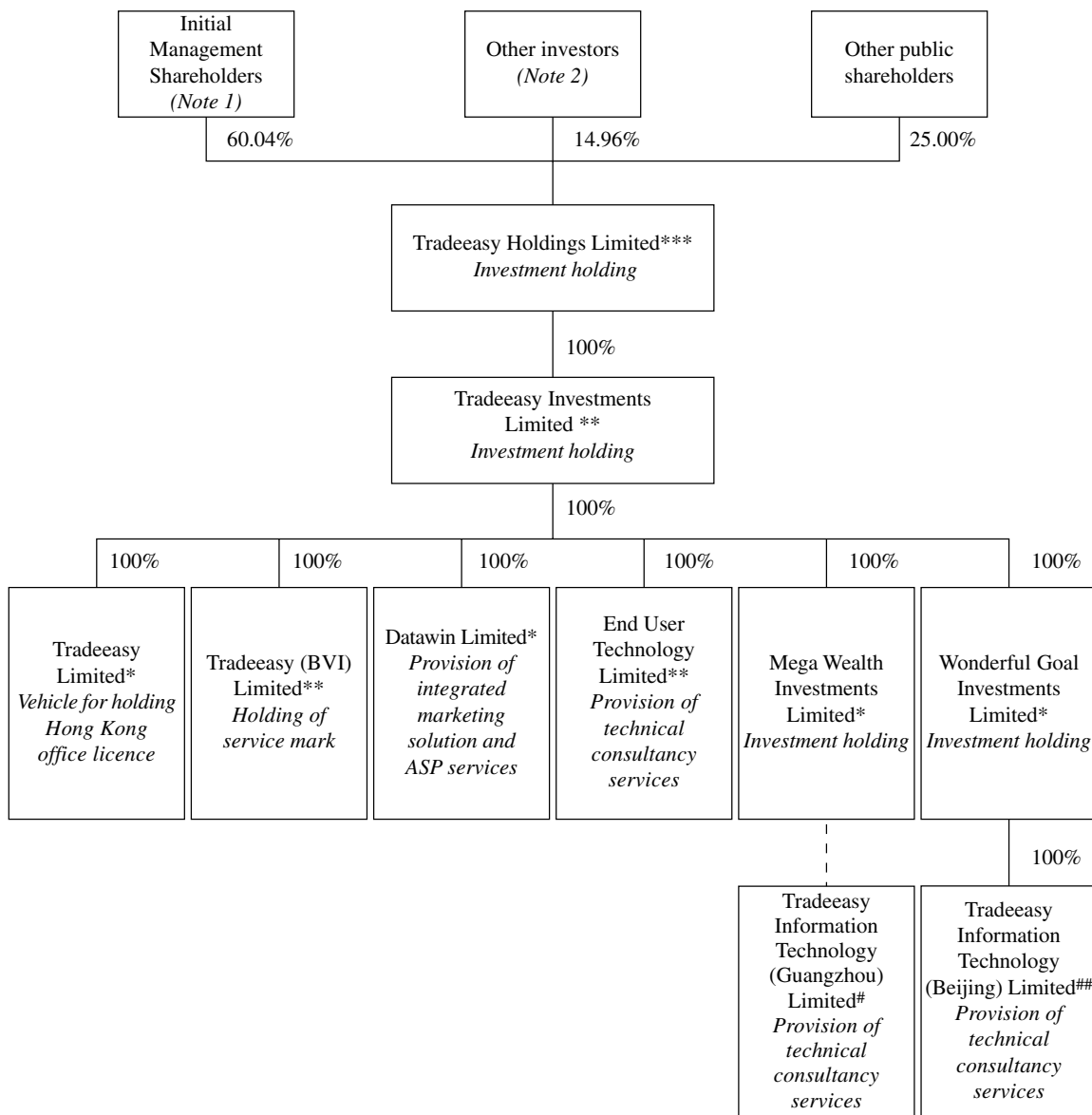


BUSINESS

GROUP STRUCTURE

The corporate structure and the main business activities of the principal members of the Group immediately after completion of the Placing and the Capitalisation Issue (before taking account of any Shares which may be issued pursuant to the exercise of the Over-allotment Option and without taking into account any Shares which may fall to be issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme and the Share Option Scheme as at the Listing Date) are set out below:



*** incorporated in the Cayman Islands and to be listed on GEM

** incorporated in BVI

* incorporated in Hong Kong

BUSINESS

a cooperative joint venture limited liability company formed in the PRC on 26th June, 2000 by Mega Wealth and 廣州東山外經實業發展公司 (Dong Shan (G.E.) Foreign Economic Development Co.), a company which is independent of the Company, the directors, substantial shareholders and/or management shareholders of the Company or any of their associates. Dong Shan (G.E.) Foreign Economic Development Co. (“Dong Shan”), incorporated in April 1993, is principally engaged in foreign enterprise investment services, provision of foreign trade business services training, import and export trade services, trade information enquires, real estate enquires, general commerce in the PRC and trading of materials. Total paid-up capital of Dong Shan is RMB500,000 and is owned as to 51% by Zhou Rong (周榮) and as to 49% by Wang Ri Yang (黃日陽). Dong Shan is entitled to receive from Tradeeasy Guangzhou a fee of RMB5,000 per month regardless of the financial performance of Tradeeasy Guangzhou while Mega Wealth is entitled to receive the balance of the profit of the year. The fee received by Dong Shan increases by 10% annually

a wholly foreign owned enterprise formed in the PRC on 21st June, 2000 by Wonderful Goal

Notes:

- The shareholdings of the Initial Management Shareholders in the share capital of the Company immediately after completion of the Capitalisation Issue and the Placing (on the assumption that the Over-allotment Option will not be exercised and without taking into account any Shares which may fall to be issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme and the Share Option Scheme as at the Listing Date) are set out below:

**Number and approximate
percentage holding
(or attributable number and
approximate percentage holding)
of Shares**

Initial Management Shareholders

Mr. Yu (Note 3)	5,301,927	1.33%
Mr. Yip (Note 3)	23,610,662	5.90%
Mr. Wong (Notes 3 and 4)	23,468,415	5.87%
Mr. To (Notes 3 and 4)	14,994,162	3.75%
Mr. Ng (Notes 4 and 6)	27,511,187	6.88%
Mr. Lee (Notes 4 and 6)	5,206,054	1.30%
Mr. Lam (Notes 4 and 6)	5,405,185	1.35%
Each of Manistar Enterprises Limited and CCT (through Manistar Enterprises Limited) (Note 5)	93,364,070	23.34%
Mr. Chan Wai Hong (Note 6)	2,018,856	0.50%
Mr. Chan Ka Fai (Note 6)	1,354,937	0.34%
Mr. Choy Kwok Kwong, Don (Note 6)	1,099,266	0.27%
Each of Red Oaks International Limited and Mr. Lee Dao Bon, Barton (through Red Oaks International Limited) (Note 7)	7,153,384	1.79%
Each of Yue Brothers Limited and the Yue Brothers (through Yue Brothers Limited) (Note 8)	19,161,554	4.79%
Mr. Wong Kam Hoi (Note 9)	1,578,796	0.39%
Ms. Choy Ching Yee, Ruby (Note 10)	518,411	0.13%
Mr. Chou Hing Yan, Stephen (Note 6)	7,941,203	1.99%
Mr. Yim Wai Man (Note 6)	471,282	0.12%
	<u>240,159,351</u>	<u>60.04%</u>

BUSINESS

2. The shareholding of the investors other than Initial Management Shareholders under the Placing in the share capital of the Company immediately after completion of the Capitalisation Issue and the Placing (on the assumption that the Over-allotment Option will not be exercised and without taking into accounts any Shares which may fall to be issued pursuant to the exercise of any options under the Pre-IPO Share Option Scheme and the Share Option Scheme as at the Listing Date) are set out below:

**Number and approximate
percentage holding
(or attributable number and
approximate percentage holding)
of Shares**

Other shareholders

Mr. Wong Chi Wai	11,493,636	2.87%
Mr. Chan Po Kei, Samuel	12,835,612	3.21%
Mr. Zee Yiu Sang, David	1,578,796	0.39%
Ms. Hor Yin Yuk	315,759	0.08%
Ms. Ng Man Chi, Ruby	157,880	0.04%
Mr. Yeung Ka Hung	7,710,510	1.93%
Mr. Yeung Kin Sing	1,578,796	0.39%
Mr. Fung Kwok Tung, Anthony	947,278	0.23%
Mr. Nee Duen	189,456	0.05%
Mr. Raymond M. Pollum	244,124	0.06%
Mr. Khoa D. Pham	189,456	0.05%
Ms. Siu Sai Ying (<i>Note 11</i>)	189,456	0.05%
Ms. Siu Sau Chor (<i>Note 11</i>)	3,836,475	0.96%
Mr. Chen Ping Yi	3,149,698	0.79%
Mr. Oh Yang Chi Kun (<i>Note 12</i>)	3,149,698	0.79%
Ms. Jeng Pei Hsiang (<i>Note 12</i>)	10,603,854	2.65%
Ms. Christine H. Yang	471,282	0.12%
Mr. Wong Wang Fai	<u>1,198,883</u>	<u>0.30%</u>
	<u>59,840,649</u>	<u>14.96%</u>

3. Mr. Yu, Mr. Yip, Mr. Wong and Mr. To are executive Directors.
4. The founders of the Group are Mr. Wong, Mr. To, Mr. Ng, Mr. Lee and Mr. Lam.
5. The entire issued share capital of Manistar Enterprises Limited is beneficially owned by CCT. Mr. Tam Ngai Hung is the representative of Manistar Enterprises Limited on the Board.

CCT has undertaken with the Company and Hantec and JS Cresvale (for themselves and on behalf of the Underwriters) and the Stock Exchange not to dispose of (nor enter into any agreement to dispose of) any of its interest in Manistar Enterprises Limited for the Moratorium Period.

6. Mr. Ng, Mr. Lee, Mr. Lam, Mr. Chan Wai Hong, Mr. Chan Ka Fai, Mr. Choy Kwok Kwong, Don, Mr. Chou Hing Yan, Stephen and Mr. Yim Wai Man are members of the senior management of the Group.
7. Red Oaks International Limited is wholly-owned by Mr. Lee Dao Bon, Barton.

Mr. Lee Dao Bon, Barton has undertaken with the Company and Hantec and JS Cresvale (for themselves and on behalf of the Underwriters) and the Stock Exchange not to dispose of (nor enter into any agreement to dispose of) any of his interest in Red Oaks International Limited for the Moratorium Period.

8. Yue Brothers Limited is owned as to 40%, 30% and 30% by Mr. Yue Man Kee, Keith, Mr. Yue Man Chun, Terence and Mr. Yue Man Kin, Edward respectively.

Each of the Yue Brothers has undertaken with the Company and Hantec and JS Cresvale (for themselves and on behalf of the Underwriters) and the Stock Exchange not to dispose of (nor enter into any agreement to dispose of) any of his interest in Yue Brothers Limited for the Moratorium Period.

9. Mr. Wong Kam Hoi is the father of Mr. Wong.
10. Ms. Choy Ching Yee, Ruby is the wife of Mr. Yip.
11. Ms. Siu Sai Ying and Ms. Siu Sau Chor are sisters.
12. Mr. Oh Yang Chi Kun and Ms. Jeng Pei Hsiang are a couple.
13. All the holders of Shares as referred to in the above, save as otherwise indicated thereof, independent of each other.
14. All the existing shareholders of the Company other than the Initial Management Shareholders are, save as indicated above, independent of the Directors, the chief executive, the Initial Management Shareholders, substantial shareholders or any of their respective associates.

HISTORY AND DEVELOPMENT

The history of TRADEeasy can be traced to 1993, and its existing business model originates from a fax-based trade enabling operation under Datawin. In November 1993, the predecessor of the existing business model, Fax Express, was established by Mr. Wong, Mr. To, Mr. Ng, Mr. Lee and Mr. Lam who have extensive experience in IT, media advertising and international trading. Fax Express was a fax-based system which allowed buyers to receive sellers' trade information by fax upon selecting required information in the fax system. The target market of Fax Express was Hong Kong-based SMEs which were looking for overseas buyers.

As the Directors anticipated that the emergence of the Internet platform would serve its business model better than the fax-based operation, the e-Marketplace of the Group, *tradeeasy.com*, was launched by Datawin in July 1997 and all services under Fax Express were terminated. All the database and networks of Fax Express were transferred to the e-Marketplace at that time. The e-Marketplace of TRADEeasy allows buyers to identify suppliers and products and enables suppliers to market their products to buyers on-line.

To facilitate the business development of TRADEeasy in the PRC and in view of the fact that the Group did not have sufficient financial support to establish offices in the PRC at that time, TRADEeasy appointed an independent service provider in Guangzhou ("First Guangzhou Agent") in March 1998. Under the terms of the agreement entered into between Datawin and the First Guangzhou Agent, Datawin provided training and technical support to the First Guangzhou Agent including marketing skills and technical skills in collecting and digitalising the information of the customers so as to enable the First Guangzhou Agent to provide technical consultancy services which include development and production of electronic versions of the marketing materials and product descriptions and provision of related services such as quality control, provision of training and after sales technical support to the customers in the PRC. Datawin received a fee equivalent to 30% of the invoiced amount of service fees received by the First Guangzhou Agent from the customers in the PRC.

In order to assist TRADEeasy's customers to handle the trade leads generated from *tradeeasy.com* or other sources, TRADEeasy commenced the development of its proprietary application, Cybersales Management Platform, in January 1998 and the application was introduced in May 1998. Cybersales Management Platform is a web-based software solution tailor-made for SMEs to handle trade leads and negotiate with buyers on-line.

BUSINESS

In November 1998, TRADEeasy commenced providing value-added marketing solution services to its customers including homepage design, hosting and search engines submission.

In order to further facilitate the growth of TRADEeasy in the PRC, an independent service provider was appointed as its agent in Hangzhou in April 1999 and two independent service providers were appointed as its agents in Guangzhou and Beijing respectively in September 1999 by Datawin. The terms of the agreements entered into between Datawin and each of the service providers in Hangzhou, Guangzhou and Beijing were same as the one entered into with the First Guangzhou Agent. The agreements with the service providers are effective from the agreement date and are subject to termination upon receipt of a one-month prior written notice before the termination date issued by either one of the parties to the relevant agreement. The Directors consider that the agents were capable of providing the Group with valuable local market information on potential customers and their specific needs which better enables the Group to gauge the market and business opportunities in that area. In addition, the agents also help to design and digitalise the marketing materials collected from the Group's customers, training, after-sales services and technical support to the customers and collecting useful information for improvement of the products and services of TRADEeasy. As the performance of the First Guangzhou Agent was unsatisfactory and the Group had already appointed another independent service provider in Guangzhou in September 1999, TRADEeasy terminated the service agreement with the First Guangzhou Agent in December 1999.

To scale up the operation and repayment of loans, Datawin issued 90,000 new ordinary shares of \$1.00 each to raise approximately \$4.3 million in December 1999. Please refer to the subsection headed "Use of proceeds before listing" in this section for details of the use of proceeds raised by such issue.

The details of fund raising are listed below:

Date	Name of investor	Number of Datawin Shares subscribed	Total consideration \$
17th December, 1999	Mr. Yip	7,840	184,533
17th December, 1999	Mr. Wong	12,052	283,899
17th December, 1999	Mr. To	10,956	258,088
17th December, 1999	Mr. Ng	17,514	438,741
17th December, 1999	Mr. Lee	3,013	70,974
17th December, 1999	Mr. Lam	2,739	64,522
17th December, 1999	Mr. Wong Kam Hoi	6,365	200,000
17th December, 1999	Mr. Chou Hing Yan, Stephen	6,365	200,000
17th December, 1999	Mr. Wong Chi Wai	7,224	170,338
17th December, 1999	Mr. Chan Po Kei, Samuel	6,847	161,305
17th December, 1999	Mr. Zee Yiu Sang, David	4,085	130,000
21st December, 1999	Mr. Fung Kwok Tung, Anthony	400	170,800
21st December, 1999	Mr. Nee Duen	80	34,160
21st December, 1999	Mr. Raymond M. Pollum	80	34,160
21st December, 1999	Mr. Khoa D. Pham	80	34,160
21st December, 1999	Ms. Siu Sai Ying	80	34,160
21st December, 1999	Ms. Siu Sau Chor	1,620	691,740
21st December, 1999	Mr. Chen Ping Yi	1,330	567,910
21st December, 1999	Mr. Oh Yang Chi Kun	1,330	567,910
		<u>90,000</u>	<u>4,297,400</u>

BUSINESS

In May 2000, TCL acquired all the Datawin Shares then in issue from their holders and became the sole beneficial owner of the entire issued share capital of Datawin. Furthermore, with a view to further expanding the business to the PRC and upgrade of hardware, TCL entered into a share subscription agreement with CCT on 16th May, 2000 in which CCT agreed to subscribe 4,400,000 preference shares in TCL at a share price of US\$1.75 each. The aforesaid subscription agreement was subsequently supplemented by a supplemental agreement entered into by the parties in November 2000. As a result, a total of 3,300,000 preference shares of TCL at US\$1.75 per preference share (which represented approximately 18% of the issued share capital of TCL at the relevant time) were subscribed by and issued to Manistar Enterprises Limited (a wholly-owned subsidiary of CCT) on 11th December, 2000. After subscription of the aforesaid preference shares, CCT was entitled to appoint one director to the board (which was subject to the maximum number of seven directors) of TCL. Mr. Tsoi Tong Hoo, Tony was the representative of CCT in TCL until 3rd December, 2001.

In addition, TCL entered into another subscription agreement dated 24th November, 2000 with two independent investors namely Yue Brothers Limited and Red Oaks International Limited. Pursuant to the aforesaid subscription agreement, each of the two investors subscribed 500,000 preference shares in TCL at US\$1.75 per preference share.

The details of fund raising are listed below:

Date	Name of investor	Number of TCL preference shares subscribed	Total consideration \$
11th December, 2000	Manistar Enterprises Limited	3,300,000	45,045,000
11th December, 2000	Yue Brothers Limited	500,000	6,825,000
11th December, 2000	Red Oaks International Limited	<u>500,000</u>	<u>6,825,000</u>
		<u>4,300,000</u>	<u>58,695,000</u>

Upon completion of the above issues of shares, each of Manistar Enterprises Limited, Yue Brothers Limited and Red Oaks International Limited held approximately 18.02%, 2.73% and 2.73% of the issued share capital in TCL at the relevant time. Please refer to the subsection headed “Use of proceeds before listing” in this section for details of the use of proceeds raised by such issues. On 11th December, 2000, all the then shareholders of TCL entered into a shareholders’ agreement (“TCL Shareholders’ Agreement”) in relation to TCL. Under the TCL Shareholders’ Agreement, CCT was entitled to appoint one director (“A Director”), Red Oaks International Limited and Yue Brothers Limited were together entitled to appoint one director (“C Director”) and the other remaining shareholders of TCL (collectively as the “Other TCL Shareholders”) were together (and by way of majority) entitled to appoint five directors (“B Directors”). Furthermore, under the TCL Shareholders’ Agreement, (a) the quorum for initial board meetings (other than adjourned meetings) was three directors, of whom one was required to be an “A Director”, one was required to be a “B Director” and one was required to be a “C Director”, (b) any board meeting decision was to be determined by a majority of votes and (c) the chairman of the board of TCL did not have a casting vote. Any question at any TCL shareholders’ meeting was to be decided by a simple majority of votes except where a greater majority was agreed between TCL shareholders or by applicable law and in the case of an

equality of votes, the chairman of the board of TCL would not have a casting vote. In particular, under the TCL Shareholders' Agreement, each TCL shareholder agreed that TCL would not without the prior approval of (a) CCT, (b) a majority of the Other TCL Shareholders and (c) Red Oaks International Limited and Yue Brothers Limited (voting as a block), determine certain major issues ("Major Issues"), including without limitation, varying rights attached to any TCL shares, liquidating TCL, changing TCL's business activities, disposing any material part of its assets, changing accounting policies or reporting practices, engaging in any litigation other than routine debt collection.

The TCL Shareholders' Agreement was substituted by an amended and restated shareholders' agreement on 29th June, 2001 ("Amended and Restated TCL Shareholders' Agreement"). Apart from the fact that (a) Yue Brothers Limited was no longer entitled to appoint one director to the board of TCL jointly with Red Oaks International Limited (which became entitled to appoint the C Director solely), (b) the quorum for shareholders' meeting was effectively changed to require (i) CCT, (ii) Red Oaks International Limited, (iii) Yue Brothers Limited, and (iv) one of the TCL's Other Shareholders to be present, and (c) that each of Red Oaks International Limited and Yue Brothers Limited was entitled to vote on the Major Issues independently (as opposed to voting as a block), all the other terms of the TCL Shareholders' Agreement that were outlined in the preceding paragraph remained unchanged in the Amended and Restated TCL Shareholders' Agreement.

As TRADEeasy did not have any presence in the PRC earlier, it was not able to control the performance of its independent service providers and the quality of services provided by such independent service providers was difficult to control. With a view to facilitating the operation in the PRC, TRADEeasy established Tradeeasy Beijing and Tradeeasy Guangzhou in June 2000 to replace the third-party service providers in the PRC. The registered capital of each of the two companies is US\$300,000 and has been fully paid up. TRADEeasy established 11 offices in the PRC to capture the growth in the PRC market. The details of the office locations are set out in the subsection headed "Sales and marketing" in this section. TRADEeasy has terminated the service arrangements with the service providers in Hangzhou, Guangzhou and Beijing in January 2001, February 2001 and June 2000 respectively.

After years of development, the Directors believe that the customer base of TRADEeasy has reached a critical mass and that SMEs are in need of an integrated automation solutions to handle the massive trade leads generated from the e-Marketplace of TRADEeasy. In order to strengthen the marketability and operating efficiency of its customers, TRADEeasy soft launched a proprietary ASP solution, e-IMS, for management automation which integrates with the e-Marketplace and clients' homepages to handle cataloguing, customer relationship, sales management and order processing in October 2000.

In January 2001, TRADEeasy published the first issue of te.LINK, a business directory which aims to encourage overseas buyers including the US, the UK, Germany, Canada and Australia to use the e-Marketplace offered by TRADEeasy and to promote the products of the Group's customers.

BUSINESS

In August 2001, TCL issued 9,286,529 new ordinary shares at a price of \$1.45 per share to raise approximately an aggregate of \$13.5 million. The details of fund raising are listed below:

Date	Name of investor	Number of TCL shares subscribed	Total consideration \$
17th August, 2001	Mr. Yu	150,000	217,500
17th August, 2001	Mr. Yip	182,138	264,100
17th August, 2001	Mr. Wong	182,138	264,100
17th August, 2001	Mr. To	160,869	233,260
17th August, 2001	Mr. Ng	70,053	101,577
17th August, 2001	Manistar Enterprises Limited	6,671,236	9,673,292
17th August, 2001	Yue Brothers Limited	1,037,047	1,503,718
17th August, 2001	Mr. Chou Hing Yan, Stephen	203,408	294,942
17th August, 2001	Mr. Fung Kwok Tung, Anthony	26,800	38,860
17th August, 2001	Mr. Nee Duen	5,360	7,772
17th August, 2001	Mr. Khoa D. Pham	5,360	7,772
17th August, 2001	Ms. Siu Sai Ying	5,360	7,772
17th August, 2001	Ms. Siu Sau Chor	108,540	157,383
17th August, 2001	Mr. Chen Ping Yi	89,110	129,210
17th August, 2001	Mr. Oh Yang Chi Kun	89,110	129,210
17th August, 2001	Ms. Jeng Pei Hsiang	300,000	435,000
		<u>9,286,529</u>	<u>13,465,468</u>

Upon completion of the above issue of new shares of TCL, Manistar Enterprises Limited held approximately 33.57% of the issued capital in TCL at the relevant time.

The consideration payable by Manistar Enterprises Limited was satisfied by the issue of 10,868,867 shares of CCT to TCL. Due to the unfavourable market conditions immediately following completion of the aforesaid issue, only approximately \$4.2 million proceeds were raised by TRADEeasy from the disposal of the shares of CCT. Together with the proceeds of approximately \$3.8 million satisfied by cash, TRADEeasy has raised approximately \$8 million from such issue. Please refer to the subsection headed “Use of proceeds before listing” in this section for details of the use of proceeds from such issue.

On 24th September, 2001, Mr. Yip, Mr. Wong, Mr. To and Mr. Yu were appointed as the executive Directors. At the same date, Mr. Tsoi Tung Hoo, Tony, the then representative of CCT on the board of the Company and TCL, was appointed as the non-executive Director and Mr. Tai Ka Luk and Mr. Tam King Ching, Kenny were appointed as the independent non-executive Director respectively.

On 3rd December, 2001, Mr. Tsoi Tong Hoo, Tony resigned from the directorships of the Company and TCL. Mr. Tam Ngai Hung is the finance director of CCT and was nominated as the non-executive Director as the representative of CCT on the board of the Company and TCL on the same date.

On 20th February, 2002, in preparation for the listing of the Shares on the Stock Exchange, the Reorganisation was carried out whereby the Company replaced TCL (which was excluded from the Group) and became the ultimate holding company of TRADEeasy. Details of the Reorganisation are set out in the section headed “Corporate reorganisation” in Appendix V to this prospectus.

BUSINESS

Given its established marketing network and solid customer base, the Directors believe that TRADEeasy has positioned itself as a trade enabler for SMEs to facilitate their trade activities. In addition, as the Group has enough presence in the PRC and sufficient number of production staff to carry out the digitalisation process, the Group is planning to appoint independent service providers for sales in future to lessen the Group's burden in the establishment of new offices and the recruitment of additional staff.

STATEMENT OF ACTIVE BUSINESS PURSUITS

The table below sets out the active business pursuits undertaken by the Group from 1st April, 1999 to the Latest Practicable Date.

	For the year ended 31st March, 2000	For the year ended 31st March, 2001	For the period from 1st April, 2001 to the Latest Practicable Date
Product enrichment and enhancement	<ul style="list-style-type: none"> ● Launched the amended version of Cybersales Management Platform to include contacts management function in June 1999 ● New sections added to <i>tradeeasy.com</i> including "Excess Stock" and "New Products" in November 1999 ● Additional functions introduced to <i>tradeeasy.com</i> including advanced search engine in November 1999 ● Re-categorised the contents in <i>tradeeasy.com</i> to enhance accessibility in February 2000 	<ul style="list-style-type: none"> ● Developed e-commerce services by providing on-line payment gateway for the customers' homepages in May 2000 ● Soft launched e-IMS to strengthen the marketability and operating efficiency of TRADEeasy's customers in October 2000 ● Upgraded the hardware to enlarge the capacity of TRADEeasy's computer system in October 2000 ● Published the first issue of <i>te.LINK</i> in January 2001 	<ul style="list-style-type: none"> ● Launched the amended version of e-IMS to accommodate various features for different industries in October 2001 ● Developed sophisticated features such as search engines, password protection, membership, order tracking, payment gateway and sales management reports for the customers' homepages in November 2001 ● Launched Chinese version of e-IMS in November 2001 ● Commenced to publish product catalogue for the Group's customers in November 2001 ● Roll out DIY homepage for customers in December 2001 ● Introduce "Parts And Component" section on <i>tradeeasy.com</i> for the raw material suppliers to manufacturers in January 2002

BUSINESS

	For the year ended 31st March, 2000	For the year ended 31st March, 2001	For the period from 1st April, 2001 to the Latest Practicable Date
Sales and marketing	<ul style="list-style-type: none"> ● Appointed service providers as agents in Hangzhou in April 1999, Guangzhou and Beijing in September 1999 then provided technical consultancy services to the customers in the PRC ● Advertise through Internet to promote the brandname of TRADEeasy to potential customers and overseas buyers in September 1999 	<ul style="list-style-type: none"> ● Established Tradeeasy Beijing and Tradeeasy Guangzhou in June 2000 and eight PRC branch offices in Shanghai in October 2000, Qingdao and Fuzhou in November 2000 respectively, Jiangmen, Dongguan and Xiamen in December 2000 respectively, Hangzhou in January 2001 and Shenzhen in February 2001 to carry out marketing function of TRADEeasy ● Mass marketing and advertising and promotion campaigns were implemented to foster brand recognition of TRADEeasy during May to July 2000 ● Participated in various seminars in July and September 2000 and trade shows in April, July, September and October 2000, exchange banner with other business alliances during May 2000 to August 2000 and distributed te.LINK to overseas buyers since January 2001 to promote the brandname of TRADEeasy and its services to potential customers 	<ul style="list-style-type: none"> ● Established an additional branch office in Dalian, the PRC in May 2001 ● Held marketing seminars in different cities in the PRC including Guangzhou in April 2001, Jiangmen and Fuzhou in July 2001, Shenzhen, Qingdao and Dongguan in August 2001 and Shanghai in September 2001
Business development		<ul style="list-style-type: none"> ● Introduced CCT as a business alliance of TRADEeasy in May 2000 and as a strategic investor of TRADEeasy in December 2000 ● Strengthened the IT system by using Sun Microsystem's Enterprise servers and Oracle database in November 2000 	

BUSINESS

	As at 31st March, 2000	As at 31st March, 2001	As at the Latest Practicable Date
Customer base			
— Number of customers			
in Hong Kong	976	1,167	1,473
in the PRC	164	541	866
	<i>(Note 1)</i>		
— Average service fee per customer (\$)			
in Hong Kong	13,500	14,822	16,750
in the PRC	18,450	20,435	24,972
	<i>(Note 1)</i>		
— Re-subscription rate for customers in Hong Kong	50%	70%	70%
Product base			
— Number of products posted on <i>tradeeasy.com</i>	154,320	211,937	295,731
Number of staff			
<i>Hong Kong</i>			
— Management, finance, human resources and administration	3	11	9
— Technical support, research and development	12	30	15
— Sales and marketing	37	50	34
— Customer services	21	19	18
Subtotal:	<u>73</u>	<u>110</u>	<u>76</u>
<i>The PRC</i>			
— Management, finance, human resources and administration	—	74	25
— Technical support, research and development	—	13	11
— Sales and marketing	—	211	140
— Customer services	—	56	72
Subtotal:	<u>—</u>	<u>354</u>	<u>248</u>
Total:	<u><u>73</u></u>	<u><u>464</u></u>	<u><u>324</u></u>

Notes:

- The business of TRADEeasy in the PRC as at 31st March, 2000 was operated through the independent service providers appointed by TRADEeasy.

BUSINESS

2. The Group has completed the development of its ASP services (e-IMS) and may outsource some of its design tasks in the future (as stated in the paragraph headed “Product enrichment and enhancement” in the section headed “Business objectives” in this prospectus). Consequently, the Directors decided to decrease the number of technical staff during the period from 31st March, 2001 up to the Latest Practicable Date. Also, the Group has built up its customer base in Hong Kong and the PRC and the effort and resources required to maintaining the customer base is less than that required to attract new customers, accordingly the Directors decided to decrease the number of sales and marketing staff in Hong Kong and the PRC during the same period. The Group increased the number of customer services staff in the PRC to cope with the demand for maintaining the customer base. As the Group recruited excess number of management staff to support the initial development of its PRC business, the Directors have decided to decrease the number of management, finance, human resources and administration staff in the PRC after the Group has built up the customer base in the PRC.

After the expansion of the Group’s business for the year ended 31st March, 2001, the Directors consider that the Group had already built up a customer base. As less staff are required for maintaining the customer base than building up the customer base, the Directors decided to decrease the total number of staff during the period from 31st March, 2001 to Latest Practicable Date. The Directors believe that the current number of staff is adequate for the Group’s operation and the Directors currently do not intend to further decrease the number of staff of the Group.

USE OF PROCEEDS BEFORE LISTING

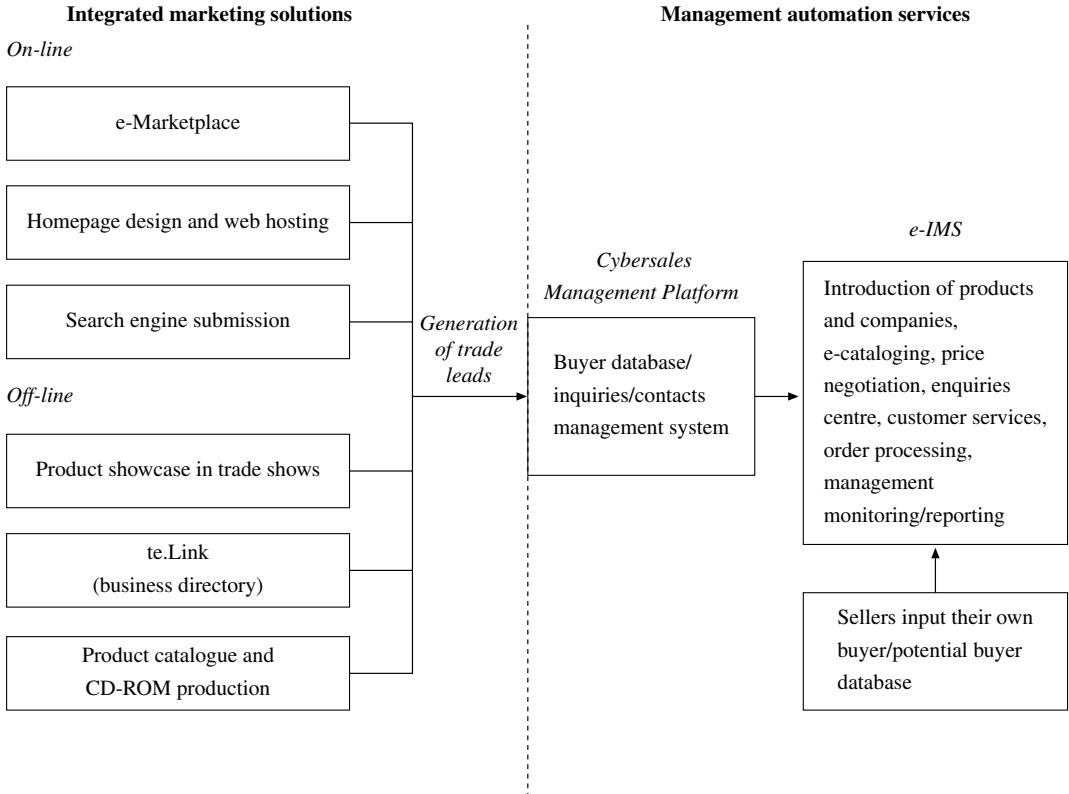
For each of the two financial years ended 31st March, 2001 and for the period from 1st April, 2001 up to the Latest Practicable Date, the Group has raised \$4.0 million, \$57.5 million and \$8 million respectively (net of expenses). A summary on the amount of fund raised (net of expenses) and their respective uses were summarised as below:

	For the financial year ended 31st March, 2000	For the financial year ended 31st March, 2001	For the period from 1st April, 2001 to the Latest Practicable Date
	<i>\$ million</i>	<i>\$ million</i>	<i>\$ million</i>
Net fund raised	<u>4.0</u>	<u>57.5</u>	<u>8.0</u>
Use of proceeds			
Investment in office leasehold improvement, fixture and furniture	1.1	2.8	0.7
Investment in computers and office equipment	1.3	9.4	0.8
Advertising and promotion	—	10.6	2.0
Product development and enhancement	—	9.0	3.0
Pre-operating expenses	—	8.6	—
Repayment of loans from shareholders and directors	0.9	—	—
Expansion of sales operation	—	14.4	—
General working capital	<u>0.7</u>	<u>2.7</u>	<u>1.5</u>
	<u>4.0</u>	<u>57.5</u>	<u>8.0</u>

DESCRIPTION OF BUSINESS

TRADEeasy is a trade enabler based in Hong Kong. TRADEeasy aims to provide on-line and off-line one-stop integrated marketing solutions and management automation services to assist SMEs to generate and transform trade leads into transactions in a cost-effective, timely and efficient manner. While there are a range of products and services available in the market servicing the different aspects of the trade process, TRADEeasy provides a proprietary end-to-end package for SMEs to navigate and facilitate the trade process using a combination of on-line and off-line services and products.

The services provided by TRADEeasy can be summarised in the following diagram:



To provide better support to the Group’s customers based in the PRC, the PRC Subsidiaries were established in the PRC in June 2000 to provide technical consultancy services.

The PRC Subsidiaries are responsible for the development and production of electronic versions of the marketing materials and product descriptions 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 and product descriptions is finished, these materials are transmitted to Datawin, a wholly-owned subsidiary of the Company and posted at *tradeeasy.com* which is operated by Datawin.

I. Integrated marketing solutions

The Directors identified that a top priority for sellers is to successfully and effectively promote their products to buyers. The Directors consider that traditional promotion by the use of product catalogues is costly and that the Internet is a cost effective and efficient medium which lowers communication costs between buyers and sellers. In view of the advantages of the Internet,

TRADEeasy has developed an e-Marketplace, *tradeeasy.com* and various on-line complementary marketing services to serve clients' needs. In addition, TRADEeasy also engages in a range of off-line complementary marketing services including the publication of a business directory, participation in trade shows and the production of product catalogues and CD-ROMs to facilitate the market penetration of TRADEeasy's customers.

e-Marketplace services

TRADEeasy's e-Marketplace, *tradeeasy.com*, allows buyers to identify suppliers and products and enables suppliers to market their products to a large number of buyers. The Directors aim to use the e-Marketplace to enhance the competitiveness and marketability of its subscribers, mainly SMEs based in Hong Kong which aim to promote and communicate efficiently with overseas buyers.

In return for an annual subscription fee, the product and company information of subscribers is posted on *tradeeasy.com*. Visitors of *tradeeasy.com*, which are mainly overseas buyers, can search the details of suppliers and products to meet their order requirements. In order to protect the interest of subscribers, TRADEeasy requires buyers to submit certain business-related information before becoming registered users and a password is issued to sellers enabling them to access the free sourcing tools. Registered buyers can fill in the procurement request forms by giving details about the products that they are currently seeking and the computer programme of TRADEeasy will search and match the appropriate seller data based on each request. As at the Latest Practicable Date, TRADEeasy had 50,815 registered buyers from 176 countries including the US, the UK, Germany, Canada and Australia.

TRADEeasy also provides "Hot Buy" and "Excess Stock" service functions in the e-Marketplace so that buyers and sellers can meet urgent sourcing and stock clearance requirements.

As at the Latest Practicable Date, 295,731 products under 4,447 categories were posted on *tradeeasy.com*. The customers of e-Marketplace services also have the right to access the Cybersales Management Platform. For more details, please refer to the paragraph headed "Cybersales Management Platform" below.

Cybersales Management Platform

In order to facilitate the customers of TRADEeasy, who intend to sell their products via the platform of TRADEeasy, in collecting, managing and handling trade leads from different sources in a timely and efficient manner, TRADEeasy developed the Cybersales Management Platform for customers to handle negotiations and manage trade inquiries via the Internet.

The Cybersales Management Platform comprises two centres, namely the Sellers Service Centre and the Buyers Service Centre, respectively. The Cybersales Management Platform records the sourcing history, replies and negotiation messages. The users of the Cybersales Management Platform, including the Group's customers and the buyers, have to log onto the system by using passwords.

Users of the Sellers Service Centre are the e-Marketplace customers of TRADEeasy. They receive information to assist them to meet their general sourcing needs from: (i) the e-Marketplace of TRADEeasy through computer automated matching and any urgent sourcing

offers from buyers; and (ii) the customers' own homepages and other channels that have been linked up with the platform of TRADEeasy. In addition, the customers of the Sellers Service Centre can send selected product and price information to buyers and manage their company and product databases at the e-Marketplace of TRADEeasy and their homepages.

Users of the Buyers Service Centre are registered visitors of *tradeeasy.com* who aim to source appropriate product or services from the Group's customers. They can post their sourcing needs with details, target prices, quantities and any other specific requirements. The buyers can also update their company profiles and contact details contained in the Buyers Service Centre and collect feedback from TRADEeasy's customers.

On-line complementary marketing services

TRADEeasy also provides a wide range of on-line complementary marketing services, including homepage design, web hosting, e-mail account services, domain name registration and the application for search engine posting services to enhance the marketability and operating efficiency of their customers.

Customers may either choose from pre-designed template web pages or instruct TRADEeasy to design and develop websites according to their specifications and requirements. Customers can choose a number of functions offered by TRADEeasy for their web pages such as sample ordering through shopping carts, on-line payment gateways and search engine. To facilitate the customers to amend the company and product information, TRADEeasy offers DIY function to let customers change their information in a timely and efficient manner.

In order to assist their customers to establish their identity on the Internet, TRADEeasy registers domain names for customers and their websites with selected search engines.

Business directory

TRADEeasy publishes a business directory on a quarterly basis namely *te.LINK* for international trade. *te.LINK* contains information about TRADEeasy's subscribers who want to further increase their market exposure to overseas buyers through an off-line channel, in addition to the on-line method.

Targeted readers of *te.LINK* are overseas importers who are looking to source products in the Asian market. Copies of *te.LINK* are distributed to registered buyers of TRADEeasy and potential buyers at major exhibitions worldwide after completion of a member registration form. The Directors believe that the publication of *te.LINK* can also boost the brand recognition of TRADEeasy in the international market and educate buyers regarding cost efficient sourcing solution through the e-Marketplace offered by TRADEeasy.

Product showcase in major trade shows

To promote the Group's services, the Group participates in a number of trade exhibitions including the Hong Kong Houseware Fair, Hong Kong Fashion Week for Autumn and Winter and the Hong Kong Toys Fair, International Housewares Show and International Hardware Show in Chicago, the U.S., Canton Fair Spring and Autumn in the PRC, Spielwarenmesse International Toy Fair in Nuremberg, Germany, Premiere-Paper world in Frankfurt, Germany, International Consumer Electronic Show in Las Vegas, the U.S.. Before any exhibition is held, TRADEeasy will compile a list of all relevant overseas buyers from its database and by reference to the relevant industries to which such exhibition relates, thereafter e-mail invitations to the relevant

buyers. At the exhibition, TRADEeasy's staff will solicit new buyers and promote the services and/or products of the Group's customers by reference to the needs of each such buyers. As SMEs may not have sufficient resources to market overseas, TRADEeasy assists SMEs by representing them at such exhibitions.

Production of CD-ROMs and product catalogues

In addition to the above integrated marketing services, TRADEeasy produces marketing materials including CD-ROMs and product catalogues. The design team of TRADEeasy designs the multi-media presentation of CD-ROMs and contracts the production of CD-ROMs to its independent business partners. The design team of TRADEeasy also designs product catalogues and contracts the printing of product catalogues to its independent business partners. The Directors believe that the established relationship between TRADEeasy and CD-ROM and product catalogue producers reduces production costs and improves production timing for TRADEeasy's customers in respect of such marketing publications.

II. **Management automation software**

As international trade involves large quantities of paperwork and constant communications between the buyers and the sellers, TRADEeasy has developed e-IMS, an integrated management automation system available at *tradeeasy.com* which facilitates the sellers to maintain their existing customer base, manage their customer relationships, process their orders and conduct their marketing activities.

e-IMS is an integrated management automation system which allows multi-users of the Group's customers to access the system at any one time. The accessibility of each user can be defined in the system into three different levels of accessibility for the usage of the system to ensure security.

- | | |
|---------------|--|
| User level 1: | System owner — user that can access to all functions and database; |
| User level 2: | Administrator — usually the manager or department head who can access to functions and database that relate to his/her department; |
| User level 3: | Normal users — users that can access to limited functions and database that relate to their day-to-day operations. |

e-IMS currently has nine modules and their features are stated as follows:

Maintenance

The “maintenance” section is for users to designate a master for their e-IMS system. Users may personalise their system by setting up their own features on the quotation and sales confirmation components of the system. The section also has a conversion table which enables users to convert currency, unit, weight, cubic or length measurement so as to alleviate any possible miscalculation.

The system owner can set up the accessibility of different functions for each user in the e-IMS system under the “maintenance” section by clicking a form named “Select privileges”.

Company info

The “company info” section allows users to compose and update general company information such as company profile, company logo and photos. The users can also input banker information under this section.

Buyer info

The “buyer info” section enables users to build up a buyer database by category such as country, client type, business scale, business nature and service department to enhance management efficiency.

The price group function under the “buyer info” section enables users to pre-set the price range for different customers and in turn reduces the time for price determination.

The system owner can transfer/change the buyer database for each of the sales staff which reduces communication cost.

Product info

Users under “product info” section can add, edit or remove product information including price, product image and description. The product information can be used to compose tailor-made product catalogues for marketing using e-IMS. The e-cataloging function in this section is to send product catalogues with product photos and description in electronic format via the Internet instead of in the printed format.

There are two modes under the “product info” section namely, simple mode and advanced mode. The simple mode allows users to create a simple product record with general information and a standard quotation. The advanced mode allows users to create an advanced product record with product variants (such as quantity, packaging, product size and colour) and specific quotations which provides various combinations.

Marketing

The “marketing” section helps users to compose and send various kinds of on-line marketing letters to buyers pre-set in the “buyer info” section. A number of letter templates are pre-installed with heading, message, company photo, product information, buyer message and questionnaire which allow users to prepare various types of marketing letters and correspondence such as “newsletter”, “new product information”, “trial offer”, “seasonal offer”, “customer satisfaction survey”, “questionnaire” and “thank you letter”.

Document centre

The “document centre” section allows users to generate (i) quotation from on-line marketing letter reply; and (ii) sales confirmation from quotation reply via e-mail which reduces tedious paperwork and potential error factor. Users can use the “generate quotation” function to create a relevant quotation in reply to an on-line enquiry. They can also use the “generate function” to finalise a sales order. To ensure better internal control, users may impose an endorsement function, which requires an approval from an authorised person at a senior position before despatching quotations/sales confirmations to buyers.

Daily reminder

In order to ensure the efficient use of the e-IMS system by its users, TRADEeasy has a “daily reminder” section set as the default page for the e-IMS system. This function generates reminders automatically as requested by the users to remind them of the outstanding tasks including promotion, customer relations and other administrative work to complete. The system owner can also delegate the work listed on the screen titled “has to be done” under the “daily reminder” section for the timely execution by their respective sales teams.

Inquiry centre

The “inquiry centre” section enables users to manage incoming and outgoing inquiries generated from the marketing letters sent through e-mail. The inquiry centre marks the status of the respective messages such as “received”, “read” or “sent” for users’ recognition of the progress of each trade lead.

Report

The “report” section provides the statistical analysis on: (i) system utilisation; (ii) responses of marketing letters; and (iii) sales performance.

The system utilisation status is checked by a built-in counter function under the “report” system from which the respective users could track their respective utilisation of the service.

The marketing report function under the “report” system depicts the information on the responses of the marketing letters despatched under e-IMS and generates analysis on various questionnaires completed by potential buyers. Users can then take appropriate measures based on analysis and have further discussion with buyers or lower their quotations and offer discounts.

The sales statistics under the “report” section are recorded based on the sales confirmation generated, which are already sent or closed in “document centre” section. The “report” section can show the sales amount and number of sales confirmation generated from various buyers and products. The monthly sales analysis by buyers function under the “report” system depicts the sales generated from buyers on monthly basis and this function allows users to analyse the seasonal factor and consumption behaviour of their customers.

e-IMS is able to handle the database of buyers under *tradeeasy.com* and also the sellers’ own buyer database and potential buyers’ list. The Directors believe that the availability of e-IMS will enhance the sales management efficiency of TRADEeasy’s customers.

III. Technical consultancy services

To provide better support to the Group’s customers based in the PRC, Tradeeasy Beijing and Tradeeasy Guangzhou were established in the PRC in June 2000.

Tradeeasy Beijing was established as a wholly foreign owned enterprise with a term of 20 years commencing from 21st June, 2000. The total investment and registered capital of Tradeeasy Beijing has, since its establishment, remained at US\$300,000 (equivalent to approximately \$2.34 million). The registered capital of Tradeeasy Beijing has been fully paid up on 14th July, 2000.

Tradeeasy Guangzhou was established as a Sino-foreign cooperative joint venture with a joint venture term of 15 years commencing from 26th June, 2000. The joint venture parties of Tradeeasy Guangzhou are Mega Wealth Investments Limited, a direct wholly-owned subsidiary of the Company, and 廣州東山外經實業發展公司 (Dong Shan (G.E.) Foreign Economic Development Co.), an independent third party not connected with the Company, the Directors, the chief executive, the Initial Management Shareholders or the substantial shareholder of the Company or any of their respective associates. The total investment and registered capital of Tradeeasy Guangzhou is US\$300,000 (equivalent to approximately \$2.34 million on 11th July, 2000).

Under the terms of the business licences granted to each of Tradeeasy Beijing and Tradeeasy Guangzhou, each of them may carry on the business of the development and production of electronic versions of the marketing materials and product descriptions and provision of services related to the above products in the PRC.

The PRC Subsidiaries are responsible for the development and production of electronic versions of the marketing materials and product descriptions 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 and product descriptions is finished, these materials will be transmitted to Datawin and posted at *tradeeasy.com* which is operated by Datawin. The customers sourced by the PRC Subsidiaries are able to enjoy all of the services provided by Datawin at e-Marketplace, Cybersales Management Platform and e-IMS and the services of home page design and web hosting as well as e-mail account services, domain name registration, search engine submission, product catalogue and CD-ROM production, product showcase and business directory services.

REVENUE MODEL

TRADEeasy's revenue model is as follows:

1. integrated marketing solution services — subscription fees received from TRADEeasy's customers for the provision of various combination of integrated marketing solution services, including access to the Cybersales Management Platform, directory listing, web page development, design and hosting of web sites, e-mail account service, domain name registration, search engine submission, the production of product catalogues and CD-ROMs, advertising on its business directory and product showcase in trade shows subject to the requirements of each customer. Service revenue is recognised ratably over the terms of contract on an annual basis;
2. ASP services — basic subscription fee for a certain volume of transactions received from TRADEeasy's customers for the use of management automation applications — e-IMS. Various packages with different volume of transactions are offered to TRADEeasy's customers. The subscription fees for the ASP services and its after sales support are paid in advance. Additional fees have to be paid when the usage of e-IMS by customers exceeds the volume covered by the basic subscription fee. Service revenue is recognised based on the percentage of completion of services rendered; and
3. technical consultancy services — fee for providing the development and production of electronic versions of the marketing materials and product descriptions and provision of related technology services. Service revenue is recognised when the services are rendered.

BUSINESS

An analysis of TRADEeasy's turnover for the Track Record Period is as follows:

	Year ended 31st March,		Four months ended 31st July,
	2000	2001	2001
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
By activity			
Integrated marketing solution services	8,860	15,399	5,950
ASP services	—	—	5,122
Technical consultancy services	<u>—</u>	<u>4,414</u>	<u>8,215</u>
Turnover	<u>8,860</u>	<u>19,813</u>	<u>19,287</u>
By geographical area of principal market			
Hong Kong	8,860	15,399	11,072
The PRC	<u>—</u>	<u>4,414</u>	<u>8,215</u>
Turnover	<u>8,860</u>	<u>19,813</u>	<u>19,287</u>

STRENGTHS

The Directors believe that TRADEeasy has already established brand recognition in the international trade markets in Hong Kong and the PRC and has a proven track record in terms of subscription base, market acceptance and financial performance. To support its continuing growth, TRADEeasy will pursue its existing business strategies. The Directors believe that TRADEeasy's main competitive strengths are as follows:

Providing one-stop total integrated marketing solutions and management automation services

TRADEeasy is a trade enabler for SMEs in Hong Kong. TRADEeasy provides on-line and off-line one-stop integrated marketing solutions and management automation services to assist SMEs to generate and transform trade leads into transactions in a cost effective, timely and efficient manner. While there are a range of products and services available in the market servicing the different aspects of the trade process, TRADEeasy provides a proprietary end-to-end package for SMEs to navigate the trade process using a combination of on-line and off-line services and products.

Targeting a niche market segment

TRADEeasy has strategically focused on SMEs which are often constrained by financial and human resources to implement comprehensive technology solutions to meet their business requirements. According to information from The Small and Medium Enterprises Office of the Trade and Industry Department of the Government, there were about 300,000 SMEs in Hong Kong in March 2001. The Directors consider that there remains a significant level of unmet need for comprehensive application services in the SME market. As such, TRADEeasy has developed its proprietary e-Marketplace (*tradeeasy.com*) and ASP solution (e-IMS), which are specifically tailored to meet the requirements of SMEs by processing trades and promoting their products effectively, whilst enhancing effective communications with existing and potential buyers overseas at affordable price levels.

Geographical diversification

Currently, the Directors do not perceive that there is any direct competitor offering a similar type of one-stop solution services in the market. However, the Directors understand that potential competition might emerge at any time. Therefore, the Directors focus on extending the Group's market coverage and customer base, which is essential for TRADEeasy to enhance its profitability and maintain its competitiveness.

In addition to its head office in Hong Kong, TRADEeasy also has established offices in 11 major cities in the PRC.

Leveraging on the existing prominent market position established since 1993

TRADEeasy has been serving the international trade market since 1993. Through several years of experience, TRADEeasy has accumulated strong expertise and technical know-how in serving the international trade market. Its sales team has visited numerous exporters in Hong Kong and noted their business needs and requirements. The Directors believe that any potential entrants to the market would have to spend years to build up the same size of database and level of expertise in serving the market. In addition, TRADEeasy has established a strong business network through the organisation of and participation in various seminars. The Directors believe that the first mover position of TRADEeasy will continue to assist it in penetrating and building up its brand recognition rapidly in the international trade market.

Compartmentalised sales methodology

Another major asset of TRADEeasy is its direct sales force and its customer services team. TRADEeasy has adopted a compartmentalised sales methodology which systematically sets out procedures in respect of the direct sales process and clearly divides the workforce required at each stage of the process. Features of TRADEeasy's sales system include assigning different sales functions to different departments, combining telemarketing (or e-mail marketing) and door-to-door selling, relying on Internet technology to automate the sales functions for achieving maximum efficiency. TRADEeasy has designed an innovative sales cycle in which every step involved in serving a customer from identification to retention is clearly defined. The Directors believe that TRADEeasy's systematic sales system can be applied in virtually all geographical areas which therefore allows the business of TRADEeasy to grow rapidly. The Directors believe that the sales system currently adopted by TRADEeasy provides effective marketing management and reduces time lags and administration cost for TRADEeasy.

Achieving customer loyalty and retention

The Directors believe that TRADEeasy has achieved high re-subscription rate from its paid-customers. The Directors consider that it is difficult to gain customer loyalty or platform stickiness in the Internet world, particularly if there are close alternative services available from a third party. TRADEeasy aims to distinguish itself from others by offering an all encompassing one-stop integrated marketing solutions and management automation services. In addition, TRADEeasy adopts a tiered pricing strategy which provides its customers with the option to choose all or parts only of TRADEeasy's services. In addition, TRADEeasy places great emphasis on off-line customer services and adopts a proactive person-to-person marketing approach, which is considered by the Directors as essential in serving the SMEs. TRADEeasy also maintains constant communications with its customers in order to understand their needs and to provide them with solutions that best suit their requirements.

Emphasis on continuous product upgrades and development

TRADEeasy has been highly committed to developing new solutions and software products to meet the future needs of its customers. For example, TRADEeasy developed e-IMS, an ASP specifically designed for handling trade activities and on-line customer relationship management in 2001. In addition, the research and development team of TRADEeasy has been researching into the latest technology for the development of state-of-the-art solutions. Furthermore, through market research and comments received from its customers, TRADEeasy was able to identify the needs of its customers for a better integration of TRADEeasy's existing systems and broadening the range of TRADEeasy's SCM products. As such, TRADEeasy is focusing its efforts on such areas accordingly. TRADEeasy is also planning to acquire certain IP and ready-to-implement software products, such as MRP, to facilitate completion of a full trade cycle and to provide an end-to-end solution to the existing and potential customers with the aim of quickly broadening its product range and revenue base.

Management expertise

TRADEeasy has an experienced management team, including the founders of TRADEeasy, Mr. Wong, Mr. To, Mr. Ng, Mr. Lee and Mr. Lam, that has in-depth knowledge in IT, media advertising and international trading. The Directors believe that the management team of TRADEeasy shall be able to develop effective marketing and operating strategies to maintain TRADEeasy's business growth.

SALES AND MARKETING

Other than its headquarters in Hong Kong which has 34 sales and marketing staff, TRADEeasy currently has 11 offices in the PRC with a total staff of 248, including two regional head offices in Guangzhou and Beijing. Existing offices operated under the Guangzhou head office include Shenzhen, Fuzhou, Dongguan, Jiangmen, and Xiamen; and those operated under the Beijing head office include Shanghai, Qingdao, Dalian and Hangzhou.

The map below illustrates all existing offices of TRADEeasy in the PRC.

Offices of TRADEeasy in the PRC



TRADEeasy's marketing strategy focuses on expanding its business activities both horizontally and vertically. Horizontal expansion involves increasing TRADEeasy's customer base, buyers and sellers, in different geographical markets. In terms of vertical expansion, TRADEeasy aims to increase revenue by promoting value-added management automation solutions to its existing customers.

TRADEeasy adopts a compartmentalised sales methodology which systematically sets out the procedures for the direct sales process and clearly divides the workforce required at each stage of such process. Features of TRADEeasy's sales system include assigning different sales functions to different departments, combining telemarketing (or e-mail marketing) and door-to-door selling and relying on

Internet technology to automate the sales functions for achieving maximum efficiency. TRADEeasy has designed an innovative sales cycle in which every step involved in serving a customer from identification to retention is clearly defined. The Directors believe that TRADEeasy's systematic sales system can be applied in all geographical areas which therefore allow the business of TRADEeasy to grow rapidly. The Directors believe that the sales system currently adopted by TRADEeasy provides effective marketing management and reduces time lags and administration costs for TRADEeasy.

TRADEeasy has been undertaking various forms of promotional activities through various marketing channels for the purpose of promoting brand name recognition and service awareness with its target users. These include search engine submission for top listings, banner advertising, Internet broadcasting, mass mailing (e-mail and regular postage), mass media advertising (off-line), and seminars and trade shows. In order to attract potential subscribers, TRADEeasy offers complimentary services to potential subscribers for trial listing of their product information on *tradeeasy.com*. TRADEeasy's telemarketing team will then follow up on a regular basis to encourage such trial users to become subscribers of TRADEeasy's services.

For each of the two years ended 31st March, 2001 and the four months ended 31st July, 2001, the percentage of turnover attributable to TRADEeasy's largest five customers was less than 30%. Currently, TRADEeasy maintains 2,339 active accounts. The Directors believe that TRADEeasy has a well-established and diversified customer base. None of the Directors, their respective associates (as defined in the GEM Listing Rules) or shareholders who own more than 5% to the issued share capital of the Company has any interest in any of the five largest customers of TRADEeasy. All the customers of the Group are Independent Third Parties. Terms of each contract for the integrated marketing solution services, ASP services or technical consultancy services, including the payment terms, are negotiated on a case-by-case basis, but generally, the customer is required to pay 50% to 70% of the total contract sum upon signing of the contract. When the production for the relevant service is completed and is duly accepted by the customer, the term of service period (usually one year) shall commence. The customer is then required to settle the remaining balance within seven to 30 days. All of the payments due under the contracts with the Group are payable by cheques and normally with a credit period range from 7 to 30 days. Bad debt would arise, if the customer defaults on the balance payment. All of the turnover received by the Group is in Hong Kong dollars and Renminbi and therefore the Directors believe that the Group does not have any currency exposure. For each of the two years ended 31st March, 2001 and the four months ended 31st July, 2001, approximately 100%, 78% and 57% respectively of the turnover received by the Group was in Hong Kong dollars and approximately 0%, 22% and 43% respectively of the turnover received by the Group was in Renminbi.

SUPPLIES

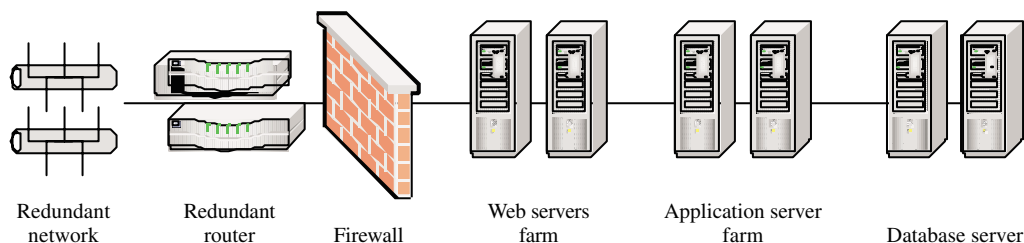
Cost of sales of TRADEeasy primarily consists of sales commission, domain name registration fee, hosting service fee and Internet connectivity fee. Sales commission is payable to the staff of TRADEeasy for the sales that are concluded by them. For each of the two years ended 31st March, 2001 and the four months ended 31st July, 2001, the percentage attributable to TRADEeasy's largest five suppliers was less than 30%. None of the Directors, their respective associates (as defined in the GEM Listing Rules) or, so far as the Directors are aware, shareholders who own more than 5% of the issued share capital of TRADEeasy had any interests in any of the five largest suppliers of TRADEeasy for each of the two years ended 31st March, 2001 and four months ended 31st July, 2001. All the suppliers of the Group are Independent Third Parties. TRADEeasy has so far not experienced any difficulties in recruiting sales and marketing staff, acquiring services from domain name registration suppliers or obtaining hosting and Internet connectivity services. The service of domain name registration, hosting and Internet connectivity are all payable in Hong Kong dollars with credit terms varied from payment on delivery to payment within 30 days after delivery.

TECHNOLOGY

The Directors recognise the importance of TRADEeasy's technological equipment for providing its services to its subscribers. The following are the principal products/technology used by TRADEeasy:

- Sun Microsystem Enterprise Grade server machine which supports the Group's e-Marketplace and its database;
- Sun Cluster, a hard disk which has load balancing function to maintain stability and accessibility; and
- Oracle 8i Enterprise Edition and Resonate Central Dispatch, software that carries out load balancing function.

The IT infrastructure of TRADEeasy can be illustrated as follows:



To avoid any possible system risk which may cause interruption of the Group's operations, all service components, servers and network in the IT infrastructure of TRADEeasy come in pairs in order to achieve load balancing function. If one fails, the other will take up the loading, function and internet accessibility immediately. The IT infrastructure is designed to be scalable vertically and horizontally so as to cope with the amount of data processing and transfers in TRADEeasy's e-Marketplace. In respect of vertical expansion, Sun Microsystem Enterprises Grade servers allow the addition of CPUs for higher data processing speed. In respect of horizontal expansion, TRADEeasy can add additional servers to the server farm to share extra loading. In addition, TRADEeasy uses XML and Java to achieve cross-platform applicability.

As e-commerce involving on-line transactions becomes more common, TRADEeasy's customers are expected to become more concerned about the security of confidential information transmitted over the Internet. To this end, TRADEeasy adopts an enterprise level of firewalls and technology to protect privacy and integrity of communications over public networks. For safety purposes, back up servers will be updated at 15-minute intervals. Records of backup servers will also be stored in tape everyday. TRADEeasy uses Sunscreen Secure Net, which is able to run in stealth mode as a firewall, so that no IP address is shown so as to provide a higher level of security. TRADEeasy also has a standby server to back up in case of possible failures of the system of the Group. As confirmed by the Directors, database failure has never happened in the existing Oracle system of TRADEeasy. Individual servers have experienced hardware failure before but were able to be recovered within hours, and the loading was shifted to back up servers automatically. System failure which leads to temporary suspension of services has never happened with the existing infrastructure.

RESEARCH AND DEVELOPMENT

TRADEeasy is highly committed to researching, designing and developing solutions and software products to meet the future needs of its customers so as to enable TRADEeasy to become a leading trade enabler as well as a successful ASP in the future. TRADEeasy's research and development team is divided into two sub-teams: the business team and the technical team.

The business team is responsible for conducting market research and carrying out group studies on sellers and buyers and identifying users' requirements. This team currently has five members who have extensive experience in import and export trades. The team identifies the customers' needs and sets out the specifications and features in accordance with the users' experiences and requirements.

The technical team, with ten members, researches the latest technology and develops internal development tools to meet the requirements identified by the business team. The Directors believe that it is essential for the services offered by TRADEeasy to be user friendly, stable, secure and compatible to apply across different platforms. The technical team developed the proprietary Cybersales Management Platform, applicable on TRADEeasy's e-Marketplace, to assist TRADEeasy's customers in managing their e-catalogues, to store and update information, and to negotiate on the web in a private and secure environment. The technical team also developed the e-IMS system which is an ASP platform for conducting marketing, CRM and order processing functions.

For the year ended 31st March, 2000, approximately \$2 million of research cost was incurred by the Group for the modification of Cybersales Management Platform, e-IMS and *tradeeasy.com*. For the year ended 31st March, 2001, approximately \$1.5 million and \$8.2 million were used by the Group for the further development of the Cybersales Management Platform and e-IMS and the amount used was capitalised as deferred development expenditure. For the four months ended 31st July, 2001, approximately \$2.8 million and \$0.6 million were used by the Group for the further development of e-IMS and *tradeeasy.com* and the amounts used were capitalised as deferred development expenditures. The substantial increase in research and development cost for the year ended 31st March, 2001 was mainly attributable to the fact that extensive human and capital resources were devoted to develop the e-IMS system which is the ASP platform for conducting marketing, CRM and order processing functions. None of the research and development costs were capitalised as deferred expenditure in respect of the financial year ended 31st March, 2000. For the financial year ended 31st March, 2001 and the four months ended 31st July, 2001, the amount of amortisation of deferred development expenditure was approximately \$0.2 million and \$0.7 million respectively.

CCT

CCT, a substantial shareholder of the Company, is an integrated telecom product and service enterprise listed on the Stock Exchange in 1991. Its business includes cordless telecom products manufacturing and distribution, mobile phone manufacturing, export and distribution in the PRC, multimedia business and hi-tech investment.

Since the investment of CCT into TRADEeasy in December 2000, CCT has made a number of important contributions to the Group including: (i) enhancing the capital base of TRADEeasy for its business expansion; (ii) providing necessary market knowledge and information to assist TRADEeasy in expanding its business geographically in the PRC; (iii) as an experienced telecom products manufacturer, providing guidance to TRADEeasy in developing its system, infrastructure for ASP model and tailor-made products in the region; and (iv) helping TRADEeasy in building up its brand name in the import and export sector.

BUSINESS

The Directors believe that CCT's connections in both the PRC and worldwide will help TRADEeasy in identifying new market and in expanding TRADEeasy's customer base.

AFTER-SALES SERVICES

TRADEeasy places great emphasis on providing good after sales services to its subscribers and the Directors attribute a significant part of TRADEeasy's success to its ability in providing value-added technical support and after-sales services to clients. The customer services team of TRADEeasy communicates with its subscribers regularly to obtain updated information. TRADEeasy also provides guidance to subscribers whenever they encounter difficulties during the initial period when they use TRADEeasy's services or whenever maintenance is required by its subscribers.

The Directors believe that after sales services provided by TRADEeasy is one of the main reasons for the Group to maintain a high level of re-subscription rate. As at the Latest Practicable Date, the re-subscription rate for TRADEeasy's services in Hong Kong was approximately 70%.

COMPETITION

Currently, the Directors do not expect any direct competition from another party who would offer similar one-stop solution services in the market. The Directors also believe that any potential entrants to the market would have to spend a number of years in building up the same size of database and a level of expertise comparable to those of TRADEeasy in order to pose any meaningful threat to the business of TRADEeasy. However, the Directors understand that potential competition might emerge at any time. As such, the Directors' strategy is to extend its market coverage and user base so as to enhance its profitability and maintain its competitiveness.

INTELLECTUAL PROPERTY RIGHTS

The Group has applied for registration of certain trade marks in Hong Kong, further details of which are set out in the paragraph headed "Intellectual property rights" in the section headed "Further information about the business" in Appendix V to this prospectus.

CONNECTED TRANSACTION

Following completion of the Placing, the Group will have a non-exempt continuing connected transaction which may require full disclosure and/or approval of the independent shareholders of the Company in general meetings. Details of the connected transaction are set out in the paragraph headed "Connected transaction" under the section headed "Waivers from compliance with the GEM Listing Rules and Companies Ordinance" in this prospectus.