Tradeeasy Holdings Limited
易貿通集團有限公司

Annual Report 2001/02

Characteristics of The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM")

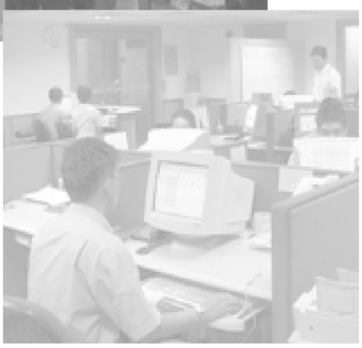
GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast further profitability. Furthermore, there may be risks arising out 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 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 in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange of Hong Kong Limited 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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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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Registered office

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

Head office and principal place of business

20th Floor
1063 King's Road
Quarry Bay
Hong Kong

Company secretary

Mr. Chan Wai Hong, Andrew

Compliance officer

Mr. Yip Kwok Cheung

Qualified accountant

Mr. Chan Wai Hong, Andrew

Audit Committee

Mr. Tam Ngai Hung
Mr. Tai Ka Luk
Mr. Tam King Ching, Kenny

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
Cayman Islands
British West Indies

Hong Kong branch share registrar and transfer office

Tengis Limited
4th Floor, Hutchison House
10 Harcourt Road
Central
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

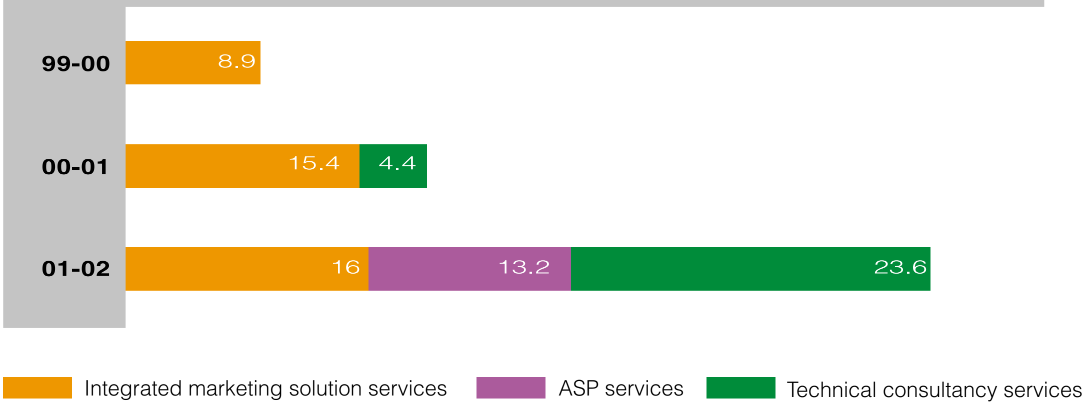
Stock Code

8163

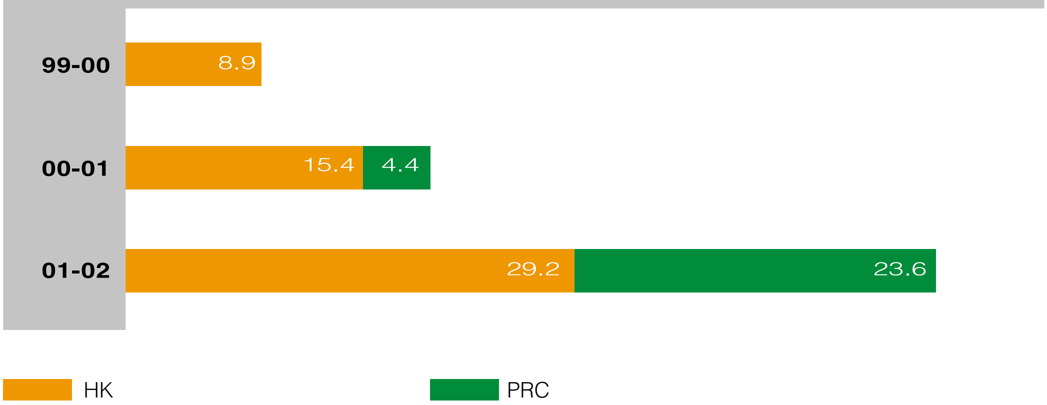
Website

www.tradeeasy.com

Turnover, by business segments (HK$ million)



Turnover, by geographical segments (HK$ million)



HK$'million	**2001-02**	2000-01
Turnover	**52.8**	19.8
Profit/(loss) attributable to shareholders	**10.5**	(47.4)
Total assets	**48.7**	37.0
Total liabilities	**(10.3)**	(34.0)
Net assets	**38.4**	3.0
Basic earnings/(loss) per share (HK cents)	**3.0**	(13.5)

CHAIRMAN'S STATEMENT

The past year has been a cornerstone for the Group - we became a listed company in March 2002.

Our financial performance during the past year was most encouraging. The Group's turnover rose 167% to HK$52.8 million in comparison to HK$19.8 million last year. The profit attributable to shareholders also significantly improved to this year's HK$10.5 million from 2001's loss of HK$47.4 million.

As a leading trade enabler in the Greater China region, the Group has established solid foundations for continued growth. We believe that our approach to providing total solutions to our target customers - small and medium-sized enterprises (SMEs) - has been well received in the marketplace. The combination of on-line and off-line services has proven to be a valuable tool for SMEs in facilitating their trading activities.

In the past year, we launched our proprietary management automation solution service e-IMS, software, helping exporters to transform disparate trade leads into coordinated transactions. This service has provided a source of recurring income for the Group, and will be a key driver for our future financial performance.

We now have 12 offices in Hong Kong and China, providing face-to-face contact with our customers. During the past year, we also participated in 12 local and overseas trade shows, leading to the establishment of a quality database of over 50,000 buyers.

Two momentous events during the past year have created an impact on our business. First, as a result of the "September 11" terrorist attacks, the global trade environment suffered a major setback in the last quarter of 2001 and the beginning of 2002. This impact has been particularly severe on Hong Kong's exporters. While we have seen encouraging signs of recovery, the outlook for our business in Hong Kong remains uncertain. Second, China's entry into the WTO has created a buoyant export market, and we are well placed to capitalize on these robust trading activities. We will continue to devote additional resources to our expansion in China.

Amid the uncertain economic conditions, we will monitor the market situation carefully, and will continue to develop new products and offer new services to build a growing customer base.

Human touch and automation. We believe this combination will continue to be the winning formula in our business of providing trade-enabling services, and will represent the driving force for the Group's development.

On behalf of the Board of Directors, I would like to express our appreciation for the dedication and efforts of our staff, suppliers, customers and shareholders.

Yu Lup Fat, Joseph
Chairman

21 June, 2002

OVERVIEW

The financial year ended 31 March 2002 was an exciting year for Tradeeasy Holdings Limited and its subsidiaries (the "Group" or "Tradeeasy"). The successful listing of the Group on the GEM of the Stock Exchange on 7 March 2002 marked a milestone in our development. We believe the listing will enhance our corporate status and increase market awareness of the Group, making a strong contribution to our future business development.

During the financial year, China's entry into the WTO gave rise to an overwhelming enthusiasm for the Group's services as a "Trade Enabler". Our services facilitate global buyers and suppliers, helping them to trade their products in a more efficient and timely manner. We are fully committed to maintaining our position as one of the leading trade enablers in the Greater China region providing one-stop solutions to SME exporters to increase their marketability and to streamline their operations.

In view of the dynamic market environment, the Group has been developing and offering new services, exploring new business opportunities and expanding market coverage. The focus is on both on-line and off-line marketing, consultation services and business automation service solutions.

FINANCIAL REVIEW

The financial year ended 31 March 2002 was a successful year for the Group. The Group's turnover rose 167% to HK$52.8 million in comparison to HK$19.8 million in the last financial year. The Group recorded a gross profit of HK$27.5 million this financial year as compared with a gross loss of HK$4.3 million last financial year. The profit attributable to shareholders also significantly improved this financial year to HK$10.5 million recovering from 2001's loss of HK$47.4 million. The Group has successfully met the profit forecast in the prospectus of Tradeeasy dated 26 February 2002 ("Prospectus"), which stated that in this financial year, the combined profit after tax but before extraordinary items would not be less than HK$10 million. Basic earnings per share was HK3.0 cents for this financial year.

Operation results

The 167% rise in turnover in this financial year is attributable to the steady growth of the Integrated Marketing Solution Services, the successful rollout of the Group's first Management Automation Services as well as the increasing demand of Technical Consultancy Services. These services contributed HK$16.0 million, HK$13.2 million and HK$23.6 million respectively to the turnover of the Group and HK$1.7 million, HK$2.7 million and HK$5.3 million respectively to profit for the financial year under review.

A 434% growth in turnover was recorded in the financial year ended 31 March 2002 from the PRC market. The Group first penetrated the PRC market in mid 2000, with this investment proving to be highly successful. In the year under review, the PRC market contributed HK$23.6 million to the turnover as compared with HK$4.4 million last year. The profit for the year recorded was HK$5.3 million as compared to a loss of HK$12.1 million in the previous financial year.

Turnover in the Hong Kong market grew 90% to HK$29.2 million despite the slowdown in the economy during the financial year. A profit of HK$4.4 million was recorded for this financial year as compared with a loss of HK$36 million in the previous financial year.

A 52% gross profit was achieved in the financial year under review, as compared to a gross loss of 21% in the last financial year. The significant improvement was mainly attributable to the high re-subscription rate of existing subscribers to the Group's services, which led to lower costs and better economies of scale from an enlarged subscriber base. The Group believes the on-going improvement in the products range and product quality, customer services as well as the general increasing understanding of the benefits of using the Group's services by our subscribers, will enable us to maintain a high re-subscription rate and attract new subscribers.

The Group changed its brand building strategy during the financial year under review to include direct participation in trade fairs and seminars which led to a reduction of marketing costs of HK$7.2 million as compared to the last financial year. Through monitoring the trade terms with its suppliers, reduction in rent and streamlining the Group's operations, selling expenses and general administration expenses reduced 1% and 32% respectively.

The improvement in gross profit margin, a better cost control and more efficient operations contributed positive growth to profit attributable to shareholders to HK$10.5 million this year.

Liquidity and financial resources

The Group is principally financed by cash flows generated internally and from the proceeds of the listing on 7 March 2002. As at 31 March 2002, the Group's cash and cash equivalent amounted to HK$15.6 million, 90% of which was denominated in Hong Kong dollars. The Group adopts a conservative approach to its treasury policy. Cash is generally placed in short term interest bearing deposits denominated in Hong Kong dollars.

As at 31 March 2002, the net assets value of the Group amounted to HK$38.4 million, representing approximately HK9.6 cents per share. The Group had an obligation under the finance leases of HK$0.9 million, all of which are repayable within one year from the year end date, on its computer servers and equipment of net book value HK$2.7 million as at 31 March 2002. Apart from the said finance leases, 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 2002 was nil (2001: 0.13). As at 31 March 2002, the Group had total current assets of HK$23.6 million and total current liabilities of HK$10.3 million. The current ratio of the Group has improved to this year's 2.29 from 0.46 in the previous financial year.

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 the Hong Kong dollar and Renminbi is minimal, the Board considers that the Group is not significantly exposed to any exchange risk and accordingly, no hedging transactions were made during the year.

Contingent liabilities

As at 31 March 2001 and 2002, the Group had no material contingent liabilities.

Future plans for investment or capital assets

The Group's future plans for investment or capital assets will be in line with the "Statement of Business Objectives" as contained in the Prospectus. The source of funding will come from the proceeds from the initial public offering and cash flows generated internally.

Acquisition and disposal of subsidiaries and affiliated companies

During the two financial years ended 31 March 2001 and 2002, the Group had no material acquisitions and disposals of subsidiaries and affiliated companies.

Significant investments

During the two financial years ended 31 March 2001 and 2002, the Group did not hold any significant investments.

BUSINESS REVIEW

Our Services

Integrated marketing services

We developed a number of services this year which integrate and complement each other, providing an efficient trading platform for sellers to market their products around the world in a more effective manner.

We participated in a number of international trade fairs, assisting our "seller" members by representing them at these trade fairs. These include the Hong Kong Houseware Fair, Hong Kong Fashion Week, Hong Kong Toys Fair, International Housewares Show and International Hardware Show in Chicago, the Spring and Autumn Canton Fair in the PRC, the Spielwarenmesse International Toy Fair in Nuremberg, Germany, Premiere-paper World in Frankfurt, Germany, International Consumer Electronic Show in Las Vegas, the US, International Hardware Show in Cologne, and GDS Shoes Fair in Dusseldorf, Germany.

The Group organises the logistics , provides supporting services including translation, invites overseas buyers to visit the show, negotiates trade terms on behalf of the sellers and collects buyer information for the database. These services have generated excellent responses and provide an efficient channel for sellers to market their products overseas.

Tradeeasy's e-marketplace, www.tradeeasy.com, serves as a communication platform between buyers, with information generated from trade shows and other channels, and our seller members.

The Group also publishes industry specific trade magazines including te.Link Fashion, te.Link Hardware, te.Link Houseware, te.Link Toys and te.Link Gifts and Premiums distributed at the fairs to increase exposure. In order to upgrade our seller members' corporate image, the Group also produces other marketing materials for them including CD-ROMs and product catalogues.

Management automation services

As international trade involves large quantities of paperwork and constant communication between buyers and sellers, the Group has developed e-IMS, a management automation system in an ASP (Application Service Provider) model which facilitates the maintenance of existing customer databases, manages customer relationships, processes products and conducts the necessary marketing activities. The services were first introduced in April 2001 and has been well received.

Technical consultancy services

Our PRC offices are responsible for the development and production of electronic versions of marketing materials and product description and provision of related services such as quality control, provision of training and after sales technical support for the Group's customers based in the PRC. Once the production of marketing materials is completed, information is sent to Hong Kong and the customers in the PRC are able to enjoy all the services provided by the Group.

Research and Development

Our research and development team is fully committed to the research, design and development of specific solutions and software in the trading business to meet the needs of the Group's customers. For the year ended 31 March 2002, the Group invested approximately HK$9.5 million in product development and enhancement.

As a trade enabler, we believe that we have to use whatever means are available to assist SME's in the region to run their business more efficiently. On top of marketing and sales management, streamlined operations through the adoption of management automation tools is essential. We have spent a great deal of effort modifying and improving our self-developed e-IMS, collecting feedback from users and making the system both more user-friendly and powerful. Many features have been specially designed to cater for the Greater China region.

Technology

Our e-marketplace and e-IMS are run on the Oracle 8I Enterprise Edition, supported by Sun Microsystem Enterprise Grade servers. To avoid any possible system risk which may cause interruption to the Group's operations, all service components , servers and networks come in pairs to achieve full load balancing. We use XML (Extensible Markup Language) as an open communication protocol for information delivery and to achieve cross-platform applicability.

Sales and Marketing

After the rapid expansion in the previous year, the financial year under review has been a year of returns from our 12 offices in China and Hong Kong. Our sales offices, located in Hong Kong, Shenzhen, Guangzhou, Jiangmen, Dongguan, Xiamen, Fuzhou, Hangzhou, Shanghai, Qingdao, Beijing and Dalian, consist of 308 staff.

Over the years, we have built an extensive sellers' database of more than 50,000. In addition to direct visits, we also organised more than 20 seminars in the different regions in China and Hong Kong last year, some of which were co-organised with local Chinese government bodies. More than 3,000 SMEs attended our trade seminars last year.

Our Buyer Services Department is responsible for sourcing international buyers through the different trade shows mentioned earlier. They also keep up with the latest buyer trends. Through this participation at overseas and local trade fairs, a database of more than 20,000 quality buyers was collected during this financial year. Direct email campaigns have also been conducted through our e-IMS system to sellers to promote our solutions and to buyers to promote our sellers' products.

COMPARISION OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS OPERATION

The following is a comparison of the actual business progress in the period from 20 February 2002 to 31 March 2002 ("Review Period") and the business objectives as set out on pages 101 to 105 of the Prospectus. To attain our long-term business goals, the Group reviews its business objectives and strategies on an ongoing basis and makes 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	
• Study and evaluate potential independent service providers as agents in the PRC	• Study and evaluation of one agent in Guangzhou has been completed. The term of appointment with this Guangzhou agent will be finalized in the following quarter.
• Appoint at least one independent service provider as our agent in Chengdu, the PRC	• In the process of reviewing various potential agents in Chengdu
	• In the process of studing and evaluating forming strategic alliances with two PRC organisations to create larger customer base
Taiwan	
• Select office location(s) for setting up representative office(s) in Taiwan	• As Taiwan manufacturers are moving their manufacturing base to the PRC, the Group is studying the possibility of recruiting Taiwan customers in the PRC
• Study and evaluate of potential independent service providers as agents in Taiwan	
Other parts of Asia	
• Study and evaluate potential independent service providers as agents in India, Singapore and South Korea	• Study and evaluation in progress

Strategic alliances

• Form strategic alliance with printing companies for the production of products catalogues	• An alliance was formed with a printing company to support the Group to provide printing services to its customers
• Evaluate the possibility of forming strategic alliances with content providers	• Evaluation process completed. An alliance agreement will be finalised next quarter

Product enrichment and enhancement

Management automation services

• Introduce the China custom clearing management tools	• Testing on China custom clearing tools
• Develop inventory and accounting software	• Specifications finalised for inventory and accounting software, looking for outsourcing partners
• Develop the intra China trade platform, establish intra China trade sales channel	• Development completed, testing in progress
	• Improvement on certain features on e-IMS completed

Others

• Consider the possibility if organizing tradeshows in Europe, US for houseware, garment, premium gift industries for the Group's customers to promote their products	• Market research in progress

Marketing and promotion

• Continue to advertise and promote Tradeeasy brand name via multimedia and by attending or organizing at least six conferences and seminar in the PRC and Hong Kong	• 6 conferences and seminars were held in HK and the PRC and attended 3 trade fairs in Hong Kong and overseas to promote Tradeeasy
• Modify the sales cycle to enhance the overall efficiency and success rate in obtaining new customers through the enhancement of existing management system	• Work flow reviewed, modification requirements finalised

Technology maintenance

• Fine tune existing software and technology to improve its technological efficiency	• Fine tuning and housekeeping job in progress well. Upgrading is not necessary yet in the Reviewed Period; the used budget shall be utilized in the following quarters.
• Upgrade horizontally by purchasing more services to support continuous growth	• Extend software maintenance contract was entered for the next 12 months.

USE OF PROCEEDS

The placement of shares of the Company in the initial public offering has raised proceeds of approximately HK$20 million. The Group utilized the net proceeds up to 31 March 2002 as follows:-

	Proposed	**Actual**
	HK$'000	HK$'000
Business development	100	200
Product enrichment and enhancement	400	650
Marketing and promotion	150	450
Technology maintenance	1,000	300
	1,650	1,600

The Group placed the unused balance of proceeds from the initial public offering in short-term deposits which will be utilized to complete the remaining planned projects of the Group as stated in the paragraph "Statement of Business Objectives" in the section headed "Business Objectives" in the Prospectus.

EMPLOYEES

As at 31 March 2002, the Group employed 75 staff in HK (2001: 110) and 233 staff in China (2001: 354). Total staff costs (including directors' remuneration) of the Group stood at HK$26.7 million (2001: 38.4 million). In the previous financial year, the Group engaged more staff to build up the customer database as well as the operating structure of the Group. After the expansion, less staff were required to maintain the current business operation during this financial year. Staff are remunerated according to their performance and working experience. In addition to the basic salaries and participation in the mandatory provident fund scheme, staff benefits include medical insurance and share options schemes.

PROSPECTS

With China's accession into the WTO, SME manufacturers in China will benefit from being able to export directly without having to go through trading firms with export licenses. The demand for trade enabling services, i.e. marketing services, trade consultancy services and sales automation services, will therefore increase.

To leverage these opportunities, the Group will build alliances overseas to provide services that will enhance the existing business model, for example, to organise more trade shows in different countries, establish permanent showroom areas, enhance trade and logistics services, etc.

The Group will continue to devote resources to research and development or will outsource projects to independent consultants, to continue our Supply Chain Management automation services. Our e-IMS focusing on sales management and CRM have been well received by the market, and the Group is also researching other trading and manufacturing related software, e.g. in inventory and accounting, with a view to integrating these services into our existing systems.

The Group also plans to develop strategic partners to gain access to a large database of potential customers in China, cross-selling additional services by leveraging our own extensive database.

As the major corporations in China grow rapidly and are eager to build their brands overseas, the Group is looking for additional products that can be tailored for major corporations in the region.

EXECUTIVE DIRECTORS

Mr. Yu Lup Fat, Joseph, aged 54, 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 38, 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 39, 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 39, 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. Tam Ngai Hung, aged 48, is the finance director of CCT Telecom Holdings Limited. He has more than 22 years of experience in finance and accounting management; and also has extensive experience in mergers and acquisitions. He is a fellow of the Association of Chartered Certified Accountants and an associate of both the Hong Kong Society of Accountants and The Institute of Chartered Secretaries and Administrators. Prior to joining CCT Telecom Holdings Limited, he held a number of senior positions in several listed companies. He joined Tradeeasy in December 2001.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tai Ka Luk, aged 40, is vice-president of investment, Asia region at New York Life International, Inc. Mr. Tai has over 15 years of experience in the origination and structuring of project finance, merchant banking, and corporate finance transactions in Asia and North America. Mr. Tai received a Bachelor of Commerce Degree (major in accounting) from the University of Manitoba in 1985 and a Master of Business Administration Degree (major in finance) from the University of Toronto in 1986. He joined Tradeeasy in September 2001.

Mr. Tam King Ching, Kenny, aged 53, is a practising Certified Public Accountant in Hong Kong. He holds a Bachelor's Degree in Commerce and is a fellow member of the Hong Kong Society of Accountants and a member of the Institute of Chartered Accountants of Ontario, Canada. He is serving as a member of the Professional Risk Management Committee, Insolvency Expert Panel and Insolvency Education Steering Committee in the Hong Kong Society of Accountants. Mr. Tam is also the Vice President of The Society of Chinese Accountants and Auditors. He joined Tradeeasy in September 2001.

SENIOR MANAGEMENT

Mr. Ng Tung Ming, aged 40, is the chief officer of business development and is one of the founders of Tradeeasy. Mr. Ng is responsible for the Group's business development effort in Hong Kong and overseas. He has over 15 years of experience in international trade and information services in Hong Kong and the PRC.

Mr. Chan Wai Hong, aged 32, is the chief financial officer, the Qualified Accountant and the Company Secretary of the Group. He has over nine years of experience in financial management, auditing and taxation. He started his professional career with a major international accounting firm in 1992. Prior to joining the Group, he worked as a manager in the treasury department of a company listed on the Stock Exchange. Mr. Chan holds a bachelor's degree of arts in accountancy from Hong Kong Polytechnic University. He is an associate member of the Hong Kong Society of Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Chan joined the Group in April 2000.

Mr. Chan Ka Fai, aged 39, 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 34, 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 48, is a technical officer and one of the founders of Tradeeasy. Mr. Lam works with Mr. Lee 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. Choy Kwok Kwong, Don, aged 39, is the general manager of the PRC Division. He is responsible for the Group's sales and marketing operations in the PRC. Prior to joining the Group, he had over 16 years' sales and marketing experience in various companies. Mr. Choy joined Tradeeasy in November 1998.

Mr. Chou Hing Yan, Stephen, aged 39, is the business and product development manager of the Group. He has over 10 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.

The directors present their first report and the audited financial statements of the Company for the period from 20 September 2001 (date of incorporation) to 31 March 2002 and of the Group for the year ended 31 March 2002.

Group reorganisation and basis of presentation

The Company was incorporated in the Cayman Islands on 20 September 2001 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands. Pursuant to a reorganisation arrangement (the "Group Reorganisation") to rationalise the Group structure in preparation for the listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries listed in note 17 to the financial statements on 20 February 2002. Further details of the Group Reorganisation, together with the details of the subsidiaries acquired pursuant thereto, are set out in notes 1, 17, 25 and 26 to the financial statements and in the prospectus of the Company dated 26 February 2002 (the "Prospectus").

The shares of the Company were listed on the GEM on 7 March 2002.

Principal activities

The principal activity of the Company is investment holding.

Details of the principal activities of the subsidiaries are set out in note 17 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Segment information

An analysis of the Group's turnover and contribution to results by principal activity and geographical area of operations for the year ended 31 March 2002 is set out in note 5 to the financial statements.

Results and dividends

The Group's profit for the year ended 31 March 2002 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 25 to 56.

The directors of the Company do not recommend the payment of any dividend in respect of the period from 20 September 2001 (date of incorporation) to 31 March 2002.

Summary financial information

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

Fixed assets

Details of movements in the fixed assets of the Group during the year are set out in note 15 to the financial statements.

Share capital and share options

Details of movements in the Company's share capital and share options during the period from 20 September 2001 (date of incorporation) to 31 March 2002, together with the reasons therefor, are set out in note 25 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 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

Other than in connection with the Company's placing, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities from 20 September 2001 (date of incorporation) to 31 March 2002.

Reserves

Details of movements in the reserves of the Company during the period from 20 September 2001 (date of incorporation) to 31 March 2002 and the Group during the year are set out in note 26 to the financial statements.

Distributable reserves

As at 31 March 2002, the Company's reserves available for distribution, calculated in accordance with the Companies Law (Revised) of the Cayman Islands, amounted to approximately HK$34,195,000. This includes the Company's share premium and contributed surplus accounts aggregating to approximately HK$34,540,000 as at 31 March 2002, 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 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 from its date of incorporation were as follows:

Executive directors:	
Yu Lup Fat, Joseph	(appointed on 24 September 2001)
Yip Kwok Cheung	(appointed on 24 September 2001)
Wong Kai Yin, Paul	(appointed on 24 September 2001)
To Man Yau, Alex	(appointed on 24 September 2001)
Non-executive directors:	
Tam Ngai Hung	(appointed on 3 December 2001)
Tsoi Tong Hoo, Tony	(appointed on 24 September 2001 and resigned on 3 December 2001)
Independent non-executive directors:	
Tai Ka Luk	(appointed on 24 September 2001)
Tam King Ching, Kenny	(appointed on 24 September 2001)

In accordance with article 87 of the Company's articles of association, Messrs Wong Kai Yin, Paul and 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. Tam Ngai Hung will retire and being eligible, will offer himself for re-election at the forthcoming annual general meeting.

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 13 to 15 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 director 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

Save for transactions in connection with the Group Reorganisation in preparation for the listing of the Company's shares on the GEM, no director had a material interest 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.

Directors' interests in shares

As at 31 March 2002, the interests of the directors and their associates in the share capital of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance (the "SDI" Ordinance), were as follows:

	Number of shares held and nature of interest	
Name of director	**Personal**	**Family**
Yu Lup Fat, Joseph	5,301,927	—
Yip Kwok Cheung *(Note)*	23,610,662	518,411
Wong Kai Yin, Paul	23,468,415	—
To Man Yau, Alex	14,994,162	—
	67,375,166	518,411

Note: The family interest of 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 the section "Share option scheme" below.

Save as disclosed above, none of the directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as defined in the SDI Ordinance.

Directors' rights to acquire shares or debentures

Apart from as disclosed under the headings "Directors' interests in shares" above and "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 children under 18 years of age, 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

(i) The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants for their contributions 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 consultants of or advisers 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 general meeting or by the board of directors.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes adopted by the Company must not exceed 30% of the shares in issue from time to time. After the listing of the shares on the GEM, the total number of shares available for issue under options which may be granted under the Scheme and any other schemes adopted by the Company must not in aggregate exceed 10% of the shares in issue upon the completion of the placing and the capitalisation issue. At 31 March 2002, there were no share options granted by the Company under the Scheme. The total 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 or any other scheme in the past 12-month period up to and including the date of such grant: (1) exceeds 0.10% 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 in value, 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.

Share option scheme *(continued)*

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 will not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; and (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets on the five business days immediately preceding the date of grant of the option. For the purpose of calculating the subscription price where the Company has been listed for less than five business days, the placing price shall be used as the closing price for any business day falling within the period before the listing date.

(ii) The Company operates another share option scheme (the "Pre-IPO Scheme") for the purpose of recognising the contribution of certain employees of the Group and/or other persons to the growth of the Group and/or to the listing of shares on the GEM. The principal terms of the Pre-IPO Scheme, approved by a written resolution of the sole shareholder of the Company dated 20 February 2002, are substantially the same as the terms of the Scheme except that:

(a) no option will be granted to the directors or members of the senior management of the Company or its subsidiaries under the Pre-IPO Scheme;

(b) the subscription price for shares shall not be less than 60% of the placing price but otherwise it shall be determined by the board of directors;

(c) subject to the total scheme limit as referred in paragraph (f) below, there is no limit on grant of options to a particular individual or company;

(d) there is no specific restriction against granting of options to a connected person;

(e) each grantee to whom an option shall have been granted conditionally under the Pre-IPO Scheme shall be entitled to exercise up to 50% of the underlying shares granted under such option within 10 business days from and including the Specified Date ("1st Tranche"), and the remaining 50% of the underlying shares granted under such option within 10 business days from and including the date which falls 6 calendar months after the Specified Date ("2nd Tranche") provided that if a grantee shall exercise less than 50% of the underlying shares granted under his option in the 1st Tranche, he shall not be entitled to carry over any such unexercised rights for converting his option into shares in relation to the 1st Tranche ("Unexercised 1st Tranche Portion") to the 2nd Tranche and the Unexercised 1st Tranche Portion shall be deemed lapse automatically and without notice. For the above purpose, "Specified Date" means any business day within 6 months after 7 March 2002 as shall be notified by the Company to the grantee for exercising his option under the Pre-IPO Scheme; and

(f) the total number of shares subject to the Pre-IPO Scheme shall not exceed 5,714,500 shares.

Share option scheme *(continued)*

On 20 February 2002, the Company granted options under the Pre-IPO Scheme to 57 full time employees, who are not the directors of the Company or members of senior management of the Group, to subscribe for an aggregate of 5,714,500 shares, representing in aggregate approximately 1% of the then issued share capital of the Company immediately following the completion of the placing, at an exercise price of HK$0.30 each. No further options will be granted under the Pre-IPO Scheme after the listing of the Company's shares on the GEM.

No options had been exercised, cancelled and lapsed during the period from the date of grant to 31 March 2002.

(iii) No valuation of the options granted under the Pre-IPO Scheme is included in these financial statements as the directors consider that, since the shares of the Company were only listed on 7 March 2002, there would not be sufficient historical price performance data to produce reasonable valuations using commonly used methodologies.

Substantial shareholders

As at 31 March 2002, the following interests of 10% or more of the share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

Name of shareholder	**Number of shares held**	**Percentage of the Company's issued capital**
Manistar Enterprises Limited	93,364,070	23.34%
CCT Telecom Holdings Limited *(Note)*	93,364,070	23.34%

Note: Manistar Enterprises Limited is beneficially 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 share capital of the Company that was required to be recorded pursuant to Section 16(1) of the SDI Ordinance.

Sponsor's interests

As at 31 March 2002, 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 members of the Group, or had any right to subscribe for or to nominate persons to subscribe for the share capital of the Company or of any members of the Group.

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.

Connected transactions

Pursuant to a grant of non-exclusive use (the "Grant") expiring on 28 February 2003 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.

During the year, an aggregate amount of approximately HK$772,000 was paid to CCTI by the Group under the abovementioned arrangement.

The abovementioned arrangement was defined as a "Non-Exempt Continuing Connected Transaction" in the prospectus of the Company dated 26 February 2002. The Stock Exchange of Hong Kong Limited has granted a conditional waiver to the Company from strict compliance with the requirements for this Non-Exempt Continuing Connected Transaction as set out in the GEM Listing Rules for the two financial years ending 31 March 2002 and 2003.

The independent non-executive directors of the Company have reviewed and confirmed this Non-Exempt Continuing Connected Transaction was conducted in accordance with the GEM Listing Rules 20.27.

Compliance with Rules 5.28 to 5.39 of the GEM Listing Rules

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules since the listing of the Company's shares on the GEM on 7 March 2002.

Audit committee

The Company has established an audit committee on 26 September 2001 with written terms of reference in compliance with Rules 5.23 to 5.25 of the GEM Listing Rules. The primary duties of the audit committee are, among other matters, (i) to review the annual reports and accounts, half-year reports and quarterly reports and provide advice and comments thereon to the board of directors; and (ii) to review and supervise the financial reporting process and internal control system of the Group. The audit committee has three members comprising two independent non-executive directors, Mr. Tai Ka Luk and Mr. Tam King Ching, Kenny and one non-executive director, Mr. Tam Ngai Hung. Since its establishment, an audit committee meeting was held to review the Group's annual report and provide advice and recommendations to the board of directors.

Auditors

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

ON BEHALF OF THE BOARD

Yip Kwok Cheung
Director

Hong Kong
21 June 2002

ERNST & YOUNG
安永會計師事務所

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Central, Hong Kong

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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 25 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 statements and to report our opinion to you.

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 2002 and of the profit 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.

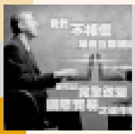
Ernst & Young
Certified Public Accountants

Hong Kong
21 June 2002

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Year ended 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
TURNOVER	6	**52,793**	19,813
Cost of sales		**(25,315)**	(24,068)
Gross profit/(loss)		**27,478**	(4,255)
Other revenue		**3,518**	2,416
Selling expenses		**(4,148)**	(4,192)
General and administrative expenses		**(12,001)**	(17,563)
Advertising and promotion expenses		**(3,398)**	(10,567)
Other operating expenses		**(644)**	(3,870)
Pre-operating expenses		**—**	(8,791)
PROFIT/(LOSS) FROM OPERATING ACTIVITIES	7	**10,805**	(46,822)
Finance costs	8	**(271)**	(593)
PROFIT/(LOSS) BEFORE TAX		**10,534**	(47,415)
Tax	11	**—**	—
NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS	12	**10,534**	(47,415)
DIVIDENDS	13	**—**	—
EARNINGS/(LOSS) PER SHARE	14		
Basic		**3.0 cents**	(13.5 cents)
Diluted		**3.0 cents**	N/A



CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

Year ended 31 March 2002

	Note	2002 HK$'000	2001 HK$'000
Exchange differences on translation of the financial statements of foreign entities	26	—	11
Net gains not recognised in the profit and loss account		—	11
Net profit/(loss) for the year attributable to shareholders		**10,534**	(47,415)
Total recognised gains and losses		**10,534**	(47,404)

CONSOLIDATED BALANCE SHEET

31 March 2002

	Notes	**2002**	2001
		HK$'000	HK$'000
NON-CURRENT ASSETS			
Fixed assets	15	**8,442**	11,881
Deferred development expenditure	16	**16,630**	9,523
		25,072	21,404
CURRENT ASSETS			
Trade receivables	18	**1,748**	957
Prepayments, deposits and other receivables	19	**6,274**	6,863
Tax recoverable		**—**	460
Cash and cash equivalents	20	**15,602**	7,298
		23,624	15,578
CURRENT LIABILITIES			
Trade payables	21	**264**	85
Deferred service fees received in advance		**4,221**	13,135
Accruals and other payables		**4,920**	17,548
Due to directors	22	**—**	222
Current portion of finance lease payables	23	**941**	2,624
		10,346	33,614
NET CURRENT ASSETS/(LIABILITIES)		**13,278**	(18,036)
TOTAL ASSETS LESS CURRENT LIABILITIES		**38,350**	3,368
NON-CURRENT LIABILITIES			
Finance lease payables	23	**—**	388
		38,350	2,980
CAPITAL AND RESERVES			
Issued capital	25	**4,000**	297
Reserves	26	**34,350**	2,683
		38,350	2,980

Yip Kwok Cheung
Director

Wong Kai Yin
Director

CONSOLIDATED CASH FLOW STATEMENT

Year ended 31 March 2002

	Notes	2002 HK$'000	2001 HK$'000
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	27(a)	**(4,310)**	(22,273)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		**18**	422
Interest paid		**—**	(348)
Interest element of finance lease rental payments		**(271)**	(245)
Net cash outflow from returns on investments and servicing of finance		**(253)**	(171)
TAX			
Hong Kong profits tax refunded/(paid)		**460**	(12)
INVESTING ACTIVITIES			
Purchases of fixed assets		**(1,756)**	(8,288)
Proceeds from disposal of fixed assets		**145**	13
Additions to deferred development expenditure		**(8,525)**	(9,014)
Net cash outflow from investing activities		**(10,136)**	(17,289)
NET CASH OUTFLOW BEFORE FINANCING ACTIVITIES		**(14,239)**	(39,745)
FINANCING ACTIVITIES	27(b)		
Proceeds from issue of share capital of a subsidiary		**4,796**	57,976
Proceeds from issue of share capital		**25,000**	—
Share issue expenses		**(4,960)**	—
Advances from directors		**—**	150
Repayments of advances from directors		**(222)**	—
Repayments of advances from a related company		**—**	(7,911)
Capital element of finance lease rental payments		**(2,071)**	(3,649)
Net cash inflow from financing activities		**22,543**	46,566
INCREASE IN CASH AND CASH EQUIVALENTS		**8,304**	6,821
Cash and cash equivalents at beginning of year		**7,298**	477
CASH AND CASH EQUIVALENTS AT END OF YEAR		**15,602**	7,298
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**7,602**	7,298
Time deposits with original maturity of less than three months when acquired		**8,000**	—
		15,602	7,298

31 March 2002

	Notes	2002 HK$'000
NON-CURRENT ASSETS		
Interests in subsidiaries	17	**34,014**
CURRENT ASSETS		
Prepayments, deposits and other receivables	19	**4,193**
Cash and bank balances		**1,118**
		5,311
CURRENT LIABILITIES		
Accruals and other payables		**1,130**
NET CURRENT ASSETS		**4,181**
		38,195
CAPITAL AND RESERVES		
Issued capital	25	**4,000**
Reserves	26	**34,195**
		38,195

Yip Kwok Cheung
Director

Wong Kai Yin
Director

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 September 2001 under the Companies Law (Revised) of the Cayman Islands.

No balance sheet of the Company as at 31 March 2001 is presented as it was incorporated subsequent to that date.

Group reorganisation

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the structure of the Group in preparation of the listing of shares of the Company on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 7 March 2002, the Company became the holding company of the companies now comprising the Group on 20 February 2002. This was accomplished by acquiring the entire issued share capital of Tradeeasy Investments Limited ("TIL"), the then holding company of the Group which consequently became the intermediate holding company of the other subsidiaries set out in note 17 to the financial statements, in consideration of the allotment and issue of a total of 29,706,169 ordinary shares of HK$0.01 each of the Company, credited and fully paid, to the then shareholders of TIL.

Further details of the Group Reorganisation are set out in the prospectus of the Company dated 26 February 2002.

Basis of presentation and consolidation

The Group Reorganisation involved companies under common control. The consolidated financial statements have been prepared using the merger basis of accounting in accordance with Statement of Standard Accounting Practice 27 "Accounting for Group Reconstructions". On this basis, the Company has been treated as the holding company of its subsidiaries acquired through the Group Reorganisation for the two years ended 31 March 2001 and 2002, rather than from the date of their acquisitions on 20 February 2002. Accordingly, the consolidated results and cash flows of the Group for the two years ended 31 March 2001 and 2002 include the results and cash flows of the Company and its subsidiaries with effect from 1 April 2000 or since their respective dates of incorporation/registration, where this is a shorter period. In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole, as the principal activities of the Group were carried out by those subsidiaries summarised in note 17 to the financial statements prior to and after the Group Reorganisation.

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

2. CORPORATE INFORMATION

The Group's principal activities were the provision of integrated marketing solution, Application Service Provider ("ASP") and technical consultancy services for the two years ended 31 March 2001 and 2002.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following recently-issued and revised SSAPs are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs, are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure but no adjustment. The revised SSAP has had no significant impact on these financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 23 and 29 to these financial statements, respectively.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. The revisions to this SSAP have had no impact on these financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to these financial statements.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(continued)*

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. This SSAP has had no significant impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. This SSAP has had no significant impact on these financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. This SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

4. 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.

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 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.

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

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, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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.

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

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 is 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.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

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 lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit 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 ratably 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 and management fee 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 ratably 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.

Pre-operating expenses

Pre-operating expenses represent expenses incurred prior to the commencement of commercial operations and are charged to the profit and loss account in the year in which they are incurred.

Foreign currencies

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

On consolidation, the financial statements of subsidiaries in the PRC are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

Retirement benefits 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. The MPF Scheme has operated since 1 December 2000. 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.

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that offers services which are subject to risks and returns that are different from those of 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 and results are attributed to the segments based on the location of customers, and assets are attributed to the segments based on the location of the assets.

5. SEGMENT INFORMATION *(continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group	Integrated marketing solution services		ASP services		Technical consultancy services		Consolidated	
	2002 HK$'000	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000	**2002 HK$'000**	2001 HK$'000
Segment revenue:								
Sales to external customers	**16,004**	15,399	**13,229**	—	**23,560**	4,414	**52,793**	19,813
Other revenue from external sources	**1,722**	920	**280**	—	**—**	92	**2,002**	1,012
Total	**17,726**	16,319	**13,509**	—	**23,560**	4,506	**54,795**	20,825
Segment results	**1,677**	(36,090)	**2,756**	—	**5,277**	(12,136)	**9,710**	(48,226)
Interest income							**18**	422
Unallocated revenue							**1,498**	982
Unallocated expenses							**(421)**	—
Profit/(loss) from operating activities							**10,805**	(46,822)
Finance costs							**(271)**	(593)
Profit/(loss) before tax							**10,534**	(47,415)
Tax							**—**	—
Net profit/(loss) from ordinary activities attributable to shareholders							**10,534**	(47,415)
Segment assets	**7,289**	9,394	**15,547**	8,229	**3,984**	4,738	**26,820**	22,361
Unallocated assets							**21,876**	14,621
Total assets							**48,696**	36,982
Segment liabilities	**1,965**	9,049	**606**	—	**1,650**	4,086	**4,221**	13,135
Unallocated liabilities							**6,125**	20,867
Total liabilities							**10,346**	34,002
Other segment information:								
Capital expenditure	**3,786**	11,844	**6,983**	8,229	**451**	4,576	**11,220**	24,649
Depreciation	**1,541**	2,056	**1,274**	—	**992**	505	**3,807**	2,561
Amortisation	**2,041**	177	**316**	—	**—**	—	**2,357**	177
Other non-cash expenses:								
- segment	**—**	—	**—**	—	**644**	1,005	**644**	1,005
- unallocated							**—**	2,865
							644	3,870

5. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group	Hong Kong		People's Republic of China		Consolidated	
	2002	2001	**2002**	2001	**2002**	2001
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:						
Sales to external customers	**29,233**	15,399	**23,560**	4,414	**52,793**	19,813
Other revenue from external sources	**2,002**	920	**—**	92	**2,002**	1,012
Total	**31,235**	16,319	**23,560**	4,506	**54,795**	20,825
Segment results	**4,433**	(36,090)	**5,277**	(12,136)	**9,710**	(48,226)
Other segment information:						
Segment assets	**22,836**	17,623	**3,984**	4,738	**26,820**	22,361
Capital expenditure	**10,769**	20,073	**451**	4,576	**11,220**	24,649

6. TURNOVER

Turnover represents the value of services rendered.

Revenue from the following activities has been included in turnover:

	Group	
	2002	2001
	HK$'000	HK$'000
Integrated marketing solution services	**16,004**	15,399
ASP services	**13,229**	—
Technical consultancy services	**23,560**	4,414
	52,793	19,813

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2002	2001
	HK$'000	HK$'000
Staff costs (including directors' remuneration (note 9)):		
Salaries and related staff costs	**25,875**	38,026
Pension scheme contributions *	**804**	426
	26,679	38,452
Less: Amounts capitalised in deferred development expenditure	**(7,353)**	(7,449)
	19,326	31,003
Auditors' remuneration	**550**	350
Depreciation	**4,746**	3,247
Less: Amounts capitalised in deferred development expenditure	**(939)**	(686)
	3,807	2,561
Amortisation of deferred development expenditure **	**2,357**	177
Minimum lease payments under operating leases:		
Land and buildings	**4,017**	5,009
Office equipment	**69**	47
	4,086	5,056
Loss on disposal of fixed assets	**304**	4
Write off of fixed assets	**—**	1,663
Provisions for bad and doubtful debts on trade receivables	**340**	1,000
Provisions for bad and doubtful debts on other receivables	**—**	1,207

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES *(continued)*

	2002 HK$'000	2001 HK$'000
Forfeiture of customer deposits	(2,002)	—
Provision of contents	(1,285)	(943)
Interest income	(18)	(422)
Exchange gains, net	(8)	(39)
Management fee income	—	(982)

* At 31 March 2002, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2001: Nil).

** The amortisation of deferred development expenditure for the year is included in "Cost of sales" on the face of the profit and loss account.

8. FINANCE COSTS

	Group	
	2002 HK$'000	2001 HK$'000
Interest on finance leases	271	245
Interest on other loan	—	348
	271	593

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the GEM Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Executive directors:		
Fees	**—**	—
Other emoluments:		
Salaries, housing allowances, other allowances and benefits in kind	**2,091**	3,231
Pension scheme contributions	**48**	16
	2,139	3,247
Independent non-executive directors:		
Fees	**40**	—
Non-executive directors:		
Fees	**20**	—

Each of the four executive directors of the Company received emoluments of approximately HK$285,000, HK$638,000, HK$661,000 and HK$555,000 for the year ended 31 March 2002 and approximately HK$320,000, HK$1,039,000, HK$1,039,000 and HK$849,000 for the year ended 31 March 2001.

Each of the two independent non-executive directors and one non-executive director of the Company received emoluments of HK$20,000 for the year ended 31 March 2002 (2001: Nil). The remaining non-executive director of the Company received no emoluments during the year (2001: Nil).

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2002	2001
Nil - HK$1,000,000	**8**	2
HK$1,000,001 - HK$1,500,000	**—**	2
	8	4

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included three directors (2001: three), details of whose remuneration are set out in note 9 above. Details of the remuneration of the remaining two (2001: two) non-director, highest paid employees are as follows:

	Group	
	2002	2001
	HK$'000	HK$'000
Salaries, housing allowances, other allowances and benefits in kind	**1,160**	1,914
Pension scheme contributions	**24**	8
	1,184	1,922

The number of non-director, highest paid employees whose remuneration fell within the following bands is as below:

	Number of employees	
	2002	2001
Nil - HK$1,000,000	**2**	1
HK$1,000,001 - HK$1,500,000	**—**	1
	2	2

11. TAX

No provision for Hong Kong profits tax has been made as the Group either had no assessable profits arising in Hong Kong, or had losses brought forward from the prior year to offset the assessable profits during the year (2001: Nil).

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

Tradeeasy Information Technology (Beijing) Limited, a wholly foreign-owned enterprise established and operating in Beijing, is subject to Mainland China enterprise income tax at a rate of 33%. Pursuant to a notice dated 8 January 2001 issued by 北京市海淀區國家税務局, Tradeeasy Information Technology (Beijing) Limited has status as a High and New Technology Enterprise and hence the applicable income tax rate was reduced to 15%. The notice also stated that Tradeeasy Information Technology (Beijing) Limited is entitled to full exemption from Mainland China income tax for the years 2000 to 2002 to be followed by a 50% reduction in the income tax rate for the years 2003 to 2005.

12. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company for the period from 20 September 2001 (date of incorporation) to 31 March 2002 was approximately HK$345,000.

13. DIVIDENDS

No dividend has been paid or declared by the Company or any of its subsidiaries during the year (2001: Nil).

14. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK$10,534,000 (2001: net loss of HK$47,415,000) and the weighted average of approximately 353,425,000 shares (2001: 350,000,000 shares) deemed to have been in issue during the year.

The weighted average number of shares used to calculate both of the current and prior years' earnings/(loss) per share includes the pro forma issued share capital of the Company of 350,000,000 shares deemed to have been in issue prior to the new issue of shares by way of placing as further described in note 25 to the financial statements. The weighted average number of shares used in the current year's earnings per share calculation also includes the 50,000,000 ordinary shares issued by way of placing in connection with the public listing of the Company's shares on 7 March 2002.

The calculation of diluted earnings per share for the year ended 31 March 2002 is based on the net profit from ordinary activities attributable to shareholders for the year of approximately HK$10,534,000. The weighted average number of ordinary shares used in the calculation is the 353,425,000 shares deemed to have been in issue during the year, as used in the basic earnings per share calculation; and the weighted average of approximately 174,000 shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

Diluted loss per share amount for the year ended 31 March 2001 has not been disclosed as no diluting events existed during that year.

15. FIXED ASSETS

Group

	Leasehold improvements HK$'000	Furniture and fixtures HK$'000	Computer and office equipment HK$'000	Total HK$'000
Cost:				
At beginning of year	865	917	13,905	15,687
Additions	840	111	805	1,756
Disposals	(8)	(87)	(487)	(582)
At 31 March 2002	1,697	941	14,223	16,861
Accumulated depreciation:				
At beginning of year	101	223	3,482	3,806
Provided during the year	322	196	4,228	4,746
Disposals	—	(12)	(121)	(133)
At 31 March 2002	423	407	7,589	8,419
Net book value:				
At 31 March 2002	1,274	534	6,634	8,442
At 31 March 2001	764	694	10,423	11,881

The net book value of fixed assets held under finance leases and included in the total amount of computer and office equipment at 31 March 2002 amounted to approximately HK$2,723,000 (2001: HK$5,165,000).

16. DEFERRED DEVELOPMENT EXPENDITURE

	Group
	HK$'000
Cost:	
At beginning of year	9,700
Additions	9,464
At 31 March 2002	19,164
Accumulated amortisation:	
At beginning of year	177
Provided during the year	2,357
At 31 March 2002	2,534
Net book value:	
At 31 March 2002	16,630
At 31 March 2001	9,523

17. INTERESTS IN SUBSIDIARIES

	Company
	2002
	HK$'000
Unlisted shares, at cost	**18,500**
Due from subsidiaries	**15,514**
	34,014

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

17. 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	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)	People's Republic of China	US$300,000	—	100	Provision of technical consultancy services
Tradeeasy Information Technology (Beijing) Limited ("Tradeeasy Beijing") (Note 2)	People's Republic of China	US$300,000	—	100	Provision of technical consultancy services
End User Technology Limited	British Virgin Islands	US$100 Ordinary	—	100	Provision of technical consultancy services

17. 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	US$100 Ordinary	—	100	Holding of service mark
Tradeeasy Limited	Hong Kong	HK$100 Ordinary	—	100	Vehicle for holding Hong Kong office licence

Note 1: Tradeeasy Guangzhou is a Sino-foreign co-operative joint venture company established in the People's Republic of China for a period of 15 years commenced from 26 June 2000. The registered capital was fully paid up on 11 July 2000.

Note 2 Tradeeasy Beijing is a wholly foreign-owned enterprise with an operating period of 20 years commenced from 21 June 2000. The registered capital was fully paid up on 14 July 2000.

18. TRADE RECEIVABLES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Current to 30 days	**515**	362
31 to 60 days	**192**	159
61 to 90 days	**148**	137
Over 90 days	**893**	299
	1,748	957

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

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

Included in the balance is an amount of approximately HK$3,832,000 in relation to the placing expenses borne by certain shareholders of the Company (the "Vendors") in respect of the Group Reorganisation described in note 1 to the financial statements and the listing of shares of the Company on the GEM on 7 March 2002.

Both the Company and the Vendors agreed to bear 50% of all of the placing expenses, and further details of this sharing arrangement are set out in the prospectus of the Company dated 26 February 2002.

The balance of HK$3,832,000 was fully settled subsequent to the balance sheet date.

20. CASH AND CASH EQUIVALENTS

	Group	
	2002	2001
	HK$'000	HK$'000
Cash and bank balances	**7,602**	7,298
Time deposits	**8,000**	—
	15,602	7,298

21. TRADE PAYABLES

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

	Group	
	2002	2001
	HK$'000	HK$'000
Current to 30 days	**142**	85
31 to 60 days	**36**	—
61 to 90 days	**62**	—
Over 90 days	**24**	—
	264	85

22. DUE TO DIRECTORS

The prior year amounts represented advances from the directors which were unsecured, interest-free and were repayable on demand. The amounts were settled during the year.

23. FINANCE LEASE PAYABLES

The Group leases certain of its computer and office equipment for its integrated marketing solution and ASP businesses. These leases are classified as finance leases and have remaining lease terms less than one year.

At 31 March 2002, the total future minimum lease payments under finance leases and their present values were as follows:

Group	**Minimum lease payments 2002 HK$'000**	Minimum lease payments 2001 HK$'000	**Present value of minimum lease payments 2002 HK$'000**	Present value of minimum lease payments 2001 HK$'000
Amounts payable:				
Within one year	**1,114**	2,916	**941**	2,624
In the second year	**—**	514	**—**	388
Total minimum finance lease payments	**1,114**	3,430	**941**	3,012
Future finance charges	**(173)**	(418)		
Total net finance lease payables	**941**	3,012		
Portion classified as current liabilities	**(941)**	(2,624)		
Non-current portion	**—**	388		

24. DEFERRED TAX

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

	Group	
	2002	2001
	HK$'000	HK$'000
Accelerated depreciation allowances	**488**	876
Tax losses	**(5,534)**	(6,722)
	(5,046)	(5,846)

The benefit of any future tax relief has not been included as an asset in the balance sheet because the directors consider that the benefit should not be recognised until it is assured beyond reasonable doubt.

The Company had no unprovided deferred tax at the balance sheet date.

25. SHARE CAPITAL

	2002
	HK$'000
Authorised:	
20,000,000,000 ordinary shares of HK$0.01 each	**200,000**
Issued and fully paid:	
400,000,000 ordinary shares of HK$0.01 each	**4,000**

25. SHARE CAPITAL *(continued)*

During the period from 20 September 2001 (date of incorporation) to 31 March 2002, the following movements in share capital were recorded:

	Notes	Number of shares Ordinary shares of HK$0.1 each	Number of shares Ordinary shares of HK$0.01 each	Nominal value of ordinary shares HK$'000
Authorised:				
On incorporation	(i)	2,000,000,000	—	200,000
Change of nominal value of shares from HK$0.1 each to HK$0.01 each	(ii)	(2,000,000,000)	20,000,000,000	—
At 31 March 2002		—	20,000,000,000	200,000
Issued and fully paid:				
On incorporation	(i)	1	—	—
Change of nominal value of shares from HK$0.1 each to HK$0.01 each	(ii)	(1)	10	—
On acquisition of Tradeeasy Investments Limited ("TIL")	(iii)	—	29,706,169	297
At 31 March 2001		—	29,706,179	297
Capitalisation of the share premium account for 320,293,821 shares credited as fully paid	(iv)	—	320,293,821	3,203
New issue of shares by way of the placing	(v)	—	50,000,000	500
At 31 March 2002		—	400,000,000	4,000

25. SHARE CAPITAL *(continued)*

Notes:

(i) On incorporation of the Company on 20 September 2001, the authorised share capital of the Company was HK$200,000,000 divided into 2,000,000,000 shares of HK$0.1 each, one share of which was allotted and issued at par on 24 September 2001.

(ii) On 18 January 2002, pursuant to a written resolution of the sole shareholder of the Company passed, each share of HK$0.1 each in the authorised and issued share capital of the Company was sub-divided into HK$0.01 each.

(iii) On 20 February 2002, pursuant to the Group Reorganisation as set out in note 1 to the financial statements, the Company allotted and issued 29,706,169 ordinary shares of the Company of HK$0.01 each, credited as fully paid, as consideration for the entire issued share capital of TIL.

The excess of the fair value of the shares of TIL, determined on the basis of its consolidated net assets at that date, over the nominal value of the Company's shares issued in exchange therefor, amounting to approximately HK$18,203,000, was credited to the Company's contributed surplus account (note 26).

(iv) On 20 February 2002, conditional on the share premium account of the Company being credited as a result of the placing mentioned in (v) below, a total of 320,293,821 ordinary shares of the Company of HK$0.01 each were allotted as fully paid at par to shareholders whose names appeared on the register of members of the Company as at the close of business on 20 February 2002, in proportion to their then shareholdings by way of capitalisation of the sum of HK$3,203,000 standing to the credit of the share premium account.

(v) On 7 March 2002, 50,000,000 ordinary shares of the Company of HK$0.01 each were allotted and issued to the public at HK$0.5 per share by way of placing for a total consideration of HK$25,000,000, before the related share issue expenses.

Share options

The Company operated two share option schemes during the year, further details of which are set out under the section "Share option scheme" in the Report of the Directors on pages 20 to 22.

On 20 February 2002, the Company granted 5,714,500 share options under a share option scheme (the "Pre-IPO Scheme") adopted by the Company on 20 February 2002 at an exercise price of HK$0.30 per share and which are exercisable within ten years from the date of grant. No share options had been exercised, cancelled or lapsed during the period from the date of grant to 31 March 2002.

No share options were granted by the Company under another share option scheme (the "Scheme") adopted by the Company on 20 February 2002 up to 31 March 2002.

26. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Exchange fluctuation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
1 April 2000	—	3,938	—	(11,827)	(7,889)
Issue of shares of a subsidiary	—	57,976	—	—	57,976
Exchange realignments	—	—	11	—	11
Net loss for the year	—	—	—	(47,415)	(47,415)
At 31 March 2001 and 1 April 2001	—	61,914	11	(59,242)	2,683
Issue of shares of a subsidiary	—	4,796	—	—	4,796
Capitalisation of shares	(3,203)	—	—	—	(3,203)
Issue of shares	24,500	—	—	—	24,500
Share issue expenses	(4,960)	—	—	—	(4,960)
Net profit for the year	—	—	—	10,534	10,534
At 31 March 2002	16,337	66,710	11	(48,708)	34,350

Company

	Share premium account HK$'000	Contributed surplus HK$'000	Accumulated losses HK$'000	Total HK$'000
Arising on acquisition of TIL	—	18,203	—	18,203
Capitalisation of shares	(3,203)	—	—	(3,203)
Issue of shares	24,500	—	—	24,500
Share issue expenses	(4,960)	—	—	(4,960)
Net loss for the year	—	—	(345)	(345)
At 31 March 2002	16,337	18,203	(345)	34,195

26. RESERVES *(continued)*

The contributed surplus of the Group includes the difference between the nominal value of the shares and the share premium account of the subsidiaries acquired pursuant to the Group Reorganisation set out in note 1 to the financial statements, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company includes the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same Group Reorganisation, 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.

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) from operating activities to net cash outflow from operating activities

	2002 **HK$'000**	2001 HK$'000
Profit/(loss) from operating activities	**10,805**	(46,822)
Interest income	**(18)**	(422)
Depreciation	**3,807**	2,561
Amortisation of deferred development expenditure	**2,357**	177
Loss on disposal of fixed assets	**304**	4
Write off of fixed assets	**—**	1,663
Provisions for bad and doubtful debts on trade receivables	**340**	1,000
Provisions for bad and doubtful debts on other receivables	**—**	1,207
Increase in trade receivables	**(1,131)**	(212)
Decrease/(increase) in prepayments, deposits and other receivables	**589**	(3,110)
Increase in trade payables	**179**	85
Increase/(decrease) in deferred service fees received in advance	**(8,914)**	5,069
Increase/(decrease) in accruals and other payables	**(12,628)**	16,516
Exchange realignment	**—**	11
Net cash outflow from operating activities	**(4,310)**	(22,273)

27. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Issued capital (including share premium and contributed surplus) HK$'000	Due to directors HK$'000	Due to a related company HK$'000	Finance lease obligations HK$'000
Balance at 1 April 2000	3,938	72	7,911	—
Cash inflow/(outflow) from financing activities, net	57,976	150	(7,911)	(3,649)
Inception of finance lease obligations	—	—	—	6,661
Issue of shares	297	—	—	—
Balance at 31 March 2001 and 1 April 2001	62,211	222	—	3,012
Cash inflow/(outflow) from financing activities, net	24,836	(222)	—	(2,071)
Balance at 31 March 2002	87,047	—	—	941

(c) Major non-cash transactions

(i) The Group Reorganisation in preparation for the public listing of the Company's shares involved the acquisition of certain subsidiaries by the issuance of new shares of the Company, further details of which are set out in notes 1 and 25 to the financial statements.

(ii) The Group entered into finance lease arrangements in respect of fixed assets with a total value at the inception of the finance leases of HK$6,661,000 for the year ended 31 March 2001.

28. CONTINGENT LIABILITIES

At the balance sheet date, the Company provided a corporate guarantee to a lessor for granting a finance lease to one of its subsidiaries. The total outstanding amount included in the finance lease payables of the subsidiary amounted to HK$941,000 at 31 March 2002.

At the balance sheet date, the Group had no significant contingent liabilities.

29. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for an average term of one year.

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

	Group	
	2002	2001
	HK$'000	HK$'000
Within one year	**1,090**	1,695
In the second to fifth years, inclusive	**365**	338
	1,455	2,033

30. COMMITMENTS

Other than the operating lease commitments detailed in note 29 above, neither the Group, nor the Company had any significant commitments at the balance sheet date.

31. RELATED PARTY TRANSACTIONS

Pursuant to a grant of non-exclusive use (the "Grant") expiring on 28 February 2003 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.

During the year, an aggregate amount of approximately HK$772,000 was paid to CCTI by the Group under the abovementioned arrangement.

The abovementioned arrangement was defined as a "Non-Exempt Continuing Connected Transaction" in the prospectus of the Company dated 26 February 2002. The Stock Exchange of Hong Kong Limited has granted a conditional waiver to the Company from strict compliance with the requirements for this Non-Exempt Continuing Connected Transaction as set out in the GEM Listing Rules for the two financial years ending 31 March 2002 and 2003. The independent non-executive directors of the Company have approved this Non-Exempt Continuing Connected Transaction.

The above transaction is also disclosed under the "Connected transactions" section in the Report of the Directors on page 23.

32. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2002.

The following is a summary of the consolidated results and consolidated assets and liabilities of the Group for each of the three years ended 31 March 2002 prepared on the basis set out in the notes below:

RESULTS

	2000 HK$'000	2001 HK$'000	**2002 HK$'000**
Turnover	8,860	19,813	**52,793**
Profit/(loss) from operating activities	(5,899)	(46,822)	**10,805**
Finance costs	(127)	(593)	**(271)**
Profit/(loss) before tax	(6,026)	(47,415)	**10,534**
Tax	—	—	**—**
Net profit/(loss) attributable to shareholders	(6,026)	(47,415)	**10,534**
Basic earnings/(loss) per share (cents)	(1.7)	(13.5)	**3.0**

ASSETS AND LIABILITIES

	2000	2001	2002
Non-current assets	1,859	21,404	**25,072**
Current assets	7,633	15,578	**23,624**
	9,492	36,982	**48,696**
Current liabilities	17,082	33,614	**10,346**
Non-current liabilities	—	388	**—**
	17,082	34,002	**10,346**

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 set out in note 1 to the financial statements. Accordingly, the only balance sheet for the Group that has been prepared is that set out on page 29 of the financial statements.

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 year ended 31 March 2002 presented above have been extracted from the consolidated profit and loss account as set out on page 25 of the 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 IS HEREBY GIVEN that the first annual general meeting of Tradeeasy Holdings Limited (the "Company") will be held in the Crystal Room of Holiday Inn Golden Mile Hong Kong of 50 Nathan Road, Tsim Sha Tsui, Kowloon on Friday, 26 July, 2002 at 10:30 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, 2002.

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 though 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 on the Stock Exchange of Hong Kong Limited, the exercise by the directors of the Company 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 of the Company 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 of the Company 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

(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 of the Company 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)."

B "THAT:

(i) subject to paragraph (ii) of this resolution, the exercise by the directors of the Company 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 the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (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

(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 of the Company 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."

By Order of the Board
Chan Wai Hong
Company Secretary

Hong Kong, 21 June, 2002

Principal Place of Business:
20th Floor
1063 King's Road
Quarry Bay
Hong Kong

Registered Office:
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2861
George Town
Grand Cayman
Cayman Islands
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 4th Floor, Hutchison House, 10 Harcourt Road, Central, 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 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than forth-eight hours before the appointed time for holding the meeting or any adjournment thereof. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution.

4. An Explanatory Statement containing further details regarding resolution numbered 4B above as required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange will be dispatched to the members of the Company together with the 2002 annual report.

5. In the case of a poll taken subsequently to the date of the meeting or adjourned meeting, the form of proxy must be deposited at the Company's Branch Share Registrar in Hong Kong, Tengis Limited at 4th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong not less than forth-eight hours before the time fixed for the taking of the poll.

6. 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.