and promotion plan

For the six months ended 30 September 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.
- Diversify publicity works to overseas market through e-mail campaigns, distribution of te-Link and participating in at least six trade shows in U.S., Europe, the PRC and Hong Kong.
- 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.
- More than six Matching Conferences and product seminars were held in the PRC during the period under review.
- The Group has participated in three overseas trade shows in the U.S. and Europe to promote the Group's products and services.
- Internal sales and customer services automation systems were constantly reviewed and enhanced in order to increase the overall efficiency and success rate on obtaining new customers.

For the six months ended 31 March 2004

- 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.
- Diversify publicity work to overseas market through e-mail campaigns, distribution of te-Link and participating in at least six trade shows in U.S., Europe, the PRC and Hong Kong.
- 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.
- More than six Matching Conferences and seminars were held in mainland China and Hong Kong.
- The Group had participated in seven trade shows in U.S., Europe, mainland China and Hong Kong.
- The internal sales and marketing system were modified and upgraded.

MANAGEMENT DISCUSSION AND ANALYSIS

Business objectives for the Review Period as set out in the Prospectus

Actual business progress in the Review Period

Technology Maintenance

For the six months ended 30 September 2003

- Evaluate the effectiveness, fault-tolerance of existing computer hardware and software applications and upgrade them if necessary.
- Review on the computer hardware and software continues. Certain fine-tuning and upgrading on the existing software applications were conducted to improve the execution efficiency and functionality.

For the six months ended 31 March 2004

- Evaluate the effectiveness, fault-tolerance of existing computer hardware and software applications and upgrade them if necessary.
- New hardware maintenance packages were introduced to provide uninterrupted services.

USE OF PROCEEDS

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The placement of shares of the Company in the initial public offering has raised net 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 from 1 April 2003 to 31 March 2004	Actual amounts utilized from 1 April 2003 to 31 March 2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Business development	1,960	1,589
Product enrichment and enhancement	1,000	1,027
Marketing and promotion	2,100	2,272
Technology maintenance	500	403
	<u>5,560</u>	<u>5,291</u>



MANAGEMENT DISCUSSION AND ANALYSIS

USE OF PROCEEDS *(continued)*

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 the 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 bank deposits.

EMPLOYEES

As at 31 March 2004, the Group employed 75 staff in Hong Kong (2003: 56) and 136 staff in mainland China (2003: 168). Total staff costs (including directors' remuneration) of the Group were approximately HK\$16.3 million (2003: HK\$18.8 million). Due to the appointment of agents during the financial year, the number of staff in mainland China reduced. 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 scheme.

BUSINESS OUTLOOK

China's accession to the World Trade Organization is expected to keep the export sector growing. China's role as the world's factory will further accelerate. Overseas manufacturers tend to wind down their operations and outsource their production to China manufacturers. Meanwhile, buyers and merchandisers increase their activities in sourcing products from China so as to be competitive. Due to the increasing free flow of market information, many overseas SME buyers, who used to buy from their local distributors, will travel to Hong Kong and mainland China to buy directly from the manufacturers.

In readiness of the above increasing activities, the management is well positioned to meet with the growing demand for sellers' information, screening and auditing, factory tours and related services. For the year to come, the Group will continue to:

Develop its services: Besides providing products information to buyers, the Group will extend to those off-line activities such as screening and auditing, procurement meetings, matching conferences, buying tours and other supporting sourcing services and aim at becoming a reliable business partner to its overseas buyers through its establishment of 11 offices in the PRC and its 10 years experience in doing business there.

Form alliance: The cooperation with Yahoo! Hong Kong (Holdings) Limited is definitely a major project for the year. This alliance development, together with a new business model, B2B2C (Business to Business to Consumer), offer the Group and its customers tremendous potentials to grow.

Implement trading platform: The platform at its initial stage incorporates product information, inventory, availability, digital images of products, purchase, and logistics/shipping information. Future enhancements will be introduced later to allow buyers and sellers real-time procurement, integrated order management, real-time product catalogues, real-time tracking, and real-time "offer to buy/sell", "auction", and "reverse auction". This platform will allow the Group to take the advantages of a true "transaction-based" revenue model with high scalability.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OUTLOOK *(continued)*

As evidenced by the PRC's embrace of the internet and e-commerce, our management firmly believes that over the time, there are many opportunities for us to develop the market there for true online procurement (B2B) and foresees that the demand for our off-line services will continue to grow. The Group is confident to enhance its brand name in the PRC and assume the role of an international trade enabler.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yu Lup Fat, Joseph, aged 56, is the chairman of Tradeeasy. Mr. Yu is responsible for the Group's corporate financial development and strategic business planning. Mr. Yu has over 30 years of experience in the financial industry, holding key positions in various financial institutions and associations. He holds a Master's Degree in Applied Finance from Macquarie University in Australia and a Diploma of Management Studies from the University of Hong Kong. Mr. Yu joined Tradeeasy in April 2000.

Mr. Yip Kwok Cheung, aged 40, is the chief executive officer of Tradeeasy. Mr. Yip is responsible for the Group's management, and directing overall business and development strategies. Prior to joining the Group, Mr. Yip had over 13 years of experience in starting and developing several service-oriented businesses in Hong Kong and Australia. He is a graduate from Australian National University majoring in Economics and Accountancy. Mr. Yip joined the Group in November 1996.

Mr. Wong Kai Yin, Paul, aged 41, is an executive director and one of the founders of Tradeeasy. Mr. Wong is responsible for the Group's sales and marketing in Hong Kong and the PRC. He graduated from the University of Hong Kong and majored in Psychology and Philosophy. He worked for an international advertising agency and has completed an advanced advertising course organised by the Accredited Association of Advertising Agencies.

Mr. To Man Yau, Alex, aged 41, is an executive director and one of the founders of Tradeeasy. Mr. To is responsible for the Group's business development in the PRC. He worked in an international advertising agency as an Account Manager for over five years.

NON-EXECUTIVE DIRECTOR

Mr. Lau Ho Man, Edward, aged 49, has served as a non-executive director and a member of the audit committee of Tradeeasy since December 2003. Mr. Lau has more than 27 years of experience in finance, accounting management and administration, and also has extensive experience in taxation and corporate finance matters. He is a Certified Public Accountant and a fellow of the Hong Kong Society of Accountants and The Association of Chartered Certified Accountants. Mr. Lau is also a member of the Chartered Institute of Management Accountants and the American Institute of Certified Public Accountants and a council member of the Society of Chinese Accountants & Auditors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Wu Yao Hua, Terence, aged 52, has extensive experience in the industry of life insurance for almost 30 years. Mr. Wu is a graduate of the General Managers Program of the Harvard Business School, a Certified Financial Planner CM, a member of the Chartered Institute of Marketing and a fellow of the Life Management Institute of the USA. He joined Tradeeasy in September 2002.

Mr. Lau Chi Yiu, aged 39, has extensive experience in fund management and providing full range of business consulting and financing advisory services. Mr. Lau founded GV Capital in 2002 and co-founded irasia.com in 1996, and has served as Director for both companies since then. Mr. Lau has a MBA from Chinese University of Hong Kong, a M.S. in Electrical Engineering from National Technological University of Colorado, and a B.S. in Electrical and Computer Engineering from State University of New York at Buffalo. He joined Tradeeasy in April 2003.



PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Ms. Siu Chi Man, aged 35, is the Chief Financial Officer, the Qualified Accountant and the Company Secretary of the Group. She has over 10 years of experience in finance, accounting and auditing. Ms. Siu holds a Bachelor's Degree of Arts in Accountancy from the City University of Hong Kong. She is a member of the Association of Chartered Certified Accountants. Ms. Siu joined Tradeeasy in March 2004.

Mr. Chan Ka Fai, aged 41, is the Chief Technical Officer of the Group. Mr. Chan is responsible for the Group's corporate-wide IT infrastructure and strategic direction. Prior to joining Tradeeasy, Mr. Chan worked for a telecom company for 12 years. Mr. Chan joined Tradeeasy in February 2000.

Mr. Lee Wing Kwong, aged 36, is a technical officer and one of the founders of Tradeeasy. Mr. Lee is responsible for the implementation of the Group's internal IT system as well as project management. Prior to joining the Group, Mr. Lee worked for a telecommunication group for over eight years.

Mr. Lam Kuen Sing, aged 50, is a technical officer and one of the founders of Tradeeasy. Mr. Lam works with Mr. Lee Wing Kwong on the implementation of the Group's internal IT system as well as project management. Prior to joining the Group, Mr. Lam worked in a bank for over 16 years.

Mr. Chou Hing Yan, Stephen, aged 41, is the business and product development manager of the Group. He has over 11 years of experience in advertising, marketing, business and product development. Mr. Chou holds a Bachelor's Degree of Commerce in Marketing from the McMaster University in Canada. He joined the Group in February 2000.



REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2004.

Principal activities

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiaries are set out in note 16 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Results

The Group's loss for the year ended 31 March 2004 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 28 to 56.

Summary financial information

A summary of the published results and assets and liabilities of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out on pages 57 and 58. This summary does not form part of the audited financial statements.

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Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 14 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the year, together with the reasons therefor, are set out in notes 21 and 22 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the Companies Law (Revised) of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

REPORT OF THE DIRECTORS

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 23 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

At 31 March 2004, the Company's reserves available for distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands, amounted to HK\$5,000. This included the Company's share premium and contributed surplus accounts aggregating to HK\$34,540,000 as at 31 March 2004, which 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.

Major customers and suppliers

In the year under review, sales to the Group's five largest customers accounted for less than 30% of the total sales for the year. Purchases from the Group's five largest suppliers accounted for less than 30% of the total purchases for the year.

Directors

The directors of the Company during the year were:

Executive directors:

Yu Lup Fat, Joseph
Yip Kwok Cheung
Wong Kai Yin, Paul
To Man Yau, Alex

Non-executive directors:

Lau Ho Man, Edward (appointed on 18 December 2003)
Tam Ngai Hung (resigned on 18 December 2003)

Independent non-executive directors:

Wu Yao Hua, Terence
Lau Chi Yiu (appointed on 1 April 2003)
Tam King Ching, Kenny (resigned on 1 April 2003)

In accordance with article 87 of the Company's articles of association, Mr. Wong Kai Yin, Paul and Mr. To Man Yau, Alex will retire and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting. In accordance with article 86(3) of the Company's articles of association, Mr. Lau Ho Man, Edward will retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.



REPORT OF THE DIRECTORS

Directors' and senior management's biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 19 to 20 of the annual report.

Directors' service contracts

Each of the four executive directors has entered into a service agreement with the Company for an initial term of three years commencing from 1 February 2002 which is subject to termination by either party giving not less than three months' notice in writing or making payment in lieu of notice.

Each of the non-executive directors and the independent non-executive directors was appointed for a period commencing from his date of appointment and is subject to retirement by rotation in accordance with the Company's articles of association.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' interests in contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

REPORT OF THE DIRECTORS

Directors' interests in shares

At 31 March 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 5.40 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"), 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	1.33
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
	<u>62,191,166</u>	<u>518,411</u>	<u>62,709,577</u>	<u>15.68</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 in note 22 to the financial statements.

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 5.40 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 disclosures in note 22 to the financial statements, 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.



REPORT OF THE DIRECTORS

Substantial shareholders' interests in shares

As at 31 March 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 (note)	Directly beneficially owned	93,364,070	23.34
CCT Telecom Holdings Limited (note)	Through a controlled corporation	93,364,070	23.34
Lee Dao Bon, Barton	Directly beneficially owned	<u>26,314,938</u>	<u>6.58</u>

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.

Sponsor's interests

As at 31 March 2004, neither Hantec Capital Limited (the "Sponsor") nor any of its respective directors or employees or associates (as referred in Note 3 to Rule 6.35 of the GEM Listing Rules) had any interest in the share capital of the Company or of any member 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 member of the Group.

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

Compliance with Rules 5.28 to 5.39 of the GEM Listing Rules

In the opinion of the directors, 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 throughout the year ended 31 March 2004.



REPORT OF THE DIRECTORS

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, 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 and two independent non-executive directors. The non-executive director at the beginning of the year was Mr. Tam Ngai Hung who resigned on 18 December 2003 and Mr. Lau Ho Man, Edward was appointed as a non-executive director and a member of the audit committee on the same date. The independent non-executive directors at the beginning of the year were Mr. Wu Yao Hua, Terence and Mr. Tam King Ching, Kenny, who resigned on 1 April 2003 and Mr. Lau Chi Yiu was appointed as an independent non-executive director and a member of the audit committee on the same date. The audit committee has held four meetings during the year ended 31 March 2004. The audit committee has reviewed the Group's consolidated financial statements for the year ended 31 March 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.

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

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ON BEHALF OF THE BOARD

Yip Kwok Cheung

Director

Hong Kong

18 June 2004



REPORT OF THE AUDITORS



■ **Certified Public Accountants**
15/F Hutchison House,
10 Harcourt Road,
Central, Hong Kong

■ Phone: 852 2846 9888
852 2526 5371
Fax: 852 2868 4432
852 2845 9208

To the members

Tradeeasy Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 28 to 56 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

Respective responsibilities of directors and auditors

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Basis of opinion

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2004 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young

Hong Kong

18 June 2004



Year ended 31 March 2004

CONSOLIDATED PROFIT AND LOSS ACCOUNT

	Notes	2004 HK\$'000	2003 HK\$'000
TURNOVER	5	31,862	34,163
Cost of sales		(21,534)	(21,681)
Gross profit		10,328	12,482
Other revenue		34	301
Selling and distribution costs		(1,745)	(2,869)
General and administrative expenses		(13,433)	(13,423)
Advertising and promotion expenses		(2,882)	(3,197)
Write-off of deferred development expenditure		(13,657)	—
Other operating expenses		(589)	(1,647)
LOSS FROM OPERATING ACTIVITIES	6	(21,944)	(8,353)
Finance costs	7	—	(174)
LOSS BEFORE TAX		(21,944)	(8,527)
Tax	10	—	—
NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	11	(21,944)	(8,527)
DIVIDEND	12	—	—
LOSS PER SHARE (HK cents)	13		
Basic		(5.5)	(2.1)
Diluted		N/A	N/A

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31 March 2004

CONSOLIDATED BALANCE SHEET



	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Fixed assets	14	3,039	4,509
Deferred development expenditure	15	3,549	20,684
		6,588	25,193
CURRENT ASSETS			
Trade receivables	17	1,209	1,599
Prepayments, deposits and other receivables		1,125	1,749
Cash and cash equivalents	18	8,430	7,590
		10,764	10,938
CURRENT LIABILITIES			
Trade payables	19	147	51
Deferred service fees received in advance		4,001	3,928
Accruals and other payables		5,325	2,329
		9,473	6,308
NET CURRENT ASSETS			
		1,291	4,630
CAPITAL AND RESERVES			
Issued capital	21	4,000	4,000
Reserves	23(a)	3,879	25,823
		7,879	29,823

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Yip Kwok Cheung
Director

Wong Kai Yin
Director



Year ended 31 March 2004

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued share capital	Share premium account	Contributed surplus	Exchange fluctuation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002	4,000	16,337	66,710	11	(48,708)	38,350
Net loss for the year	—	—	—	—	(8,527)	(8,527)
At 31 March 2003 and 1 April 2003	4,000	16,337*	66,710*	11*	(57,235)*	29,823
Net loss for the year	—	—	—	—	(21,944)	(21,944)
At 31 March 2004	4,000	16,337*	66,710*	11*	(79,179)*	7,879

* These reserve accounts comprise the consolidated reserves of HK\$3,879,000 (2003: HK\$25,823,000) in the consolidated balance sheet.

Year ended 31 March 2004

CONSOLIDATED CASH FLOW STATEMENT



	Notes	2004 HK\$'000	2003 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(21,944)	(8,527)
Adjustments for:			
Finance costs	7	—	174
Interest income	6	(26)	(99)
Depreciation	6	2,438	3,764
Amortisation of deferred development expenditure	6	3,478	3,810
Write-off of deferred development expenditure		13,657	—
Loss on disposal of fixed assets	6	19	1,036
Provisions for bad and doubtful debts on trade receivables	6	453	390
Write-off of deposits	6	—	221
Operating profit/(loss) before working capital changes		(1,925)	769
Increase in trade receivables		(63)	(241)
Decrease in prepayments, deposits and other receivables		624	472
Increase/(decrease) in trade payables		96	(213)
Increase/(decrease) in deferred service fees received in advance		73	(293)
Increase/(decrease) in accruals and other payables		2,996	(2,591)
Cash generated from/(used in) operations		1,801	(2,097)
Interest element on finance lease rental payments		—	(174)
Net cash inflow/(outflow) from operating activities		1,801	(2,271)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		26	99
Purchases of fixed assets	14	(994)	(1,787)
Proceeds from disposal of fixed assets		7	—
Additions to deferred development expenditure	15	—	(6,944)
Net cash outflow from investing activities		(961)	(8,632)



Year ended 31 March 2004

CONSOLIDATED CASH FLOW STATEMENT (continued)

	Notes	2004 HK\$'000	2003 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments of placing expenses from shareholders		—	3,832
Capital element of finance lease rental payments		—	(941)
		<hr/>	<hr/>
Net cash inflow from financing activities		—	2,891
		<hr/>	<hr/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		7,590	15,602
		<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF YEAR			
		8,430	7,590
		<hr/>	<hr/>
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	18	8,430	3,590
Non-pledged time deposits with original maturity of less than three months when acquired	18	—	4,000
		<hr/>	<hr/>
		8,430	7,590
		<hr/>	<hr/>

31 March 2004

BALANCE SHEET



	Notes	2004 HK\$'000	2003 HK\$'000
NON-CURRENT ASSETS			
Interests in subsidiaries	16	<u>4,508</u>	<u>28,424</u>
CURRENT ASSETS			
Cash and bank balances		<u>638</u>	<u>175</u>
CURRENT LIABILITIES			
Accruals and other payables		<u>1,141</u>	<u>373</u>
NET CURRENT LIABILITIES			
		<u>(503)</u>	<u>(198)</u>
		<u>4,005</u>	<u>28,226</u>
CAPITAL AND RESERVES			
Issued capital	21	<u>4,000</u>	<u>4,000</u>
Reserves	23(b)	<u>5</u>	<u>24,226</u>
		<u>4,005</u>	<u>28,226</u>

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Yip Kwok Cheung
Director

Wong Kai Yin
Director



31 March 2004

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The registered office of Tradeeasy Holdings Limited is located at the offices of Codan Trust Company (Cayman) Limited, Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, George Town, Grand Cayman, British West Indies and the principal place of business is located at Units 1-6, 8th Floor, Standard Chartered Tower, 388 Kwun Tong Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was principally involved in the provision of integrated marketing solution, Application Service Provider ("ASP") and technical consultancy services.

2. IMPACT OF A REVISED STATEMENT OF STANDARD ACCOUNTING PRACTICE ("SSAP")

SSAP 12 (Revised) "Income taxes" is effective for the first time for the current year's financial statements.

SSAP 12 prescribes the accounting for income taxes payable or recoverable, arising from the taxable profit or loss for the current period (current tax); and income taxes payable or recoverable in future periods, principally arising from taxable and deductible temporary differences and the carryforward of unused tax losses (deferred tax).

The SSAP has had no significant impact for these financial statements on the amounts recorded for income taxes. However, the related note disclosures are now more extensive than previously required. These are detailed in note 10 to the financial statements and include a reconciliation between the accounting loss and the tax expense for the year.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2004. The results of subsidiaries acquired or disposed of during the year 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.

NOTES TO FINANCIAL STATEMENTS



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises.



31 March 2004

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write-off the cost of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Furniture and fixtures	20%
Computer and office equipment	20% - 33%

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the net sales proceeds and the carrying amount of the relevant asset.

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Research and development expenditure

All research expenditure is charged to the profit and loss account as incurred.

Development expenditure incurred on the development of software products is capitalised and deferred only when the products are clearly defined, the expenditure is separately identifiable and can be measured reliably, and there is reasonable certainty that the products are technically feasible and have commercial value. Development expenditure which does not meet these criteria are expensed when incurred.

Deferred development expenditure is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis over a period of five years, which represents the expected economic useful lives of the products, commencing from the date of sale.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessee, rentals payable under operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

NOTES TO FINANCIAL STATEMENTS



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the balance sheet, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the profit and loss account or in equity if it relates to items that are recognised in the same or a different period directly in equity.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences:

- except where the deferred tax liability arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax assets and unused tax losses can be utilised:

- except where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.



31 March 2004

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Conversely, previously unrecognised deferred tax assets are recognised to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (i) integrated marketing solution service income, including the development and hosting of web sites, is recognised evenly over the terms of contracts;
- (ii) ASP service income, is recognised based on the percentage of completion of the services rendered;
- (iii) technical consultancy service income, when the services are rendered; and
- (iv) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

Deferred service fees

Deferred service fees represent integrated marketing solution service and ASP service income, which have been invoiced, but the related services have not been rendered. Deferred service fees for integrated marketing solution and ASP service income are recognised evenly over the terms of the contracts and based on the percentage of completion of the services rendered, respectively.

Advertising and promotion expenses

Advertising and promotion expenses are expensed as incurred.

NOTES TO FINANCIAL STATEMENTS



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Employee benefits

Employment Ordinance long service payments

Certain of the Group's employees have completed the required number of years of service to the Group in order to be eligible for long service payments under the Hong Kong Employment Ordinance in the event of the termination of their employment. The Group is liable to make such payments in the event that such a termination of employment meets the circumstances specified in the Employment Ordinance.

A contingent liability is disclosed in respect of possible future long service payments to employees, as a number of current employees have achieved the required number of years of service to the Group, to the balance sheet date, in order to be eligible for long service payments under the Employment Ordinance if their employment is terminated in the circumstances specified. 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.

Pension scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Share option scheme

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants for their contribution to the Group. The financial impact of share options granted under the share option scheme is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which are cancelled prior to their exercise date, or which lapse, are deleted from the register of outstanding options.



31 March 2004

NOTES TO FINANCIAL STATEMENTS

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable exchange rates ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries are translated into Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

4. SEGMENT INFORMATION

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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 the customers, and assets are attributed to the segments based on the location of the assets.

NOTES TO FINANCIAL STATEMENTS



4. SEGMENT INFORMATION (continued)

(a) Business segments

The following table presents 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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:								
Sales to external customers	4,837	6,665	15,939	12,646	11,086	14,852	31,862	34,163
Segment results	(4,892)	(2,150)	(15,654)	(5,313)	192	446	(20,354)	(7,017)
Interest income							26	99
Unallocated revenue							8	202
Unallocated expenses							(1,624)	(1,637)
Loss from operating activities							(21,944)	(8,353)
Finance costs							—	(174)
Loss before tax							(21,944)	(8,527)
Tax							—	—
Net loss from ordinary activities attributable to shareholders							(21,944)	(8,527)
Segment assets	1,011	4,090	2,392	16,538	4,394	6,164	7,797	26,792
Unallocated assets							9,555	9,339
Total assets							17,352	36,131
Segment liabilities	1,561	1,236	777	653	1,663	2,039	4,001	3,928
Unallocated liabilities							5,472	2,380
Total liabilities							9,473	6,308
Other segment information:								
Capital expenditure	57	273	189	4,696	748	3,762	994	8,731
Depreciation	322	1,270	1,059	2,411	1,057	1,003	2,438	4,684
Amortisation	789	889	2,135	2,921	554	—	3,478	3,810
Write-off of deferred development expenditure	3,450	—	9,543	—	664	—	13,657	—
Other non-cash expenses:								
- segment	3,113	288	10,333	547	694	772	14,140	1,607
- unallocated							—	40
							14,140	1,647



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NOTES TO FINANCIAL STATEMENTS

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents revenue and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		Mainland China		Consolidated	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Segment revenue:						
Sales to external customers	20,776	19,311	11,086	14,852	31,862	34,163
Other segment information:						
Segment assets	9,005	27,579	8,347	8,552	17,352	36,131
Capital expenditure	246	4,969	748	3,762	994	8,731

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5. TURNOVER

Turnover represents the value of services rendered during the year.

Revenue from the following activities has been included in turnover:

	Group	
	2004 HK\$'000	2003 HK\$'000
Integrated marketing solution services	4,837	6,665
ASP services	15,939	12,646
Technical consultancy services	11,086	14,852
	31,862	34,163

NOTES TO FINANCIAL STATEMENTS



6. LOSS FROM OPERATING ACTIVITIES

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

	Notes	2004 HK\$'000	2003 HK\$'000
Staff costs (including directors' remuneration - note 8):			
Salaries and related staff costs		15,781	18,133
Pension scheme contributions		559	618
		16,340	18,751
Less: Amounts capitalised in deferred development expenditure		—	(3,067)
		16,340	15,684
Auditors' remuneration		558	485
Depreciation		2,438	4,684
Less: Amounts capitalised in deferred development expenditure		—	(920)
	14	2,438	3,764
Amortisation of deferred development expenditure*	15	3,478	3,810
Minimum lease payments under operating leases:			
Land and buildings		1,560	2,456
Office equipment		69	93
		1,629	2,549
Loss on disposal of fixed assets		19	1,036
Provisions for bad and doubtful debts on trade receivables		453	390
Write-off of deposits		—	221
Exchange losses/(gains), net		(1)	1
Interest income		(26)	(99)

* This item is included in "Cost of sales" on the face of the consolidated profit and loss account.



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NOTES TO FINANCIAL STATEMENTS

7. FINANCE COSTS

	Group	
	2004	2003
	HK\$'000	HK\$'000
Interest on finance leases	—	174
	<u> </u>	<u> </u>

8. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and Section 161 of the Companies Ordinance is as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Executive directors:		
Fees	—	—
Other emoluments:		
Salaries, housing allowances, other allowances and benefits in kind	2,386	1,929
Pension scheme contributions	42	48
	<u> </u>	<u> </u>
	2,428	1,977
	<u> </u>	<u> </u>
Non-executive directors:		
Fees	103	—
	<u> </u>	<u> </u>
Independent non-executive directors:		
Fees	96	209
	<u> </u>	<u> </u>

Each of the four executive directors of the Company received emoluments of HK\$126,000 (2003: HK\$319,000), HK\$769,000 (2003: HK\$588,000), HK\$769,000 (2003: HK\$600,000) and HK\$764,000 (2003: HK\$470,000) for the year ended 31 March 2004.

Each of the three (2003: three) independent non-executive directors and two (2003: one) non-executive directors of the Company received emoluments of nil (2003: HK\$120,000), HK\$60,000 (2003: HK\$31,000), HK\$36,000 (2003: nil), HK\$17,000 (2003: nil) and nil (2003: nil) for the year ended 31 March 2004.

During the year, the non-executive director agreed to waive director's fees of a total HK\$86,000 (2003: HK\$120,000).

During the year, no share options were granted to the directors in respect of their services to the Group.

NOTES TO FINANCIAL STATEMENTS



9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2003: three) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining two (2003: two) non-director, highest paid employees for the year are as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Salaries, housing allowances, other allowances and benefits in kind	1,255	1,067
Pension scheme contributions	23	24
	<u>1,278</u>	<u>1,091</u>

The remuneration of each of the two (2003: two) non-director, highest paid employees for the two years ended 31 March 2004 and 2003 fell within the range from nil to HK\$1,000,000.

During the year, 4,000,000 share options were granted to one non-director, highest paid employee in respect of his service to the Group, further details of which are included in the disclosures in note 22 to the financial statements. No value in respect of the share options granted during the year has been charged to the profit and loss account, or is otherwise included in the above non-director, highest paid employees' remuneration disclosures.



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NOTES TO FINANCIAL STATEMENTS

10. 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).

A reconciliation of the tax expense applicable to loss before tax using the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rates, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Loss before tax	(21,944)		(8,527)	
Tax at the statutory tax rate	(3,840)	17.5	(1,364)	16.0
Different tax rate for specific provinces or local authority	(184)	0.8	42	(0.5)
Income not subject to tax	(4)	—	(15)	0.2
Expenses not deductible for tax	161	(0.7)	24	(0.3)
Tax losses not recognised as deferred tax assets	1,444	(6.6)	888	(10.4)
Temporary differences not recognised	2,550	(11.6)	425	(5.0)
Tax losses utilised from previous periods	(127)	0.6	—	—
Tax charge at the Group's effective rate	—	—	—	—

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.

11. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 March 2004 dealt with in the financial statements of the Company was HK\$24,221,000 (2003: HK\$9,969,000) (note 23(b)).

NOTES TO FINANCIAL STATEMENTS



12. DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries during the year (2003: nil).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$21,944,000 (2003: HK\$8,527,000) and the weighted average of 400,000,000 ordinary shares in issue (2003: 400,000,000) during the year.

Diluted loss per share amounts for the years ended 31 March 2004 and 2003 have not been disclosed as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

14. FIXED ASSETS

Group

	Leasehold improvements	Furniture and fixtures	Computer and office equipment	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:				
At beginning of year	896	996	15,137	17,029
Additions	636	21	337	994
Disposals	—	—	(50)	(50)
	<u>1,532</u>	<u>1,017</u>	<u>15,424</u>	<u>17,973</u>
At 31 March 2004	1,532	1,017	15,424	17,973
Accumulated depreciation:				
At beginning of year	216	554	11,750	12,520
Provided during the year	251	188	1,999	2,438
Disposals	—	—	(24)	(24)
	<u>467</u>	<u>742</u>	<u>13,725</u>	<u>14,934</u>
At 31 March 2004	467	742	13,725	14,934
Net book value:				
At 31 March 2004	<u>1,065</u>	<u>275</u>	<u>1,699</u>	<u>3,039</u>
At 31 March 2003	<u>680</u>	<u>442</u>	<u>3,387</u>	<u>4,509</u>



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NOTES TO FINANCIAL STATEMENTS

15. DEFERRED DEVELOPMENT EXPENDITURE

	Group
	HK\$'000
Cost:	
At beginning of year	27,028
Write-off	(22,454)
	<hr/>
At 31 March 2004	4,574
	<hr/>
Accumulated amortisation:	
At beginning of year	6,344
Provided during the year	3,478
Write-off	(8,797)
	<hr/>
At 31 March 2004	1,025
	<hr/>
Net book value:	
At 31 March 2004	3,549
	<hr/>
At 31 March 2003	20,684
	<hr/>

Deferred development expenditure represents the development costs capitalised in respect of certain software products to support the Group's ASP services and integrated marketing solution services. During the year, due to the launching of new products, the directors considered that certain of the superseded software became largely obsolete and that the related development costs would unlikely provide significant future economic benefits to the Group.

Accordingly, deferred development expenditure of approximately HK\$13,657,000 was written-off during the year.

16. INTERESTS IN SUBSIDIARIES

	Company	
	2004	2003
	HK\$'000	HK\$'000
Unlisted shares, at cost	18,500	18,500
Due from subsidiaries	17,296	18,471
	<hr/>	<hr/>
	35,796	36,971
Provision for impairment	(31,288)	(8,547)
	<hr/>	<hr/>
	4,508	28,424
	<hr/>	<hr/>

The amounts due from subsidiaries are unsecured, interest-free and are repayable on demand.

NOTES TO FINANCIAL STATEMENTS



16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tradeeasy Investments Limited	British Virgin Islands/Hong Kong	HK\$2,970,618 Ordinary	100	—	Investment holding
Datawin Limited	Hong Kong	HK\$100,000 Ordinary	—	100	Provision of integrated marketing solution and ASP services
Mega Wealth Investments Limited	Hong Kong	HK\$100 Ordinary	—	100	Investment holding
Wonderful Goal Investments Limited	Hong Kong	HK\$100 Ordinary	—	100	Investment holding
Tradeeasy Information Technology (Guangzhou) Limited ("Tradeeasy Guangzhou") (Note 1)	Mainland China	US\$300,000	—	100	Provision of technical consultancy services
Tradeeasy Information Technology (Beijing) Limited ("Tradeeasy Beijing") (Note 2)	Mainland China	US\$300,000	—	100	Provision of technical consultancy services
End User Technology Limited	British Virgin Islands/Hong Kong	US\$100 Ordinary	—	100	Provision of technical consultancy services



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NOTES TO FINANCIAL STATEMENTS

16. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Tradeeasy (BVI) Limited	British Virgin Islands/Hong Kong	US\$100 Ordinary	—	100	Holding of service marks
Tradeeasy Limited	Hong Kong	HK\$100 Ordinary	—	100	Vehicle for holding a Hong Kong office licence

Note 1: Tradeeasy Guangzhou is a Sino-foreign co-operative joint venture company established in Mainland China for a period of 15 years commencing from 26 June 2000.

Note 2: Tradeeasy Beijing is a wholly foreign-owned enterprise with an operating period of 20 years commencing from 21 June 2000.

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17. TRADE RECEIVABLES

An aged analysis of the trade receivables as at the balance sheet date is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current to 30 days	463	389
31 to 60 days	167	309
61 to 90 days	184	174
Over 90 days	395	727
	1,209	1,599

The Group normally allows credit terms for established customers ranging from 14 to 45 days. Overdue balances are reviewed regularly by senior management.

NOTES TO FINANCIAL STATEMENTS



18. CASH AND CASH EQUIVALENTS

	Group	
	2004 HK\$'000	2003 HK\$'000
Cash and bank balances	8,430	3,590
Time deposits	—	4,000
	8,430	7,590

At the balance sheet date, the cash and bank balances of the Group denominated in Renminbi (“RMB”) amounted to HK\$3,435,000 (2003: HK\$1,575,000). The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

19. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2004 HK\$'000	2003 HK\$'000
Current to 30 days	56	38
31 to 60 days	77	1
61 to 90 days	13	5
Over 90 days	1	7
	147	51

**NOTES TO FINANCIAL STATEMENTS****20. DEFERRED TAX**

No provision for deferred tax has been provided as the taxable and deductible temporary differences are immaterial for the current and prior years.

The Group has tax losses arising in Hong Kong of HK\$8,490,000 (2003: HK\$6,808,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time.

At 31 March 2004, there was no significant unrecognised deferred tax liability (2003: nil) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries as the Group has no liability to additional tax should such amounts be remitted.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

21. SHARE CAPITAL

	2004	2003
	HK\$'000	HK\$'000
Authorised:		
20,000,000,000 ordinary shares of HK\$0.01 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
400,000,000 ordinary shares of HK\$0.01 each	<u>4,000</u>	<u>4,000</u>

Details of the Company's share option scheme are included in note 22 to the financial statements.

22. 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.

NOTES TO FINANCIAL STATEMENTS**22. SHARE OPTION SCHEME** *(continued)*

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.



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NOTES TO FINANCIAL STATEMENTS

23. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 30 of the financial statements.

The contributed surplus of the Group represents the difference between the nominal value of the shares and the share premium accounts of the subsidiaries acquired in prior years, over the nominal value of the Company's shares issued in exchange therefor.

(b) Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 April 2002	16,337	18,203	(345)	34,195
Net loss for the year	—	—	(9,969)	(9,969)
At 31 March 2003 and 1 April 2003	16,337	18,203	(10,314)	24,226
Net loss for the year	—	—	(24,221)	(24,221)
At 31 March 2004	<u>16,337</u>	<u>18,203</u>	<u>(34,535)</u>	<u>5</u>

The contributed surplus of the Company represents the excess of the fair value of the shares of a subsidiary acquired in prior years, 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.

NOTES TO FINANCIAL STATEMENTS



24. CONTINGENT LIABILITIES

The Group had 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 HK\$659,000 as at 31 March 2004 (2003: HK\$478,000), as further explained under the heading "Employee benefits" in note 3 to the financial statements. 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.

25. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to two years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2004	2003
	HK\$'000	HK\$'000
Within one year	708	1,121
In the second to fifth years, inclusive	82	467
	790	1,588

26. RELATED PARTY TRANSACTION

Pursuant to a grant of non-exclusive use (the "Grant") made on 23 October 2001 by CCT Infrastructure Limited ("CCTI"), a wholly-owned subsidiary of CCT Telecom Holdings Limited which in turn is a substantial shareholder of the Company, in favour of Tradeeasy Limited, a wholly-owned subsidiary of the Company, CCTI granted the non-exclusive use of a part of premises located at 20th Floor, 1063 King's Road, Quarry Bay, Hong Kong, to the Group. The Grant was terminated on 31 December 2002.

For the year ended 31 March 2003, an aggregate amount of HK\$1,132,000 was paid to CCTI by the Group under the above-mentioned arrangement.



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NOTES TO FINANCIAL STATEMENTS

27. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of a revised SSAP during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

28. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 18 June 2004.



SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results and consolidated assets and liabilities of the Group for each of the five years ended 31 March 2004 prepared on the basis set out in the notes below:

RESULTS

	2000 HK\$'000	2001 HK\$'000	2002 HK\$'000	2003 HK\$'000	2004 HK\$'000
Turnover	8,860	19,813	52,793	34,163	31,862
Profit/(loss) from operating activities	(5,899)	(46,822)	10,805	(8,353)	(21,944)
Finance costs	(127)	(593)	(271)	(174)	—
Profit/(loss) before tax	(6,026)	(47,415)	10,534	(8,527)	(21,944)
Tax	—	—	—	—	—
Net profit/(loss) from ordinary activities attributable to shareholders	(6,026)	(47,415)	10,534	(8,527)	(21,944)
Basic earnings/(loss) per share (HK cents)	(1.7)	(13.5)	3.0	(2.1)	(5.5)

ASSETS AND LIABILITIES

Non-current assets	1,859	21,404	25,072	25,193	6,588
Current assets	7,633	15,578	23,624	10,938	10,764
	9,492	36,982	48,696	36,131	17,352
Current liabilities	17,082	33,614	10,346	6,308	9,473
Non-current liabilities	—	388	—	—	—
	17,082	34,002	10,346	6,308	9,473



31 March 2004

SUMMARY FINANCIAL INFORMATION

Notes:

1. The Company was incorporated in the Cayman Islands on 20 September 2001 and became the holding company of the companies comprising the Group on 20 February 2002 as a result of the Group reorganisation (the "Group Reorganisation"). Further details of the Group Reorganisation are set out in the Company's prospectus dated 26 February 2002.
2. The results of the Group for each of the two years ended 31 December 2000 and 2001 presented above have been extracted from the Company's prospectus dated 26 February 2002 when the listing of the Company's shares was sought on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.
3. The results of the Group for the three years ended 31 March 2002, 2003 and 2004 presented above have been extracted from the published audited financial statements.
4. The financial summary of the Group, which is presented for information only, has been prepared on the basis that the structure and business activities of the Group immediately after the completion of the Group Reorganisation had been in existence throughout the three years ended 31 March 2002.



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting of the shareholders of Tradeeasy Holdings Limited (the “Company”) will be held at Millennium City Club, Level 6, Tower 1, Millennium City, 388 Kwun Tong Road, Kowloon on Friday, 23 July 2004 at 9:30 a.m. for the following purposes:

- 1) To receive and consider the audited financial statements and the reports of the directors and auditors of the Company for the year ended 31 March 2004.
- 2) To re-elect retiring directors and to authorise the board of directors (the “Board”) to fix the directors’ remuneration.
- 3) To re-appoint auditors and to authorise the Board to fix their remuneration.
- 4) As special business, to consider and, if thought fit, pass the following resolutions with or without amendments as ordinary resolutions:

A “THAT:

- (i) subject to paragraph (iii) of this resolution and pursuant to the Rules Governing the Listing of Securities on the Growth Enterprise Market (“GEM”) of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the exercise by the directors of the Company (“Directors”) during the Relevant Period (as hereinafter defined) of all powers of the Company to allot, issue and deal with additional shares in the capital of the Company or options, warrants, or similar rights to subscribe for any shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) of this resolution shall authorise the Directors during the Relevant Period to make and grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (i) of this resolution, otherwise than pursuant to (a) a Rights Issue (as hereinafter defined) or, (b) the grant or exercise of rights of conversion under any securities which are convertible into shares of the Company or, (c) any scrip dividend scheme or similar arrangements providing for the allotment of shares in lieu of the whole or a part of a dividend on shares of the Company pursuant to the Articles of the Association of the Company from time to time, (d) the grant or exercise of any options granted under any option scheme or similar arrangement for the time being adopted by the Company for the grant or issue to the Directors, officers and/or employees of the Company and/or any of its subsidiaries of options to subscribe for, or rights to acquire, shares of the Company, shall not in aggregate exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this resolution and the said approval shall be limited accordingly; and



NOTICE OF ANNUAL GENERAL MEETING

(iv) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Right issue” means the allotment or issue of shares in the capital of the Company pursuant to an offer of shares open for a period fixed by the Directors made to holders of shares of the Company or any class thereof whose names appear on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

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B “THAT:

- (i) subject to paragraph (ii) of this resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to repurchase its own issued shares in the capital of the Company on GEM of the Stock Exchange or on any other stock exchange on which the shares of the Company may be listed and recognised for this purpose by the Securities and Future Commission and the Stock Exchange in accordance with all the applicable laws and the requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (as amended from time to time) or of any other stock exchange, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of shares of the Company to be repurchased by the Company pursuant to the approval in paragraph (i) of this resolution shall not exceed 10 per cent of the aggregate nominal amount of share capital of the Company in issue as at the date of passing of this resolution and the said approval shall be limited accordingly; and



NOTICE OF ANNUAL GENERAL MEETING

(iii) for the purpose of this resolution:

“Relevant Period” means the period from the passing of this resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association of the Company or any applicable laws to be held; or
- (c) the revocation or variation of the authority given under this resolution by an ordinary resolution of the shareholders of the Company in general meeting.”

C “**THAT** condition upon the resolution numbered 4B in the notice convening this meeting being passed, the general mandate granted to the Directors to allot, issue and deal with additional securities pursuant to resolution numbered 4A in the notice convening this meeting be and is hereby extended by the addition thereto of an amount representing the aggregate nominal amount of shares repurchased by the Company under the authority granted pursuant to the said resolution numbered 4B.”

5) As special business, to consider and, if thought fit, pass the following resolution with or without amendments as a special resolution:

“**THAT** the Articles of Association of the Company be amended as follows:

(i) By inserting the following new definition of “associate” in Article 2:

““associate” the meaning attributed to it in the rules of the Designated Stock Exchange.”

(ii) By re-numbering existing Article 76 as Article 76(1);

(iii) By inserting the following as new Article 76(2):

“(2) Where any Member is, under the rules of the Designated Stock Exchange, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such Member in contravention of such requirement or restriction shall not be counted.”



NOTICE OF ANNUAL GENERAL MEETING

- (iv) By deleting the words “not less than seven (7) clear days but not more than fourteen (14) clear days before the date of the general meeting” in the last sentence of Article 88 and replacing therewith the following provision:

“provided that the minimum length of the period, during which such Notice(s) are given, shall be at least seven (7) days and that the period for lodgment of such Notice(s) shall commence no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting.”

- (v) By deleting the existing Article 103 in its entirety and replacing therewith the following new Article 103:

“103. (1) A Director shall not vote (nor be counted in the quorum) on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associates is materially interested, but this prohibition shall not apply to any of the following matters namely:

- (i) any contract or arrangement for the giving to such Director or his associate(s) any security or indemnity in respect of money lent by him or any of his associates or obligations incurred or undertaken by him or any of his associates at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) any contract or arrangement for the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any contract or arrangement concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company or any of its subsidiaries by virtue only of his/their interest in shares or debentures or other securities of the Company;
- (v) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a shareholder other than a company in which the Director and/or his associate(s) is/are beneficially interested in five (5) per cent or more of the issued shares or of the voting rights of any class of shares of such company (or any third company through which his interest or that of any of his associates is derived); or

NOTICE OF ANNUAL GENERAL MEETING

- (vi) any proposal concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors, his associates and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not accorded to the employees to which such scheme or fund relates.
- (2) A company shall be deemed to be a company in which a Director and/or his associate(s) owns five (5) per cent. or more if and so long as (but only if and so long as) he and/or his associates, (either directly or indirectly) are the holders of or beneficially interested in five (5) per cent. or more of any class of the equity share capital of such company or of the voting rights available to members of such company (or of any third company through which his/their interest or that of any of his associates is derived). For the purpose of this paragraph there shall be disregarded any shares held by a Director or his associate(s) as bare or custodian trustee and in which he or any of them has no beneficial interest, any shares comprised in a trust in which the interest of the Director or his associate(s) is/are in reversion or remainder if and so long as some other person is entitled to receive the income thereof, and any shares comprised in an authorised unit trust scheme in which the Director or his associate(s) is/are interested only as a unit holder and any shares which carry no voting right at general meetings and very restrictive dividend and return of capital right.
- (3) Where a company in which a Director and/or his associate(s) holds five (5) per cent. or more is/are materially interested in a transaction, then that Director and/or his associate(s) shall also be deemed materially interested in such transaction.
- (4) If any question shall arise at any meeting of the Board as to the materiality of the interest of a Director (other than the chairman of the meeting) or his associate(s) or as to the entitlement of any Director (other than such chairman) to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the chairman of the meeting and his ruling in relation to such other Director shall be final and conclusive except in a case where the nature or extent of the interest of the Director and/or his associate(s) concerned as known to such Director has not been fairly disclosed to the Board. If any question as aforesaid shall arise in respect of the chairman of the meeting such question shall be decided by a resolution of the Board (for which purpose such chairman shall not vote thereon) and such resolution shall be final and conclusive except in a case where the nature or extent of the interest of such chairman as known to such chairman has not been fairly disclosed to the Board.””

By Order of the Board
Siu Chi Man
Company Secretary

Hong Kong, 18 June 2004



NOTICE OF ANNUAL GENERAL MEETING

Principal Place of Business:

Units 1-6, 8/F
Standard Chartered Tower
388 Kwun Tong Road
Kwun Tong
Kowloon
Hong Kong

Registered Office:

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681 GT
George Town
Grand Cayman
British West Indies

Notes:

1. In order to qualify for attending the forthcoming annual general meeting of the Company, all shares transfer accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting.
2. Every member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if a member who is the holder of two or more shares) to attend and vote in his stead. A proxy need not be a member of the Company.
3. To be valid, the instrument appointing a proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, must be deposited at the Company's Branch Share Registrar in Hong Kong, Tengis Limited at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong not less than forty-eight hours before the appointed time for holding the meeting or any adjournment thereof.
4. A circular containing details regarding the proposed resolutions to be passed in the meeting, as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange, has been dispatched to the members of the Company together with this 2004 annual report.
5. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting if the member so desires and in such event, the instrument appointing a proxy shall be deemed to be revoked.