



Tradeeasy Holdings Limited

易 買 通 集 團 有 限 公 司



Interim Report

For the six months ended 30 September 2004



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

HIGHLIGHTS

- Turnover of the Group for the six months ended 30 September 2004 was HK\$19,400,000 as compared to HK\$17,800,000 for the corresponding period in the previous financial year.
- Net profit of the Group for the six months ended 30 September 2004 was HK\$1,600,000 as compared to the net loss of HK\$2,800,000 for the corresponding period in the previous financial year.
- Earning per share of the Group was HK0.4 cents for the six months ended 30 September 2004 as compared to the loss per share of HK0.7 cents for the corresponding period in the previous financial year.
- As at 30 September 2004, the cash and cash equivalents of the Group was HK\$8,000,000 and there were no bank borrowings.
- The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2004.

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2004

The board of directors (the "Board") of Tradeeasy Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively referred to as the "Group" or "Tradeeasy") for the three months and the six months ended 30 September 2004, together with the comparative unaudited figures for the corresponding periods in 2003 respectively, are as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

	Notes	Unaudited three months ended 30 September		Unaudited six months ended 30 September	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
TURNOVER	2	10,215	8,765	19,442	17,780
Cost of sales		(5,266)	(5,667)	(9,859)	(11,172)
Gross profit		4,949	3,098	9,583	6,608
Other revenue		4	16	10	27
Selling and distribution costs		(510)	(439)	(1,003)	(848)
General and administrative expenses		(2,529)	(3,498)	(5,253)	(6,870)
Advertising and promotion expenses		(993)	(1,193)	(1,678)	(1,519)
Other operating expenses		-	(211)	(30)	(233)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	4	921	(2,227)	1,629	(2,835)
Finance costs		-	-	-	-
PROFIT/(LOSS) BEFORE TAX		921	(2,227)	1,629	(2,835)
Tax	5	-	-	-	-
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		921	(2,227)	1,629	(2,835)
DIVIDEND		-	-	-	-
EARNING/(LOSS) PER SHARE (HK cents)	6	0.22	(0.56)	0.39	(0.71)
Basic		0.22	(0.56)	0.39	(0.71)
Diluted		N/A	N/A	N/A	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

		Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Fixed assets	7	2,527	3,039
Deferred development expenditure	8	3,725	3,549
		6,252	6,588
CURRENT ASSETS			
Trade receivables	9	2,145	1,209
Prepayments, deposits and other receivables		1,755	1,125
Cash and cash equivalents		7,951	8,430
		11,851	10,764
CURRENT LIABILITIES			
Trade payables	10	570	147
Deferred service fees received in advance		4,338	4,001
Accruals and other payables		2,690	5,325
		7,598	9,473
NET CURRENT ASSETS			
		4,253	1,291
		10,505	7,879
CAPITAL AND RESERVES			
Issued capital		4,210	4,000
Reserves	11	6,295	3,879
		10,505	7,879

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Issued Share capital HK\$'000	Share premium account HK\$'000	Contri- buted surplus HK\$'000	Exchange fluctuation reserve HK\$'000	Accu- mulated losses HK\$'000	Total HK\$'000
At 1 April 2003	4,000	16,337	66,710	11	(57,235)	29,823
Net loss for the six months ended 30 September 2003	—	—	—	—	(2,835)	(2,835)
At 30 September 2003	4,000	16,337	66,710	11	(60,070)	26,988
At 1 April 2004	4,000	16,337	66,710	11	(79,179)	7,879
Issue of shares*	210	840	—	—	—	1,050
Share issue expenses*	—	(53)	—	—	—	(53)
Net profit for the six months ended 30 September 2004	—	—	—	—	1,629	1,629
At 30 September 2004	4,210	17,124	66,710	11	(77,550)	10,505

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

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Unaudited six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Net cash inflow/(outflow) from operating activities	(614)	1,190
Net cash outflow from investing activities	(862)	(740)
Net cash inflow from financing activities	997	—
	<hr/>	<hr/>
Increase/(decrease) in cash and cash equivalents	(479)	450
Cash and cash equivalents brought forward	8,430	7,590
	<hr/>	<hr/>
Cash and cash equivalents carried forward	7,951	8,040
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents:—		
Cash and bank balances	7,951	3,540
Non-pledged time deposits with original maturity of less than three months when acquired	—	4,500
	<hr/>	<hr/>
	7,951	8,040
	<hr/>	<hr/>

Notes:–

1. Basis of preparation and consolidation

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

The unaudited consolidated financial statements include the financial statements of the Company and its subsidiaries for the six months ended 30 September 2004. The results of subsidiaries acquired or disposed of during the period are consolidated from or to their effective dates of acquisition or disposal, respectively. The unaudited consolidated financial statements also comply with the disclosure requirements of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules").

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

2. Turnover

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

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

	Unaudited for the three months ended 30 September		Unaudited for the six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Integrated marketing solution services	1,959	1,177	3,438	2,279
Application Service Provider services	5,634	4,350	10,325	9,199
Technical consultancy services	2,622	3,238	5,679	6,302
	10,215	8,765	19,442	17,780

3. Segment information

An analysis of the Group's turnover and operating results for the periods by business and geographical segments is as follows:-

(a) Business segments

	Unaudited six months ended 30 September							
	Integrated marketing solution services		ASP services		Technical consultancy services		Consolidated	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:								
Sales to external customers	<u>3,438</u>	<u>2,279</u>	<u>10,325</u>	<u>9,199</u>	<u>5,679</u>	<u>6,302</u>	<u>19,442</u>	<u>17,780</u>
Segment results	<u>(97)</u>	<u>(638)</u>	<u>1,732</u>	<u>(2,577)</u>	<u>478</u>	<u>993</u>	<u>2,113</u>	<u>(2,222)</u>
Interest income							10	20
Unallocated revenue							-	7
Unallocated expenses							(494)	(640)
Profit/(Loss) from operating activities							<u>1,629</u>	<u>(2,835)</u>
Finance costs							-	-
Profit/(Loss) before tax							<u>1,629</u>	<u>(2,835)</u>
Tax							-	-
Net profit/(loss) from ordinary activities attributable to shareholders							<u>1,629</u>	<u>(2,835)</u>

(b) Geographical segments

	Unaudited six months ended 30 September					
	Hong Kong		Mainland China		Consolidated	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:						
Sales to external customers	<u>13,763</u>	<u>11,478</u>	<u>5,679</u>	<u>6,302</u>	<u>19,442</u>	<u>17,780</u>
Segment results	<u>1,635</u>	<u>(3,215)</u>	<u>478</u>	<u>993</u>	<u>2,113</u>	<u>(2,222)</u>

4. Profit/(Loss) from operating activities

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

	Unaudited		Unaudited	
	three months ended		six months ended	
	30 September		30 September	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Staff costs (including directors' remuneration)				
Salaries and related staff costs	4,110	3,698	8,002	7,306
Pension scheme contributions	258	146	500	279
	<u>4,368</u>	<u>3,844</u>	<u>8,502</u>	<u>7,585</u>
Less: Amounts capitalised in deferred development expenditure	(592)	-	(592)	-
	<u>3,776</u>	<u>3,844</u>	<u>7,910</u>	<u>7,585</u>
Depreciation	412	489	753	1,556
Amortisation of deferred development expenditure*	227	1,346	455	2,692
Minimum lease payments under operating leases:				
Land and buildings	432	491	893	977
Office equipment	30	17	55	34
Loss on disposal of fixed assets	-	-	-	18
Provisions for bad and doubtful debts on trade receivables	-	184	-	206
Interest income	(7)	(9)	(10)	(20)

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

5. 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 three months and six months ended 30 September 2004.

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

Tradeeasy Information Technology (Beijing) Limited, a wholly foreign-owned enterprise established and operating in Beijing, is subject to mainland China enterprise income tax at a rate of 33%. Pursuant to a notice dated 8 January 2001 issued by 北京市海澱區國家稅務局, Tradeeasy Information Technology (Beijing) Limited has status as a High and New Technology Enterprise and hence the applicable income tax rate was reduced to 15%. The notice also stated that Tradeeasy Information Technology (Beijing) Limited 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.

6. Earning/(Loss) per share

The calculation of basic earning/(loss) per share for the three months and the six months ended 30 September 2004 and 2003 respectively, is based on the net profit from ordinary activities attributable to shareholders of HK\$900,000 and HK\$1,600,000 (2003: net loss of HK\$2,200,000 and HK\$2,800,000) and on the weighted average of 421,000,000 ordinary shares in issue (2003: 400,000,000 ordinary shares) during those periods.

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



7. Fixed assets

	Leasehold improvements <i>HK\$'000</i>	Furniture and fixtures <i>HK\$'000</i>	Computer and office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:				
At 1 April 2004	1,532	1,017	15,424	17,973
Additions	—	2	239	241
At 30 September 2004	1,532	1,019	15,663	18,214
Accumulated depreciation:				
At 1 April 2004	467	742	13,725	14,934
Provided during the period	160	73	520	753
At 30 September 2004	627	815	14,245	15,687
Net book value:				
At 30 September 2004	905	204	1,418	2,527
At 31 March 2004	1,065	275	1,699	3,039

8. Deferred development expenditure

	<i>HK\$'000</i>
Cost:	
At 1 April 2004	4,574
Additions	631
At 30 September 2004	5,205
Accumulated amortisation:	
At 1 April 2004	1,025
Provided during the period	455
At 30 September 2004	1,480
Net book value:	
At 30 September 2004	3,725
At 31 March 2004	3,549

9. Trade receivables

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

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Current to 30 days	1,070	463
31 to 60 days	277	167
61 to 90 days	315	184
Over 90 days	483	395
	<u>2,145</u>	<u>1,209</u>

The Group normally allows credit terms for established customers ranging from 14 to 45 days.

10. Trade payables

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

	Unaudited 30 September 2004 HK\$'000	Audited 31 March 2004 HK\$'000
Current to 30 days	239	56
31 to 60 days	79	77
61 to 90 days	93	13
Over 90 days	159	1
	<u>570</u>	<u>147</u>

11. Movement in reserves

Save as disclosed in "Condensed Consolidated Statement of Changes in Equity", there was no other movement of reserves of the Group.

INTERIM DIVIDEND

The Board does not recommend payment of any interim dividend for the six months ended 30 September 2004 (2003: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The six months ended 30 September 2004 has been a successful period for the Group as it has been recovered from the economic slump of 2003 and recorded growth in both turnover and profit.

The Group has recorded a profit of HK\$1,600,000 for the six months ended 30 September 2004, as compared to a net loss of HK\$2,800,000 for the corresponding period of 2003. The turnover for the six months ended 30 September 2004 was HK\$19,400,000, compared to HK\$17,800,000 for the same period in 2003, and this represents an increase of 9.3%. Gross profit ratio has also been improved for the six months ended 30 September 2004 which was 49.3% (2003: 37.2%).

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As far as the Group's segment performance for the six months ended 30 September 2004 is concerned, the turnover for Integrated Marketing Solution Services has increased by 50.9% to HK\$3,400,000 (2003: HK\$2,300,000). Likewise, the turnover for ASP Services has increased by 12.2% to HK\$10,300,000 (2003: HK\$9,200,000). However, the turnover for Technical Consultancy Services has decreased by 9.9% to HK\$5,700,000 (2003: HK\$6,300,000). The decrease in turnover of Technical Consultancy Services was largely due to the replacement of the PRC branches by the PRC agents, whereas, the Group was able to record only fees from agency but not the entire branch turnover as before. In the past, the branch turnover before the relevant costs giving rise to such turnover, used to be quite significant in amount.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operation Review

During the six months under review, the Group had undertaken numerous initiatives to strengthen its business. To the belief of our management, ongoing development of a portfolio of high-quality buyers is the key to success. The Group had therefore provided high value service to international buyers by arranging Procurement Meetings and Matching Conferences for buyers to meet with sellers face-to-face. This service was launched last year and successfully resulted in transactions entered into between buyers and sellers. Our buyers, some visited us on behalf of international brands and major department stores, made constant return visits. In the past six months, more than 300 buyers had participated in our Procurement Meetings and Matching Conferences, and met with more than 1,500 sellers. The Group has been effectively playing the role of a trade enabler.

The Group's bi-monthly trade directory "Buyer Member Directory" was highly received by the market. The Group had gained support from a large number of overseas tradeshow organizers in those trade shows, copies of the trade directory were widely distributed on-site. As a result of the recognition of the trade directory with the detailed information placed with us by a large number of sellers, the Group was able to make a promising income on producing the directory.

In order to strengthen the sales force in PRC, the Group had formed strategic alliances with companies which specialise in carrying B2B marketing products and have a large number of salespersons in southern part of PRC, to develop channel sales. New products were being designed to suit the channel sales model.

One of the chief achievements during the six months period is the development of a new IT team in Guangzhou, PRC. This new team is expected to make good use of the latest technology in developing new features for the Group's ASP eCRM services.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operation Review (Continued)

Besides, the Group also entered into a content provider agreement with Yahoo! Hong Kong (Holdings) Limited in this second quarter, to start providing the Group's B2B content, sellers' information and products information for listing onto Yahoo! Hong Kong's Business Finder Directory.

Prospects

The Group is optimistic towards the forthcoming half year and foresees the export activities will continue to grow in PRC. Particularly, in 2005, according to the schedule published by the World Trade Organization, it will be the time when international trade regulations between PRC and overseas countries are finalised. Till that time, the garment industry will be definitely benefited the most. In fact, garment industry has always been the core and strongest business of our Group and we will continue to focus on that.

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At the same time, the Group will pro-actively looking for alliances to broaden its client base, to enlarge its product range and to provide the Group with increasing business opportunities. The Group also aims to search for the possibilities of providing on-line B2B transaction based model and other B2B related services as well as actively performing as a trade fair organizer.

Whilst having successfully participated in various overseas trade shows in the past, the Group is looking forward to developing new markets for its sellers in the year to come. One of the major events to come will be the Middle East Trade Show in December 2004. The Group believes that there will be a lot of opportunities in the unleashed Middle East market for PRC manufacturers.

Liquidity, financial resources and capital structure

As at 30 September 2004, the Group's cash and cash equivalents amounted to HK\$8,000,000, of which 41.1% was denominated in Hong Kong dollars. The Group adopts a conservative approach to its treasury policy and is principally financed by cash flows generated internally.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Liquidity, financial resources and capital structure (Continued)

The Group's net asset value as at 30 September 2004 amounted to HK\$10,500,000, representing HK2.5 cents per share. During the period under review and as at period end date, the Group had no other borrowings, banking facilities or assets pledged. The gearing ratio (i.e. total long-term external borrowings/total equity) of the Group as at 30 September 2004 was nil (2003: nil). As at 30 September 2004, the Group had total current assets of HK\$11,900,000 and total current liabilities of HK\$7,600,000. The current ratio of the Group was 1.56 as at 30 September 2004 as compared to 1.14 of 31 March 2004.

There has been no change in the capital structure of the Company during the six months ended 30 September 2004.

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 period under review.

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\$647,000 as at 30 September 2004 (2003: HK\$529,000). 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 recognized 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. Save for the above, the Group had no significant contingent liability as at 30 September 2004.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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 Board does 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 six months ended 30 September 2004 and 2003, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

Significant investments

During the six months ended 30 September 2004 and 2003, the Group did not hold any significant investment.

Employee information

As at 30 September 2004, the Group employed 80 staff in Hong Kong (2003: 68) and 105 staff in mainland China (2003: 139). Total staff costs (including directors' remuneration) of the Group were HK\$8,500,000 (2003: HK\$7,600,000). Comparing same period of previous year, the Group engaged less staff in Mainland China as some of our PRC branches were appointed as agents after September 2003. 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.

DIRECTORS' INTERESTS IN SHARES

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

Long positions in ordinary shares of the Company:

Name of director	Number of ordinary shares held	Percentage of the Company's issued share capital
Yu Lup Fat, Joseph	5,301,927	1.26
Yip Kwok Cheung	23,610,662	5.61
Wong Kai Yin, Paul	22,284,415	5.29
To Man Yau, Alex	10,994,162	2.61
	<u>62,191,166</u>	<u>14.77</u>

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

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

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SHARE OPTION SCHEME

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

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

SHARE OPTION SCHEME (Continued)

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 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.

SHARE OPTION SCHEME *(Continued)*

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.

Further on 6 October 2004, the Company granted an employee under the Scheme 4,000,000 share options to subscribe for shares of HK\$0.01 each in the capital of the Company which are exercisable at any time from 4 November 2004 to 3 November 2009 at an exercise price of HK\$0.03 per share. The average closing price for the 5 Business Days preceding the date of grant of the Company's share was HK\$0.03 per share. The vesting period of the share option is from the date of grant until the commencement of the exercise period.

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As at 30 September 2004, all of the options remained outstanding.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

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

Long positions:

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

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

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

COMPETING INTERESTS

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



PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.34 to 5.45 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 7 March 2002.

AUDIT COMMITTEE

The Company established an audit committee on 26 September 2001 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review the Company's annual reports and accounts, half-year reports and quarterly reports and to provide advices and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting process and internal control procedures of the Group. The audit committee has three members comprising all the independent non-executive directors, Mr. Lau Chi Yiu and Mr. Wu Yao Hua, Terence and Mr. Lau Ho Man, Edward. Mr. Lau Ho Man, Edward was re-designated as independent non-executive director from non-executive director on 24 September 2004. The audit committee has reviewed the Group's unaudited consolidated interim results for the six months ended 30 September 2004, and confirmed that the preparation of such complied with applicable accounting standards, the requirement of the Stock Exchange and that adequate disclosures had been made.

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

Hong Kong, 9 November 2004