



TRADEeasy
first quarterly report 2006

HIGHLIGHTS

- Revenue for the three months ended 30 June 2006 amounted to HK\$10,522,000 as compared to HK\$10,314,000 for the corresponding period in 2005.
- Profit for the three months ended 30 June 2006 amounted to HK\$61,000 as compared to HK\$639,000 for the corresponding period in 2005.
- Earnings per share attributable to ordinary equity holders of the parent of the Company for the three months ended 30 June 2006 amounted to HK0.01 cent as compared to HK0.15 cent for the corresponding period in 2005.
- The Board does not recommend the payment of any dividend for the three months ended 30 June 2006.

FIRST QUARTERLY UNAUDITED RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2006

The board of directors (the "Directors") of Tradeeasy Holdings Limited (the "Company") is pleased to announce that the unaudited consolidated first quarterly results of the Company and its subsidiaries (collectively referred to as the "Group" or "Tradeeasy") for the three months ended 30 June 2006, together with the comparative unaudited figures for the corresponding period in 2005, are as follows:

		Unaudited	
		Three months ended	
		30 June	
	<i>Notes</i>	2006	2005
		HK\$'000	HK\$'000
REVENUE	2	10,522	10,314
Cost of sales		(6,506)	(5,730)
Gross profit		4,016	4,584
Other income and gains		156	11
Selling and distribution costs		(581)	(607)
General and administrative expenses		(2,879)	(2,687)
Advertising and promotion expenses		(531)	(589)
Other expenses		(69)	–
Share of profits and losses of associates		(51)	–
PROFIT BEFORE TAX		61	712
Tax	3	–	(73)
PROFIT FOR THE PERIOD		61	639
DIVIDEND		–	–
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	4		
Basic		HK0.01 cent	HK0.15 cent
Diluted		HK0.01 cent	HK0.15 cent

Notes:

1 Basis of preparation and consolidation

The unaudited consolidated quarterly results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") (which also include the Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the GEM Listing Rules. They have been prepared under the historical cost convention. These unaudited consolidated quarterly results are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

The accounting policies and methods of computation adopted are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2006. The accounts are unaudited but have been reviewed by the Company's audit committee.

2. Revenue

Revenue, which is also the Group's turnover, represents the value of services rendered during the three-month period under review.

An analysis of revenue is as follows:

	Unaudited for the three months ended 30 June	
	2006	2005
	HK\$'000	HK\$'000
Integrated marketing solution services	1,842	1,779
ASP services	5,516	5,853
Technical consultancy services	3,164	2,682
	10,522	10,314

3. Tax

No provision for Hong Kong profits tax has been made as the Group either did not generate any assessable profits arising in Hong Kong during the period (2005: Nil) or had available tax losses brought forward from prior years to offset the assessable profits generated during the period (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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%.

3. Tax (continued)

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

4. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share attributable to ordinary equity holders of the parent for the three months ended 30 June 2006 is based on the net profit for the three months ended 30 June 2006 of HK\$61,000 (2005: HK\$639,000) and the weighted average number of 825,945,055 ordinary shares in issue (2005: 421,000,000 ordinary shares) during the period.

The calculation of diluted earnings per share attributable to ordinary equity holders of the parent for the three months ended 30 June 2006 is based on the net profit for the three months ended 30 June 2006 of HK\$61,000. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options outstanding during the period.

The calculation of basic and diluted earnings per share are based on:

	Unaudited for the three months ended 30 June 2006		2005
	HK\$'000		HK\$'000
Earnings			
Net profit attributable to ordinary equity holders of the parent, used in the basic earnings and diluted earnings per share calculation	61		639
Shares			
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	825,945,055		421,000,000
Effect of dilution – weighted average number of ordinary shares:			
Share options	4,023,276		15,972,697
	829,968,331		436,972,697

5. Movement in reserves

	Share premium account	Contributed surplus	Share option reserve	Exchange fluctuation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005	17,125	66,710	–	11	(76,422)	7,424
Exchange realignment	–	–	–	(39)	–	(39)
Net loss for the year	–	–	–	–	(1,703)	(1,703)
Equity-settled share option arrangements	–	–	302	–	–	302
At 31 March 2006 and 1 April 2006	17,125	66,710	302	(28)	(78,125)	5,984
Issue of shares, net of share issue expenses*	15,483	–	–	–	–	15,483
Equity-settled share option arrangements	–	–	16	–	–	16
Net profit for the period	–	–	–	–	61	61
At 30 June 2006	32,608	66,710	318	(28)	(78,064)	21,544

* On 25 April 2006, 550,000,000 new ordinary shares were issued to CCT Telecom Holdings Limited ("CCT Telecom") for cash at a subscription price of HK\$0.04 per share pursuant to the subscription agreement dated 7 March 2006 for a total cash consideration before expenses, of HK\$22,000,000.

DIVIDEND

No dividend has been paid or declared by the Company or any of its subsidiaries during the three months ended 30 June 2006 (2005: Nil).

BUSINESS REVIEW

Tradeeasy Holdings Limited (the "Company") and its subsidiaries (the "Group") recorded a net profit of HK\$61,000 for the three months ended 30 June 2006, as compared to HK\$639,000 in the corresponding period in 2005. The Group reported a turnover of approximately HK\$10,522,000 during the first quarter under review, as compared to approximately HK\$10,314,000 for the corresponding period, representing a slight increase of 2%. The decrease in net profit, however, is due to additional costs incurred in a number of initiatives which had been taken to strengthen the Group's core business and the development of high-scalability revenue models with a view to supporting its future growth.

The management believes that the Business-to-Business ("B2B") online transactions will surge in the coming years as Mainland China plays a leading role in the international export activities, therefore, the Group has determined to increase its competitive edge through the development of new business model, modern technology, and expansion of the sales and marketing network.

Upon the completion date on 25 April 2006, 550,000,000 new shares of the Company were subscribed by and issued to CCT Telecom. With the net proceeds of approximately HK\$20 million, the Group is poised to expand the business and further develop.

A research and development center was established in Guangzhou in April 2006. The Group's Chief Technical Officer was in charge and focusing on development of new internet technology and search engines maximization tools and revamping of our B2B portal site. As mentioned above, the Group will devote more resources into the deployment of cut edge technology and ensure the provision of a user friendly environment to the existing transaction platform for both the sellers and buyers as users.

In addition to the Garment Directory which was published in last financial year, the Company will publish another two new directories, namely "Gift and Premium, Consumer Electronics" and "Household". The Garment Directory was distributed at several overseas and local trade shows and has proven to be an efficient tool, particularly for buyers. It is designed with the greatest user-friendliness and built-in with extra contents such as factory infrastructure, production capacity and factory audit information.

BUSINESS REVIEW *(continued)*

The management estimated that the number of buyer users had grown beyond 350,000 during the quarter under review as the result of more trade shows organised and the joint effort of our service team and the overseas trade associations and government trade counsels in promoting our service to their members. In the meantime, we have extended our buyer services covered from the areas of garment, gift, toys, electronics and household to the niche areas such as stationery, hardware, outdoor goods and household linen.

A central training center has been set up and commenced operation since March 2006. This is a central training center for the staff of sales and marketing team in our China branches, targeting at strengthening their techniques and knowledge and increasing their overall performance of the branches. With the implementation of this new arrangement, the management expects there will be a substantial increase in contribution from the operation in Mainland China in coming years.

OUTLOOK

A new business unit, staffed by international trade and technology experts, was set up last year to conduct research on the B2B transaction business model. The Company entered services agreements with/provided services to its alliances and a beta site was also launched in pilot. During the quarter under review, buyers were invited to test the newly developed business model and the feedback is promising. It is believed that more B2B transactions will take place through the newly developed platform in the forthcoming quarter. In the long run, the management believes that the transactions will be scalable and complement the existing business model satisfactorily.

The volume of our China exports will continuously grow due to the high demand in the emerging markets such as Eastern Europe and South America. With the increasing demand for the China export, the Company will engage channel sales in Mainland China to increase the number of distribution points in the places where the Group does not have or it is not cost effective to have branches or agency establishments.

With the new injection of the capital, the Group is poised to introduce a wider range of products, deploy the state of art technology, and expand our sales and marketing network to better serve buyer users.

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2006, the interests of the Directors in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or Rule 5.46 of the GEM Listing Rules, were as follows:

(a) Interests and short positions in the shares and the underlying shares of the Company as at 30 June 2006

Long positions in the ordinary shares of the Company:

Name of the Director	Number of the ordinary shares directly beneficially held	Approximate percentage of the Company's total issued share capital (%)
Yip Kwok Cheung, Danny	23,610,662	2.43

At 30 June 2006, none of the Directors had any interests in the share options of the Company.

(b) Interests and short positions in the shares and the underlying shares of the convertible bonds of an associated corporation – CCT Telecom as at 30 June 2006

(i) Long positions in the shares of CCT Telecom:

Name of the Director	Number of the shares beneficially held and nature of interest			Total	Approximate percentage of the total issued share capital (%)
	Personal	Family	Corporate		
Mak Shiu Tong, Clement	715,652	–	221,040,977	221,756,629	28.44
Cheng Yuk Ching, Flora (Note)	14,076,713	120,000	–	14,196,713	1.82
Tam Ngai Hung, Terry	1,868,000	–	–	1,868,000	0.24
William Donald Putt	591,500	–	–	591,500	0.08

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES (continued)**(b) Interests and long positions in the shares and the underlying shares of the convertible bonds of an associated corporation – CCT Telecom as at 30 June 2006** (continued)

Note: Included in the shareholdings in which Ms. Cheng Yuk Ching, Flora was interested, 120,000 shares of CCT Telecom were held by the spouse of Ms. Cheng Yuk Ching, Flora, who was deemed to be interested in such shares under the provisions of Part XV of the SFO or Rule 5.46 of the GEM Listing Rules.

- (ii) Long positions in the underlying shares of the convertible bonds of CCT Telecom:

Name of the Director	Description of equity of derivatives	Notes	Number of	Approximate
			the total underlying shares	percentage of the total issued share capital
				(%)
Mak Shiu Tong, Clement	2010 convertible bonds	(1)	47,185,430	6.05
	2009 convertible bonds	(2)	26,548,672	3.40

Notes:

- (1) The convertible bonds with an outstanding principal amount of HK\$28,500,000 as at 30 June 2006, were issued by CCT Telecom to New Capital Industrial Limited, a company controlled by Mr. Mak Shiu Tong, Clement, on 25 April 2005. The convertible bonds, due on 25 April 2010, are interest free and convertible into the shares of CCT Telecom at the conversion price of HK\$0.604 per share of CCT Telecom (subject to adjustments according to the terms of the convertible bonds).
- (2) The convertible bonds with an outstanding principal amount of HK\$30,000,000 as at 30 June 2006, were issued by CCT Telecom to Capital Winner Investments Limited, a company controlled by Mr. Mak Shiu Tong, Clement, on 23 June 2006. The convertible bonds, due on 23 June 2009, are interest free and convertible into the shares of CCT Telecom at the conversion price of HK\$1.13 per share of CCT Telecom (subject to adjustments according to the terms of the convertible bonds).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES *(continued)***(c) Interest and short positions in the shares and the underlying shares of an associated corporation – CCT Tech International Limited (“CCT Tech”), which is a fellow subsidiary of the Company, as at 30 June 2006.**

None of the directors of the Company had interests and short positions in respect of the shares, debentures, convertible bonds, equity derivatives or interests in the underlying shares of CCT Tech.

In addition to the above, as at 30 June 2006, certain Directors have non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 June 2006, none of the Directors had registered an interest in the shares and the underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES

At 30 June 2006, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in the ordinary shares of the Company:

Name of the shareholder	Capacity and nature of interest	Number of the ordinary shares held	Approximate percentage of the Company's total issued share capital (%)
Manistar Enterprises Limited (<i>Note</i>)	Directly beneficially owned	643,364,070	66.26
CCT Telecom Holdings Limited (<i>Note</i>)	Through a controlled corporation	643,364,070	66.26

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

Save as disclosed above, as at 30 June 2006, no person had registered an interest in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

SHARE OPTION SCHEME

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

The maximum number of shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Scheme must not exceed 30% of the shares in issue from time to time.

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

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

SHARE OPTION SCHEME *(continued)*

Upon acceptance of the option, the grantee shall pay HK\$1 to the Company as consideration for the grant. The option will be offered for acceptance for a period of 28 days (or such shorter period as the board of directors may from time to time determine) from the date on which the option is granted. The exercise period of the share options granted is determinable by the directors and commences after a certain vesting period and ends on a date which is not later than ten years from the date of the offer of the share options or the expiry date of the Scheme, if earlier.

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

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

SHARE OPTION SCHEME (continued)

The following share options were outstanding under the Scheme as at 30 June 2006:

Category of participant	Number of share options as at 30 June 2006	Date of grant of share options	Exercise period of share options*	Exercise price of share options** HK\$	Price of Company's shares at grant date of options*** HK\$
Employees					
In aggregate	12,000,000	22 Apr 2003	23 Jun 2003 to 22 Jun 2008	0.037	–
	4,000,000	6 Oct 2004	4 Nov 2004 to 3 Nov 2009	0.030	–
	2,100,000	27 Sep 2005	26 Oct 2005 to 25 Oct 2010	0.043	0.040
	3,496,000	20 Dec 2005	18 Jan 2006 to 19 Feb 2012	0.043	0.047
	1,831,000	20 Dec 2005	18 Jan 2007 to 19 Feb 2012	0.043	0.047
	<u>23,427,000</u>				
Others					
In aggregate	20,000,000	22 Apr 2003	23 Jun 2003 to 22 Jun 2008	0.037	–
	4,000,000	27 Sep 2005	26 Oct 2005 to 25 Oct 2010	0.043	0.040
	400,000	20 Dec 2005	18 Jan 2006 to 19 Feb 2012	0.043	0.047
	400,000	20 Dec 2005	18 Jan 2007 to 19 Feb 2012	0.043	0.047
	<u>24,800,000</u>				
	<u>48,227,000</u>				

Notes to the reconciliation of share options outstanding as at 30 June 2006:

- * The vesting period of the share options is from the date of the grant until the commencement of the exercise period.
- ** The exercise price of the share options is subject to adjustment in the case of a rights or bonus issues, or other similar changes in the Company's share capital.
- *** The price of the Company's shares disclosed as at the date of the grant of the share options is the Stock Exchange closing price on the trading day immediately prior to the date of the grant of the options.

SHARE OPTION SCHEME *(continued)*

During the period under review, no share option was granted, forfeited, cancelled, lapsed and exercised.

As at 30 June 2006, the Company had 48,227,000 share options outstanding under the Scheme. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 48,227,000 additional ordinary shares of the Company and additional share capital of approximately HK\$482,000 and share premium of approximately HK\$1,348,000 (before the share issue expenses).

At the date of approval of these unaudited consolidated quarterly results, the Company had 48,227,000 share options outstanding under the Scheme, which represented approximately 4.97% of the Company's shares in issue as at that date.

PURCHASE, REDEMPTION OR SALE OF LISTED SHARES OF THE COMPANY

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

AUDIT COMMITTEE

The Company has established the audit committee in 2001 (the "Audit Committee") with specific terms of reference formulated in accordance with the requirements of the GEM Listing Rules. The primary duties of the Audit Committee are to ensure the objectivity and credibility of the Company's financial reporting and internal control procedures as well as to maintain an appropriate relationship with the external auditors of the Company.

The Audit Committee is mainly responsible for (i) reviewing the Company's quarterly results, half-yearly results and annual financial statements and making recommendations as to the approval of the Company's quarterly results, half-yearly results and annual financial statements by the Board; (ii) reviewing and making recommendations to the Board on the appointment, re-appointment and removal of the external auditors and the terms of engagement including the remuneration of the external auditors; (iii) discussing with the external auditors the nature and scope of the audit; (iv) monitoring and assessing the independence and objectivity of the external auditors and the effectiveness of the audit process in accordance with applicable standard; (v) reviewing and monitoring financial reporting and the reporting judgement contained in them; and (vi) reviewing financial and internal controls, accounting policies and practices with management and external auditors of the Company.

AUDIT COMMITTEE *(continued)*

During the period ended 30 June 2006, the Audit Committee consisted of three members comprising all the three independent non-executive directors ("INEDs"). As at 1 April 2006, the three INEDs were Mr. Wu Yao Hua, Terence, Mr. Lau Chi Yiu and Mr. Lau Ho Man, Edward who resigned on 25 April 2006, and three new INEDs were appointed simultaneously as the Audit Committee members, namely Mr. Lam Kin Kau, Mark, Mr. Fung Hoi Wing, Henry and Mr. Lau Ho Wai, Lucas. All members of the Audit Committee hold the relevant industry or legal, accounting and financial experience necessary to advise on the Board's strategies and other related matters. All members of the Audit Committee have complete and unrestricted access to the external auditors and all employees of the Company.

The Audit Committee has reviewed the Group's unaudited consolidated results for the three months ended 30 June 2006, and confirmed that the preparation of such complied with applicable accounting principles and practices adopted by the Company, the requirements of the Stock Exchange and adequate disclosures had been made.

By Order of the Board of
Tradeeasy Holdings Limited
Mak Shiu Tong, Clement
Chairman

Hong Kong, 11 August 2006