



# Trasy Gold Ex Limited

(Incorporated in the Cayman Islands with Limited Liability)

		GOLD (USD/Oz)		BEST QUOTE	BID SIZE	BID	ASK	AS
				GOLD	200	270.50	270.60	200
				SILVER	5000	4.8	4.875	0
				PALLADIUM	1300	577	586	0
				PLATINUM	1300	726	745	0
BUY	SELL	BID	ASK					
		270.50	270.60					



## ANNUAL REPORT 2000



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## Characteristics of The Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (The “Stock Exchange”)

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

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

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

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## Corporate Information

### BOARD OF DIRECTORS

Mr. Sit Chun Sze (*Chairman*)  
Mr. Chan Kee Chee, Keith  
Mr. Tam Wai Kwan  
Mr. Ip Tak Chuen, Edmond\*  
Dr. Leung Ping Hung, Karl Richard\*  
Ms. Cheung Lai Kai, Edwina\*\*  
Ms. Ma Lee Yee\*\*

\* *Non-executive Director*

\*\* *Independent Non-executive Director*

### COMPLIANCE OFFICER

Mr. Sit Chun Sze

### COMPANY SECRETARY

Mr. Tse Kam Fai, *ACIS, ACS*

### QUALIFIED ACCOUNTANT

Mr. Chan Wai Sze, Francis, *AHKSA, ACCA*

### AUDIT COMMITTEE

Ms. Cheung Lai Kai, Edwina  
Ms. Ma Lee Yee  
Mr. Chan Wai Sze, Francis, *AHKSA, ACCA*

### AUTHORISED REPRESENTATIVES

Mr. Sit Chun Sze  
Mr. Chan Kee Chee, Keith

### SPONSOR

BOCI Asia Limited

### AUDITORS

PricewaterhouseCoopers

### LEGAL ADVISERS

*As to Hong Kong law*  
Richards Butler  
20th Floor, Alexandra House  
16–20 Chater Road  
Central  
Hong Kong

Chiu & Partners  
41st Floor, Jardine House  
1 Connaught Place  
Hong Kong

*As to Cayman Islands law*  
Conyers Dill & Pearman  
Zephyr House  
Mary Street  
George Town  
Grand Cayman  
British West Indies

### REGISTERED OFFICE

P.O. Box 2681  
Zephyr House  
Mary Street  
George Town  
Grand Cayman  
British West Indies

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

14th Floor, Cheung Fat Building  
7–9 Hill Road  
Western District  
Hong Kong

### COMPANY WEBSITE

[www.trasy.com](http://www.trasy.com)

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## Corporate Information

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### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

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

### **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Central Registration Hong Kong Limited  
Room 1901-5, 19th Floor, Hopewell Centre  
183 Queen's Road East  
Hong Kong

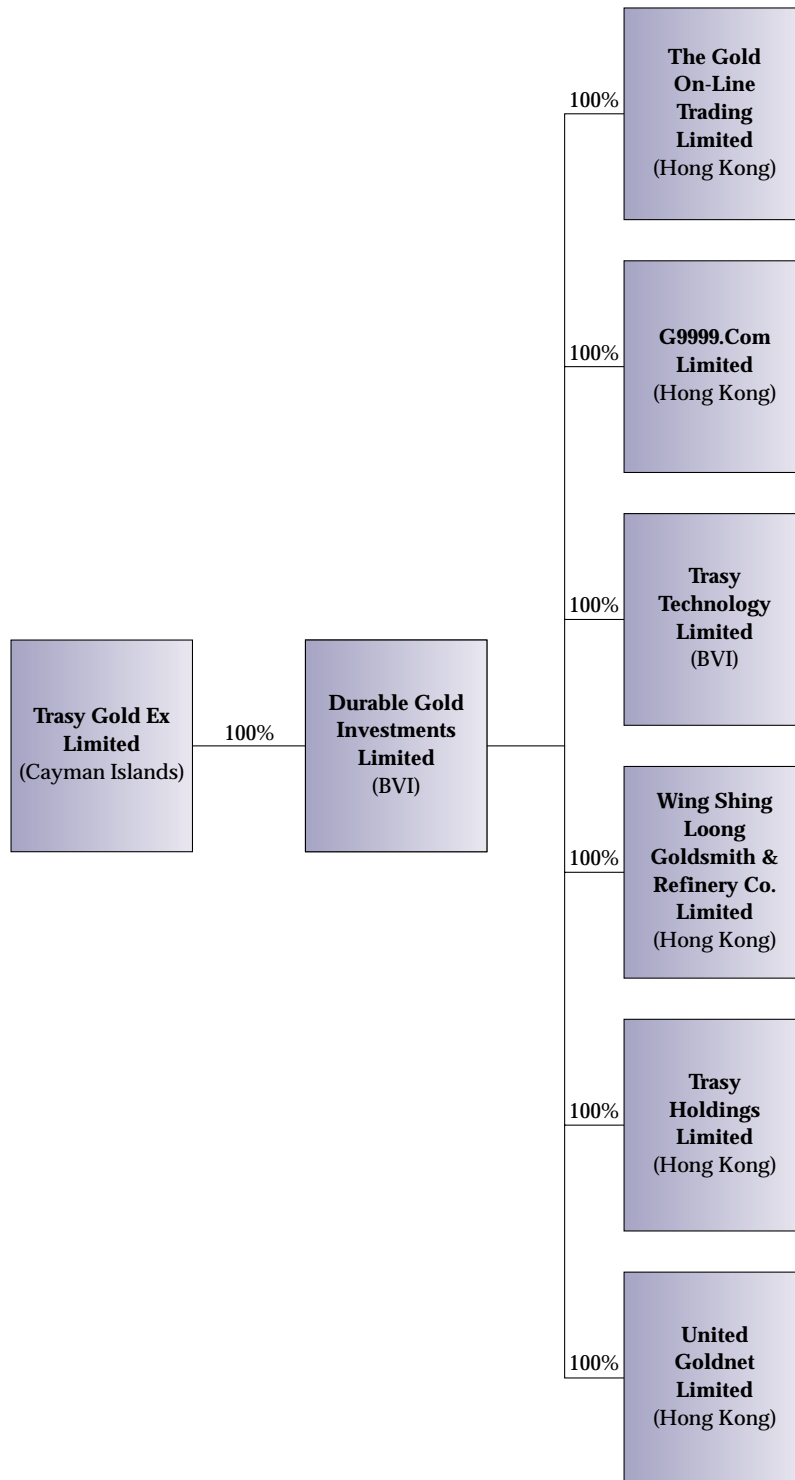
### **PRINCIPAL BANKERS**

Bank of China, Hong Kong Branch  
Wing Hang Bank, Limited

### **GEM STOCK CODE**

8063

# Corporate Structure



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## Chairman's Statement

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I am pleased to present to the Shareholders the first annual report of Trasy Gold Ex Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st December, 2000.

### **PLACING OF SHARES**

The Company's shares were successfully listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited on 7th December, 2000 by way of a placing of shares. The Company raised a total net proceeds of approximately HK\$66 million through the placing of shares, the conversion of outstanding loan amounts and the bonus share scheme, after deducting related cost of issues.

### **RESULTS**

The Group recorded a total turnover of approximately HK\$4,700,000 and net loss from operations attributable to shareholders of approximately HK\$12,600,000 for the year ended 31st December, 2000.

### **DIVIDEND**

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2000 (1999: nil).

### **BUSINESS REVIEW**

#### *TRASY's Trading Platform*

Being a first-mover in the precious metals market, the Group's real time proprietary electronic precious metals trading system ("TRASY") was successfully launched in February 2000. The Group received excellent responses from international professional dealers and private investors. The increasing trading volume and growing interest from new participants have proven the need for a precious metals e-marketplace that provides trading efficiency, transparency, real-time risk management and liquidity which TRASY can offer.

Up to the end of 2000, 11,556,493 ounces of gold and 7,760,000 ounces of silver, equivalent to approximately US\$3.2 billion, were traded through TRASY.

We believe that system enhancement, maintaining close relationships with international players and intensive marketing and promotions are essential in order to meet the Group's business objectives to become the leading global dealing service provider in the precious metals market.

During the year, the Group paid much effort to focus and develop on the following areas:

- Conduct promotional, educational and marketing activities internationally and locally in order to promote the public awareness of TRASY and to build up its brand name
- Form business alliances to license the Group's real time precious metals market information to other financial content providers and portals in Hong Kong

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## Chairman's Statement

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*(Continued)*

### **BUSINESS REVIEW** *(Continued)*

#### *TRASY Trading Platform (Continued)*

- Prepare for the liberalisation of gold market in China by exploring and forming business alliances in gold-related e-business with related participants in China
- Enhance TRASY's user interface and expand trading services through wireless technologies and networks
- Expansion of product range to be traded through TRASY

#### *Liberalisation of the Chinese Gold Market*

It is widely reported that the liberalisation of the Chinese gold market will take place soon. Early in November 1999, the National Economic Research Institute which is affiliated to the State Council (China cabinet) submitted a three-step programme for reforming of the gold market in China. The liberalisation of silver trading on the Shanghai Huatong Exchange in early 2000 is seen as a trial run for the deregulation of gold. The proposed establishment of a gold exchange in Shanghai to replace the People's Bank of China monopoly is underway. The impact is likely to be positive for the international price of gold and international bullion banks and traders are all seriously looking for priority participation in the China gold market once it is deregulated.

### **PROSPECTS AND APPRECIATION**

The Group will on the one hand continue to keep track of both the evolving needs of market participants and constantly strengthen its own research and development capabilities, we shall on the other hand strive to increase the number of participating international bullion houses, market principals and commission houses on TRASY's trading platform.

Taking advantage of the forthcoming liberalisation of trading in precious metals in China, the Group will continue to explore suitable investment opportunities by (i) forming business alliances and (ii) investing in companies with good growth potential, particularly in gold-related e-business.

On behalf of the Board of Directors, I would like to express my sincere thanks and appreciation to all our staff for their commitment, loyalty, dedication and hard work and to our Shareholders for their continuous support.

**SIT CHUN SZE**  
*Chairman*

Hong Kong, 26th March, 2001



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## Directors and Senior Management Profile

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### EXECUTIVE DIRECTORS

**Mr. Sit Chun Sze** (Age: 49)  
**Chairman**

Mr. Sit joined Hing Fung Goldsmith And Refinery Limited, a wholly-owned subsidiary of RNA Holdings Limited (“RNA”), in January 1997 as managing director responsible for its bullion trade and finance operation. He was appointed an executive director of RNA in February 1999. He joined the Group in April 2000. Prior to joining the RNA Group, Mr. Sit had been engaged in the gold bullion and foreign exchange business in Hong Kong for more than 20 years. He has worked as chief dealer and senior executive respectively with international banks and bullion houses including Metaux Precieux (Far East) Limited, Swiss Bank Corporation, Samuel Montagu (Hong Kong) Limited and Midland Bank Plc. Mr. Sit is also an executive director of Simsen International Corporation Limited which is listed on the Stock Exchange. He is the President of the Hong Kong Bullion Dealers Club and an Executive Committee member of The Chinese Gold & Silver Exchange Society.

**Mr. Chan Kee Chee, Keith** (Age: 25)

Mr. Chan joined the Group in January 2000. He holds a Bachelor of Commerce degree from the University of Sydney, Australia, majoring in accounting and finance. He is responsible for the business development and promotion of TRASY and is involved in the planning and execution of any other technology related products and services for the Group. In 1998 he co-founded Global Investor Relations Limited (“GIRL”), an Internet technology company carrying out research and development for the Internet and e-business solutions, specialising in electronic trading. Mr. Chan has been participating in the development of TRASY as the project officer and the Group’s business since September 1998 through GIRL. Prior to returning to Hong Kong, he gained experience in strategic marketing and the promotion of investment funds in Europe, the Middle-East and Asia, and worked in London and Switzerland in corporate finance and trade finance for a Swiss company.

**Mr. Tam Wai Kwan** (Age: 35)

Mr. Tam joined the Group in January 2000. He has over nine years of experience in the financial field including in quantitative analysis, asset management, securities and derivative products brokerage and financial trading system design and implementation. He worked in the Risk Management Financial Engineering Unit of Wardley James Capel Limited in 1991 and 1992 and he worked in the Equities Proprietary Arbitrage team of Union Bank of Switzerland in 1992 and 1993. Later, Mr. Tam joined Springfield Trading Advisors Limited, the proprietary trading arm of the Springfield Group, as Vice President in 1993. In 1996, Mr. Tam joined the asset management team of Asia Financial Holding Limited as a Senior Vice President and Head of Risk Management. In 1998, he became the Chief Executive Officer of Asia Financial Futures Limited.

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## Directors and Senior Management Profile

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(Continued)

### NON-EXECUTIVE DIRECTORS

**Mr. Ip Tak Chuen, Edmond** (Age: 48)

Mr. Ip holds a Master of Science degree in Business Administration and a Bachelor of Arts degree in Economics. Mr. Ip is also an executive director of Cheung Kong (Holdings) Limited and of Cheung Kong Infrastructure Holdings Limited, the securities of both of which are listed on the Main Board, and a non-executive director of Tom.com Limited, the securities of which are listed on GEM.

**Dr. Leung Ping Hung, Karl Richard, Jr., C.Eng. RPE (Information), Chartered Information Systems Engineer, Sen. Mem. IEEE, MACM, MBCS, MACS, MHKIE, MHKCS** (Age: 39)

Dr. Leung has since October 1998, been Principal Lecturer, Department of Computing and Mathematics, Hong Kong Institute of Vocational Education. Previously he worked for nine years at the Department of Computing of Hong Kong Polytechnic University, reaching the rank of Assistant Professor in 1997. He is also active in academic research, technology transfer and professional community services. His specialities are in the areas of software engineering and secure workflow systems. He has published and contributed to many academic papers and technical reports on various aspects of computing, both in Hong Kong and internationally.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Cheung Lai Kai, Edwina** (Age: 39)

Ms. Cheung is a practising solicitor. She graduated from the University of Leeds in England with an LL.B degree in 1986. She was admitted as a solicitor of the Supreme Court of England and Wales in 1989 and admitted as a solicitor of the High Court of Hong Kong in 1992. Ms. Cheung has almost 10 years' experience in conveyancing, probate and tenancy matters. Ms. Cheung is currently a solicitor with a law firm.

**Ms. Ma Lee Yee** (Age: 39)

Ms. Ma is a practising solicitor. She graduated in England and has almost 10 years experience in conveyancing, probate and trust, corporate banking and commercial matters and landlord and tenant matters.

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## Directors and Senior Management Profile

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(Continued)

### SENIOR MANAGEMENT

**Mr. Robert Eric Beale** (Age: 60)

**Consultant**

Mr. Beale joined the Group in January 2000. He has been in the precious metals markets for more than 30 years and was chairman of the London Gold Futures Market from 1984–1985. In 1962 he started as a graduate trainee in Samuel Montagu & Co. Limited, bankers and bullion dealers, progressing to Director in 1976, and becoming a Managing Director in 1985. He specialised in the trading of precious metals from 1968 and became Deputy Head of its Dealing Division in 1977 and Head of the Division in 1985. From 1980 onwards he was a member of Samuel Montagu's Management Committee, which formulated strategy for the bank and took all major decisions on banking, credit, corporate finance and investment as well as trading. He moved to Dresdner Bank AG in 1989 as a General Manager of the London Branch, where he stayed until 1997. He was directly responsible for the money-market, foreign exchange dealing and securities activities of the Branch, and, in addition served as a director of Dresdner Investments UK Plc from mid-1995.

**Mr. Tse Kam Fai** (Age: 37)

**Company Secretary**

Mr. Tse joined Tem Fat Hing Fung (Holdings) Limited in 1991 and is responsible for company secretarial, compliance and legal related matters. He is an Associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom and an Associate of Hong Kong Institute of Company Secretaries. He is concurrently company secretary of Tem Fat Hing Fung (Holdings) Limited, RNA and Can Do Holdings Limited.

**Mr. Chan Wai Sze, Francis** (Age: 29)

**Finance Manager**

Mr. Chan joined the Group in April 2000 and is responsible for finance, accounting and administration matters. He holds an honor degree in the Bachelor of Business Administration, major in Accounting. He is an associate member of both the Hong Kong Society of Accountants and the Association of Chartered Accountants. He has more than 5 years auditing and accounting experience, gained with both well-known international certified public accountants firm and listed companies.

**Mr. Lai Pak Cheung** (Age: 34)

**Head of the Technology Development Department**

Mr. Lai joined the Group in October 1999 and is responsible for the software development of TRASY and as a leader of the research and development team. He has over 11 years experience in the information technology software development field.

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## Report of the Directors

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The Board of Directors (“Directors”) of the Company is pleased to submit their first report together with the audited accounts of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st December, 2000.

### **GROUP REORGANISATION AND BASIS OF PRESENTATION**

The Company was incorporated in the Cayman Islands under the Companies Law (Revised) of the Cayman Islands as an exempted company with limited liability on 23rd March, 2000. Pursuant to a group reorganisation to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group on 31st March, 2000. Details of the group reorganisation are set out in the paragraphs headed “Corporate Reorganisation” in Appendix VI of the Prospectus of the Company dated 30th November, 2000.

The shares of the Company have been listed on the GEM since 7th December, 2000.

The Group comprising the Company and its subsidiaries resulting from the group reorganisation is regarded as a continuing entity for the financial years presented. Accordingly, the consolidated results of the Group for the years ended 31st December, 1999 and 2000 include the results of the subsidiaries comprising the Group for the two years or from their respective dates of incorporation or acquisition to 31st December, 2000, where there is a shorter period, as if the current Group structure had been in existence and remained the same throughout the years presented.

### **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 12 to the accounts.

No analysis of the Group’s turnover and its contributions to loss before taxation by principal activities for the year ended 31st December, 2000 are presented as more than 90% of the Group’s turnover and loss before taxation relate to transaction fees earned in Hong Kong.

### **MAJOR CUSTOMERS**

For the year ended 31st December, 2000, the RNA Holdings Limited (“RNA”) Group was a major customer of the Group and the total transaction fees earned from the RNA Group constituted 95% of the Group’s turnover for the year ended 31st December, 2000.

Save as disclosed above, none of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, owned more than 5% of the Company’s share capital) has a beneficial interest in the abovementioned major customer.

### **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December, 2000 are set out on page 19.

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2000.

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## Report of the Directors

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### **RESERVES**

Movements in the reserves of the Group and the Company during the year are set out in Note 18 to the accounts.

### **FIXED ASSETS**

Details of the movements in fixed assets of the Group are set out in Note 11 to the accounts.

### **SHARE CAPITAL AND SHARE OPTIONS**

Details of the movements in share capital of the Company are set out in Note 17 to the accounts.

### **DISTRIBUTABLE RESERVES**

Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company. As at 31st December, 2000, in the opinion of the Directors, the Company's reserves available for distribution to shareholders, comprising share premium account and accumulated losses, amounted to HK\$42,155,972.

### **MANDATORY PROVIDENT FUND SCHEME**

Details of the mandatory provident fund scheme are set out in Note 9 to the accounts.

### **SUBSIDIARIES**

Details of the Company's subsidiaries at 31st December, 2000 are set out in Note 12 to the accounts.

### **PURCHASE, SALE OR REDEMPTION OF SHARES**

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the year.

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## Report of the Directors

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*(Continued)*

### **DIRECTORS**

The Directors of the Company since its date of incorporation and up to the date of this report were:

#### **Executive Directors**

Mr. Sit Chun Sze	<i>(Appointed on 23rd March, 2000 and elected as Chairman on 23rd January, 2001)</i>
Mr. Chan Kee Chee, Keith	<i>(Appointed on 23rd March, 2000)</i>
Mr. Tam Wai Kwan	<i>(Appointed on 23rd March, 2000)</i>
Mr. Robert Eric Beale	<i>(Appointed on 23rd March, 2000 and resigned on 23rd January, 2001)</i>

#### **Non-executive Directors**

Mr. Ip Tak Chuen, Edmond	<i>(Appointed on 27th September, 2000)</i>
Dr. Leung Ping Hung, Karl Richard	<i>(Appointed on 11th August, 2000)</i>

#### **Independent Non-executive Directors**

Ms. Cheung Lai Kai, Edwina	<i>(Appointed on 10th July, 2000)</i>
Ms. Ma Lee Yee	<i>(Appointed on 10th July, 2000)</i>

In accordance with the Articles of Association of the Company, Mr. Chan Kee Chee, Keith and Mr. Tam Wai Kwan will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

The Non-executive Directors as with the Executive Directors (except the Chairman) are subject to retirement by rotation at the Annual General Meeting of the Company in accordance with the Company's Articles of Association.

### **DIRECTORS' SERVICE CONTRACTS**

Each of Mr. Tam Wai Kwan, Mr. Chan Kee Chee, Keith and Mr. Sit Chun Sze, being an Executive Director, has entered into a service contract with the Group commencing on 3rd January, 2000 (in the case of Mr. Tam Wai Kwan and Mr. Chan Kee Chee, Keith) and 23rd March, 2000 (in the case of Mr. Sit Chun Sze). Each contract has a term of 3 years commencing on its respective date of commencement and all of the contracts are to remain in force thereafter until terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed, none of the Directors has entered into any service agreements with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

# Report of the Directors

(Continued)

## DIRECTORS' INTEREST IN SHARES

As at 31st December, 2000, the interests of the Directors and their associates in the share capital of the Company, or any of its associated companies (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

Name	Personal interest (Note 1)	Family interest	Corporate interest	Pre-IPO Share Options (Note 2)
Sit Chun Sze	27,991,354	—	—	44,152,000
Chan Kee Chee, Keith	27,991,354	—	—	44,152,000
Tam Wai Kwan	50,384,437	—	—	44,152,000
Robert Eric Beale*	—	—	—	45,992,000

\* Robert Eric Beale resigned as the Chairman and Executive Director of the Company and became a full-time consultant of the Company on 23rd January, 2001.

Notes:

1. Personal interest represents ordinary shares of the Company obtained under Bonus Share Scheme pursuant to a written resolution dated 6th November, 2000.

The bonus shares will be subject to "lock-up" arrangement as follows:

	% of entitlement under lock-up
From the listing of the Company's shares on the GEM on 7th December, 2000 ("Listing Date") up to the end of the first 6 months after Listing Date	100
From the 7th month after the Listing Date up to the end of the 12th month after Listing Date	75
From the 13th month after the Listing Date up to the end of the 24th month after Listing Date	50

2. Pre-IPO Share Options were granted to certain Directors under the Pre-IPO Share Option Plan, details of which are set out in the paragraphs headed "Pre-IPO Share Option Plan" in Appendix VI of the Prospectus issued by the Company dated 30th November, 2000.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES

On 6th November, 2000, a share option scheme and a pre-IPO share option plan were approved pursuant to a written resolution of the Company.

- (i) Under the share option scheme, the Directors may, at their discretion, grant options to any full-time employees or executives of the Group which entitle them to subscribe for shares representing up to a maximum of 10% of the shares in issue of the Company from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme and any other schemes). No share options were granted by the Company under the share option scheme during the year.

## Report of the Directors

(Continued)

### DIRECTORS' RIGHTS TO ACQUIRE SHARES (Continued)

- (ii) Under the pre-IPO share option plan (the "Plan"), the Directors may, at its discretion, grant options to any full-time employees or executives of the Company, RNA and their respective subsidiaries on or before 29th November, 2000 which entitle them to subscribe for shares representing up to a maximum of 10% of the shares of the Company in issue on the Listing Date. On 29th November, 2000, 234,872,000 share options were granted under the Plan. These options are exercisable in stages in accordance with the terms of the Plan commencing on 7th June, 2001.

All of these options have a duration of ten years from the date of grant, but shall lapse where the grantee ceases to be employed by the Company, RNA or their respective subsidiaries.

Details of terms of the share option scheme and the pre-IPO share option plan are set out in pages from 193 to 202 of the Prospectus of the Company dated 30th November, 2000.

Except for the above, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTEREST IN CONTRACTS

Global Investor Relations Limited ("GIRL"), a company incorporated in the British Virgin Islands with limited liability, is beneficially owned as to 16.67% by Mr. Chan Kee Chee, Keith ("Mr. Chan"), an Executive Director of the Company. GIRL was the recipient of fees from the Group pursuant to a business research agreement dated 1st September, 1998 entered into between Trasy Technology Limited ("Trasy Technology") and GIRL for the engagement of GIRL for the provision of advisory services relating to electronic dealing system for a term of eight months from 1st September, 1998 to 30th April, 1999 at a fee of HK\$33,000 per month; and a technology and business research agreement dated 3rd May, 1999 entered into between Trasy Technology and GIRL for the engagement of GIRL for the provision of technology and business research on a real time electronic bullion dealing business over the Internet for a term of five months from 3rd May, 1999 to 30th September, 1999 at a fee of HK\$800,000.

In addition, Mr. Chan is a director of and holds an indirect attributable interest of 7.5% in Haramis Investments Limited ("Haramis"). Pursuant to an agreement ("the Subcontract Agreement") dated 13th October, 1999 entered into between Haramis and Hing Fung Goldsmith And Refinery Limited ("HFG&R"), a wholly owned subsidiary of RNA. HFG&R subcontracted to Haramis some of its obligations under the Development Agreement dated 12th October, 1999 entered into between Trasy Technology and HFG&R for the engagement of HFG&R as electronic dealing system main contractor to procure the development of a real-time on-line electronic bullion trading system. The Subcontract Agreement was terminated by a termination letter dated 11th July, 2000 between Haramis and HFG&R.

### COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the Growth Enterprise Market Listing Rules ("GEM Listing Rules")) of the Company had an interest in a business which competes or may compete with the business of the Group.



## Report of the Directors

(Continued)

### SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of SDI Ordinance showed that the following shareholders had interests representing 10% or more of the issued share capital of the Company:

Name	Note	Number of Shares	Percentage of Shareholding
Golden Rabbit Enterprises Limited	1	1,391,435,322	58.4637
RNA Holdings Limited	2	1,391,435,322	58.4637
Tem Fat Hing Fung (Holdings) Limited	3	1,443,529,002	60.6526
Man Power Holdings Limited	4	238,095,238	10.0040

Notes:

1. Golden Rabbit Enterprises Limited ("Golden Rabbit"), a company incorporated in the British Virgin Islands with limited liability, is the immediate holding company of the Company and a wholly-owned subsidiary of RNA Holdings Limited ("RNA").
2. RNA, through its interest in Golden Rabbit, is deemed to be interested in the Company.
3. Tem Fat Hing Fung (Holdings) Limited ("Tem Fat"), a company incorporated in Bermuda with limited liability, through its wholly-owned subsidiaries, Sky Lead International Limited and Chimstar Limited, owns more than one-third equity interest in RNA. Therefore, Tem Fat is deemed to be interested in the shares held by Golden Rabbit in addition to Tem Fat's direct interest of 52,093,680 shares in the Company.
4. Man Power Holdings Limited, a company incorporated in the British Virgin Islands with limited liability, holds an option to require RNA to transfer to it for 237,904,762 shares at HK\$0.21 per share within the 12-month period from 7th June, 2001 to 6th June, 2002.

### SPONSOR'S INTERESTS

Pursuant to the agreement dated 30th November, 2000 between the Company and BOCI Asia Limited ("BOCI"), BOCI will receive a fee from acting as the Company's sponsor for the period from 7th December, 2000 to 31st December, 2002.

### CONNECTED TRANSACTIONS

For the year ended 31st December, 2000, the Group has the following connected transactions:

#### Exempt Continuing Connected Transaction

Pursuant to the two rental agreements with Tem Fat Hing Fung Investments (Holdings) Limited ("TFHF Investments"), a wholly-owned subsidiary of RNA, on 1st April, 2000 and 1st May, 2000, the Group made rental payments of HK\$940,000 to TFHF Investments for the year ended 31st December, 2000.

## Report of the Directors

(Continued)

### CONNECTED TRANSACTIONS (Continued)

#### Non-exempt Continuing Connected Transactions

- (1) As Hing Fung Goldsmith And Refinery Limited ("HFGR"), a subsidiary of RNA, is one of our principals, the total amount of transaction fees charged to HFGR amounts to HK\$4,430,863, which is equivalent to the sum of transaction fees for trading 11,093,343 ounces of gold, 5,562,500 ounces of silver and 550 ounces of platinum for the year ended 31st December, 2000.
- (2) Giant Dragon Limited, a wholly-owned subsidiary of RNA, has entered into an agreement with The Gold On-Line Trading Limited, a wholly-owned subsidiary of the Company, for provision of sales and marketing support to the Group including, but not limited to, supply of expertise and technical knowledge in the precious metals trading business at a fee based on actual costs incurred plus 20%, subject to a cap of HK\$1,000,000 per project. For the year ended 31st December, 2000, no fee was charged by Giant Dragon to the Group.

Save as disclosed above, the Group had the following connected transaction which was completed during the year 2000.

Pursuant to the system development agreement dated 12th October, 1999 between Trasy Technology Limited and HFGR, the Group paid HK\$780,000 and HK\$2,340,000 in relation to the fixed fee of the agreement and HK\$313,847 and HK\$781,378 as reimbursement of purchases of fixed assets to HFGR for the years ended 31st December, 2000 and 31st December, 1999 respectively.

Save as disclosed therein, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the GEM Listing Rules.

The Independent Non-executive Directors have reviewed the non-exempt continuing connected transactions and in their opinion, were entered into by the Group:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

#### YEAR 2000 COMPLIANCE

The Group's computer systems are year 2000 compliant and the Group has not experienced any year 2000 problem.

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## Report of the Directors

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*(Continued)*

### **AUDIT COMMITTEE**

The Company established an audit committee on 19th October, 2000 with written terms of reference in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three members, Mr. Chan Wai Sze, Francis, who is the Qualified Accountant of the Company, Ms. Cheung Lai Kai, Edwina and Ms. Ma Lee Yee, who are Independent Non-executive Directors.

### **AUDITORS**

The accounts have been audited by PricewaterhouseCoopers who shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

On behalf of the Board,  
**SIT CHUN SZE**  
*Chairman*

Hong Kong, 26th March, 2001

## Management Discussion and Analysis

The Group is pleased to announce its results for the financial year ended 31st December, 2000.

### FINAL RESULTS

The Board of Directors (“Directors”) of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31st December, 2000 together with the comparative figures of the audited results of the Group as follows:

	<i>Notes</i>	<b>2000</b> <i>HK\$</i>	<b>1999</b> <i>HK\$</i>
Turnover	1	4,654,498	—
Other revenues		43,819	17,794
		4,698,317	17,794
Software research and development costs		(780,000)	(3,272,000)
Staff costs		(7,547,530)	(120,000)
Depreciation		(286,683)	—
Marketing and promotion expenses		(1,755,892)	(396,938)
Other administrative and operating expenses		(6,931,689)	(53,807)
		(17,301,794)	(3,842,745)
Loss before taxation		(12,603,477)	(3,824,951)
Taxation credit/(charge)	2	1,375	(1,526)
Loss attributable to shareholders		(12,602,102)	(3,826,477)
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	3	(0.697)	(0.217)

#### 1. Turnover

Turnover represents transaction fees derived from the provision of Internet-based electronic trading system and transaction fees are recognised when a transaction is duly executed on the trade date.

#### 2. Taxation

No Hong Kong profits tax has been provided as the Group did not generate any assessable profits in Hong Kong during the year. The amount of HK\$1,375 represents the over provision in 1999.

## Management Discussion and Analysis

(Continued)

### FINAL RESULTS (Continued)

#### 3. Loss per share

##### (a) Basic loss per share

The basic loss per share is calculated based on the Group's loss attributable to shareholders of HK\$12,602,102 (1999: HK\$3,826,477) and on the weighted average of 1,809,070,072 (1999: 1,767,213,039) ordinary shares in issue during the year. In determining the weighted average number of shares in issue, a total of 780 shares issued in connection with the incorporation of the Company together with the capitalisation issue of 1,767,212,259 shares were deemed to be in issue since 1st January, 1999.

##### (b) Diluted loss per share

Diluted loss per share for the year ended 31st December, 1999 and 2000 was not presented as there were no dilutive potential ordinary shares.

#### 4. Reserves

	Share premium HK\$	Merger reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1st January, 1999	—	—	(85,928)	(85,928)
Loss for the year	—	—	(3,826,477)	(3,826,477)
At 31st December, 1999	—	—	(3,912,405)	(3,912,405)
At 1st January, 2000	—	—	(3,912,405)	(3,912,405)
Goodwill written off	—	—	(26,115)	(26,115)
Premium on issue of shares	76,475,185	—	—	76,475,185
Capitalisation issue	(17,672,123)	—	—	(17,672,123)
Share issue expenses	(16,345,144)	—	—	(16,345,144)
Reserve arising from the group reorganisation	—	4,999,986	—	4,999,986
Loss for the year	—	—	(12,602,102)	(12,602,102)
At 31st December, 2000	42,457,918	4,999,986	(16,540,622)	30,917,282

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## Management Discussion and Analysis

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*(Continued)*

### **FINANCIAL REVIEW**

The Directors are pleased to report the combined results of the Group for the year ended 31st December, 2000. During the year under review, the Group's consolidated turnover amounted to approximately HK\$4.7 million (representing transaction fees from trading through TRASY of approximately 11.6 million ounces of gold and 7.8 million ounces of silver, equivalent to approximately US\$3.2 billion). The Directors considered such performance was satisfactory under the very challenging market condition and limited resources as the Company's shares were only listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM") successfully on 7th December, 2000.

However, the Group still recorded a net loss of approximately HK\$12.6 million, about HK\$8.8 million more when comparing with that in 1999. Such dramatic financial change could be ascribed to the fact that the Group started employing additional staff at the beginning of year 2000, including marketing and administrative staff. Therefore, the increment in staff cost is the largest one in terms of amount amongst the other costs incurred for the year ended 31st December, 2000.

Related administrative expenses also increased as a result of the increased number of staff and this constitutes the second largest increment of about HK\$6.9 million more than that recorded in 1999. The travelling and rental expenses including rent & rates and management fee represented about 24% and 17% respectively of the total administrative expenses. The large proportion of travelling expenses was attributed to a series of roadshows held in, for instance, Singapore, Taiwan and Europe including London, Edinburgh and Geneva, before the successful listing of the Company on the GEM on 7th December, 2000.

Besides, marketing expenses has an increase of approximately HK\$1.4 million. As TRASY system is an innovative product to the market and the Group is a pioneer in acting as a dealing service provider in the precious metals trading industry, more marketing effort has been put in order to promote the brand name of "TRASY" and to present TRASY to professional dealers and institutional users. Apart from normal marketing activities including advertisements on television and promotional booklets, the Group also sponsored TV programs and actively participated in related seminars to widen the Group's exposure to the public and international bullion market.

### **REVIEW OF THE OPERATIONS**

The Group's principal business is the provision of services to facilitate the trading of precious metals on existing international markets through a proprietary "real-time" electronic trading system, TRASY, which has been developed by the Group as a modern alternative to telephone-based trading which currently dominates business in the market for spot delivery. TRASY's present configuration offers users the ability to trade four precious metals — gold, silver, platinum and palladium.

The international precious metals markets to which TRASY offers its services are not organised exchanges and have no specific physical marketplace. TRASY participants can access through the Internet continuously updated tradable quotations; directly transact business at the best available prices; and instantly monitor their positions.

## Management Discussion and Analysis

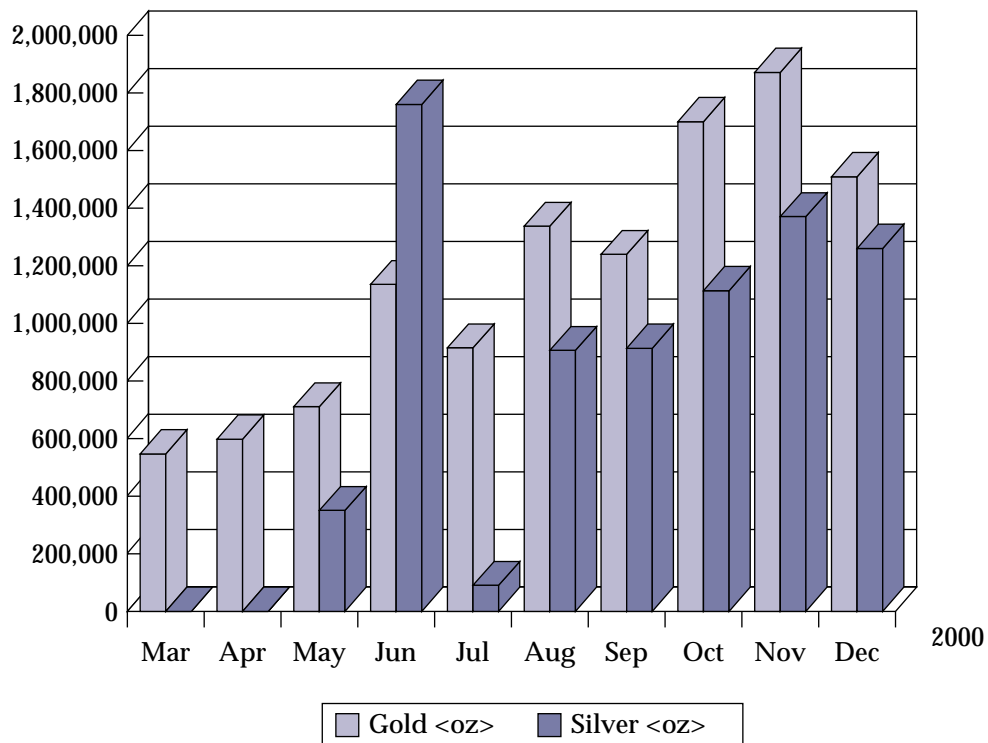
(Continued)

### REVIEW OF THE OPERATIONS (Continued)

Since the launch of TRASY in February 2000 until the date of this Annual Report, the total number of participating international bullion houses, market principals and commission houses on TRASY's trading platform amounts to 11, which are trading via Hong Kong, Malaysia, Australia and Europe.

The diagram below shows the monthly transaction volume of gold and silver traded through TRASY since March 2000.

**Turnover Growth Diagram**  
(by volume in ounces)



## Management Discussion and Analysis

(Continued)

### BUSINESS DEVELOPMENT

#### (i) TRASY's Trading Platform

##### (a) *Value Adding to On-line Stockbrokers*

In view of the changing environment in the stock brokerage business by the development of on-line trading, competition among stockbrokers is intensive, resulting in cost-cutting and thereby declining brokerage commission inevitably. The Directors believe that one of the strategies for on-line stockbrokers to become competitive is to offer a diversified range of financial products and on-line services. With that in mind, the Group has begun negotiation with major on-line stockbrokers in Hong Kong to introduce them to participate on TRASY's trading platform. By co-operating with the Group, these on-line stockbrokers could provide an additional service of trading in precious metals for their customers, and at the same time widen their commission income base.

The Group will license to these on-line stockbrokers the TRASY's real-time dealable prices of the precious metals to their websites, and their on-line customers may deal on these prices on TRASY's trading platform after opening an account with these on-line stockbrokers. This will enhance the volume and liquidity for TRASY's trading platform as well as building up a vast network of investors in minimal time.

##### (b) *Preparation for the Liberalisation of the Chinese Gold Market*

The Group is actively exploring business opportunities in precious metals market in China.

##### (c) *Expansion of TRASY's Trading Platform to Other Financial Products*

The Directors believe that the trading solutions of TRASY developed by the Group's Research & Development team have great value because TRASY has a potential application to trading of other commodities and financial products. This will enrich the Group's revenue stream and help explore other markets as well as expand the customer network by centralising different markets into one marketplace. Therefore, the Group has begun discussions with several stockbrokers and commission houses to work on the feasibility on expansion to other financial products.



## Management Discussion and Analysis

*(Continued)*

### **BUSINESS DEVELOPMENT** *(Continued)*

#### **(i) TRASY's Trading Platform** *(Continued)*

##### **(d) Negotiation for Joint Ventures**

*Taiwan, Singapore and Japan*

The Directors believe that localisation is the key to TRASY's business development among other geographical regions. Therefore, the Group is negotiating with major precious metals market players and commodity traders as well as financial institutions in Taiwan, Singapore and Japan for the formation of joint ventures. Through these joint ventures, it could help to expand the user network for TRASY's trading platform, to provide trading services to precious metals industry participants for hedging and to allow public investors an easy access to precious metals trading in the regions. Public seminars and education programs will be implemented via these joint ventures to promote TRASY's trading platform and to build up the brand name of TRASY.

*Europe and Middle East*

The Group is currently negotiating a joint venture with a finance company in Europe for promotion and business development of TRASY in Europe and the Middle East.

##### **(e) Continuing Networking Activities**

The Group is actively exploring business opportunities in other countries like Malaysia and Australia. By joining the membership of The Australian Gold Council and participating in the Australian Gold Conference to be held in April 2001, the Group believes that it could help to increase the public awareness of TRASY and attempt to establish a foothold in Australia to enhance its user network. In addition, the Group has always been in contact with overseas bullion houses and a series of overseas promotion/development programs are planned and scheduled to be implemented.

#### **(ii) Information Licensing to Financial Content Providers**

One of the Group's missions is to provide an easy access to investors for precious metals market information, so that the investors can be well informed of the market trend and thereby increase the market transparency. Furthermore, the price quotation on TRASY's trading platform is very unique and valuable to investors since the prices are "best and dealable" quotations provided by all users of TRASY. These "best and dealable" quotations are never easily accessible by the public before. Via our TRASY's trading platform, the Group is able to license its live precious metals market quotations as well as other live market news and commentaries to some famous and popular financial information providers. This strategy will further enhance the public exposure of TRASY's trading platform.

## Management Discussion and Analysis

(Continued)

### BUSINESS DEVELOPMENT (Continued)

#### (ii) Information Licensing to Financial Content Providers (Continued)

These financial content providers includes three major categories:

1. International Financial Information Providers
2. Financial Websites and Portals

[www.etnet.com.hk](http://www.etnet.com.hk) — Operated by ET Net Limited to provide financial information for professional investors.

[www.hkmoney.net](http://www.hkmoney.net) — Operated by Summer Way Limited to provide financial information for Chinese located in Hong Kong, South China and North America.

[www.852001.com](http://www.852001.com) — Operated by FinanceSec.com Limited to provide the internet users with an easy on-line service for acquiring quotations of loans and other financial products.

[www.iab.gov.tr](http://www.iab.gov.tr) — Operated by Istanbul Gold Exchange to provide gold market information to its exchange members.

3. Financial Magazines

#### (iii) Building an On-line Network with Banner Exchange

In order to promote TRASY's trading platform and enhance the Company's brand name within the on-line network, the Group has been undergoing a series of web alliances with other well-known websites. Hyperlinks have been established through icons and/or banner exchanges with the following websites:

[www.etnet.com.hk](http://www.etnet.com.hk) — Website of ET Net Limited to provide financial information for professional investors.

[www.hkmoney.net](http://www.hkmoney.net) — Website of Summer Way Limited to provide financial information for Chinese in Hong Kong, South China and North America.

[www.852001.com](http://www.852001.com) — Website of FinanceSec.com Limited to provide the internet users with an easy on-line service for acquiring quotations of loans and other financial products.

[www.21126888.com](http://www.21126888.com) — Website of Global Media In Force Limited, a member of the i-Cable Communications Group.

[www.hk6.com](http://www.hk6.com) — Website supported by famous commentators, including Chan Wing Luk, Tang Sing Hing and Kwong Man Bun in Hong Kong.

[www.iab.gov.tr](http://www.iab.gov.tr) — Website of The Istanbul Gold Exchange to provide gold market information to its exchange members.

# Management Discussion and Analysis

(Continued)

## BUSINESS DEVELOPMENT (Continued)

### (iv) Precious Metals Information Website — g9999.com

In order to provide comprehensive updated market information to investors, g9999.com has ongoing enhancement on content enrichment, graphic design and other value-added features.

g9999.com has launched a charting engine to provide investors with live charts of the precious metals prices on TRASY's trading platform.

### Content of newly enhanced g9999.com

<i>Target audiences of professional investors and financial institutions to enhance their competitiveness in the precious metals investment arena</i>	<b>Gold Market Info</b>	
	Gold News	Daily Precious Metals News
	Commentaries	Daily Precious Metals Market Commentaries
	PM Fixing Charts	Yearly historical charts for HK Gold market and Loco-London Gold market from 1991-1999
	Trasy Charts	Charts quoted from TRASY system in term of Moving Average and RSI
	Intraday Trasy Charts	Live intraday charts quoted from TRASY system
	Technical Indicators	Analytical data in TRASY summary, Moving Average and RSI
	Technical Analysis	Analysis in the techniques of Elliott Wave Theory
	Economic Data Calendar	Major Economic Data Release
	<b>Gold Trading</b>	Brief Description of the Revolutionary Precious Metals Online Trading System – TRASY
	<b>Expert Zone</b>	
	Contract Spec.	Contract Details for Trading of Gold, Silver, Platinum & Palladium
	Q & A Section	Users are Welcomed to Send Questions to Our Professional Expertise
	Trading Calendar	Dates of Jewellery Shows & Public Holidays for the 5 major Gold Markets, including USA, UK, Australia, Japan & HK
Guides for Dealing	Technical Guidelines for Arbitrage Dealing	
International Conferences & Events	News and Schedule for International Conferences & Events for Precious Metals Business	
<i>Target audiences of inquisitive web travelers and fresh starters to arise their interests in the precious metals market</i>	<b>Market Features</b>	
	Gold Markets	Basic Info About Gold Markets in the World
	Producing Countries	The World's Top 20 Gold Producing Countries
	Jewellery Consumption	The World's Top 20 Gold Jewellery Consumption Countries
	Key Asian Gold Markets	Main Features of 14 Key Asian Gold Markets
	Historical Background	Historical Background for Gold Markets
	Weight Conversion Table	
	Fine Gold Content	Purity of Fine Gold with Weight Conversion
	Purity Measure	How to Measure the Purity of Fine Gold
	Gold Coated Measure	How to Measure the Gold Coated Products
	Glossary	Glossary for Precious Metals Trading
<b>Gold Game</b>	The third round of Gold Game has finished and the fourth round is coming soon	
<i>Maintain and enhance the stickiness and loyalty of all our audiences</i>	<b>Members Corner</b>	
	Game	The third round of Gold Game has finished and the fourth round is coming soon
	Gold Forum	Members are Invited to Join Gold Forum to Exchange Their News, Opinions, Information, etc...
	Free Info. Send	Members Can Enjoy the FREE Info. Send from Us by email, Including Daily Gold News, Daily Gold Commentaries and Horoscope
	Change User Info.	Members Can Change Their Personal Info. Here
	Logout	Logout from the Member Corner
	<b>g9999.com News</b>	
	News Release	All Company News About g9999 and Trasy Gold Ex Ltd., Including WAP Services Launch, New Business Partners, etc...
	Press Coverage	Press Coverage from Newspaper, Magazines, Websites, etc...
	Company Events	Information of company, such as investment seminar
<i>Add more fun</i>	Polls	Surveys about Precious Metals Markets will be Launched to Analyze the Market Trend
	Horoscope	Daily Chinese Horoscope for Entertainment Purposes
	<b>About Us</b>	Company Background of Trasy Gold Ex Limited
	Contact Us	Contact Details
	Business Alliances	Listed all our Business Partners
	Disclaimer	

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## Management Discussion and Analysis

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*(Continued)*

### **SALES AND MARKETING**

A series of intensive sales and marketing programs have been launched to target at institutional and individual investors, with an aim to build up the Company's brand name, promoting TRASY's trading platform and educating the public about precious metals market.

#### **Seminars**

The Group held a series of seminars in Hong Kong and overseas jointly with its business partners at which on-site demonstration of TRASY system was carried out. Further, the Group adopted a wide range of promotional and marketing activities, including distribution of promotional leaflets, printed advertisements, on-line promotions and facsimile/e-mail broadcast.

The first seminar <New Opportunities of Gold Investment> was organised by the Company and held in December 2000 with the main purpose to educate the public on investment opportunities in the precious metals market, and introduce the Company's on-line investment tool, TRASY. The seminar had proven a great success with 151 participants. According to the evaluation forms collected after the seminar, 87% of the participants considered that the seminar was of great value .

The Company has participated the 2001 Conference held by the Taiwan All Jewelers Association on 17th March, 2001 in Taiwan. A speech was delivered to introduce the TRASY system and the Company's future development in Taiwan to the members of the Association.

The Company has planned to participate in the Australian Gold Conference to be held on 9th – 10th April, 2001 in Perth, Western Australia and will have an exhibition booth to demonstrate the TRASY system to the attendants. In addition, the Company will hold a workshop at the Conference to deliver a speech about the Company's background, services provided and TRASY's model of electronic trading in the precious metals e-marketplace.

#### **Workshop**

In order to consolidate the interest of the public in the precious metals market after the seminar in Hong Kong, a whole day workshop was held in December 2000 to provide on-site one-to-one demonstration of TRASY system. The Group's research and customer services teams were available to answer any questions regarding investment techniques and TRASY's operations respectively.

#### **Printed Advertisements**

The Group had posted colour-printed advertisements in magazines for the guild of gold mine owners or jewellery manufacturers in Hong Kong, China, Taiwan and South Africa. These magazines are targeted to the precious metals market participants, including the members of the South African Business Forum, the Chinese Gold and Silver Exchange Society and the Taiwan All Jewelers Association.

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## Management Discussion and Analysis

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*(Continued)*

### **SALES AND MARKETING** *(Continued)*

#### **TV Advertisements**

The Company had scheduled 5 x 10-sec spots to advertise in some popular financial and investment programs in order to draw the attention of the general public.

#### **TV Program Sponsorship**

The Group participated in 8-series of a popular financial and investment TV program by sponsoring 9999 gold as game awards and providing precious metals market information and commentary during the show.

The Company had also sponsored a special "Chinese New Year" TV show on 28th January 2001, which a section was tailor-made for the Company with the theme of gold investment.

#### **One-on-one visits**

One-on-one visits is an effective method for the Group to promote TRASY system to market professionals. The Group has thus visited many market participants, including gold mine owners and jewellery manufacturers in Hong Kong, China and Taiwan and other international precious metals market makers and principals.

#### **Souvenir**

The Group has prepared souvenir, such as keyholders, calculators and CD-roms with the Company's logo for distribution in seminars and exhibitions.

# Management Discussion and Analysis

(Continued)

## TECHNOLOGY AND PRODUCT DEVELOPMENT

### Upgrade of TRASY system client terminal

TRASY system client terminal version 1.10c has been upgraded to version 2.00c with the following enhancements:

- Five best dealable prices of each product are shown under the highest bid and lowest ask queuing system.
- Additional Market Information is added in the BEST QUOTE section, including each product's Traded Volume, Day High, Day Low, Last, Best BID/ASK prices and the respective sizes.
- Quick Order function is newly developed for both professional traders and retail clients to add a fast order on any of their desired price layers.

The screenshot displays the TRASY 2.00c client terminal interface. At the top, there is a menu bar with 'File', 'Edit', 'System', and 'Help'. Below the menu, the user is logged in as 'GOLD' and can switch between 'SILVER', 'PALLADIUM', and 'PLATINUM'. The main display area shows the 'trasy' logo and 'GOLD' market data. It includes a 'BUY' and 'SELL' button, with the current bid price at 274 and the ask price at 274.2. A table on the right shows the five best dealable prices for Gold. Below this is the 'BEST QUOTE' section, which provides a summary of market data for Gold, Silver, Palladium, and Platinum, including last price, bid/ask prices, sizes, high/low prices, and volumes. At the bottom, there is an order book showing two working orders: one for Platinum (Buy, 500 units at 600) and one for Silver (Sell, 10000 units at 5.025). The status bar at the very bottom shows 'Working Order', 'Position Summary', 'Done Trade', 'Activity Log', and 'Message' buttons, along with the website 'Domsin.centraltrading.trasy.com' and the account 'AccountDM503-CS-LL On-line'.

SIZE	BID	ASK	SIZE
1500	274	274.2	1300
900	273.6	274.4	800
700	273.4	274.5	500
1300	273.2	275.8	1600
1000	273	275.9	1200

BEST QUOTE	LAST	BID	SIZE	BID	ASK	ASK SIZE	HIGH	LOW	VOLUME
GOLD	274.2	1500	274	274.2	1300	300	261.5	124600	
SILVER	4.55	0	0	4.95	20000	5.02	4.41	650000	
PALLADIUM	585	1500	576	585	1450	950	585	1250	
PLATINUM	743	2000	725	743	1450	743	604	2950	

ORDER NO.	PRODUCT	B/S	QTY	PRICE	AMOUNT	MARGIN REQ.	ORG. QTY	STATUS
1 466620	PLATINUM	Buy	500	600	300000	30000	500	Working
2 466655	SILVER	Sell	10000	5.025	50250	5025	10000	Working

# Management Discussion and Analysis

(Continued)

## TECHNOLOGY AND PRODUCT DEVELOPMENT (Continued)

### TRASY System Market Maker Terminal

In order to meet the different requirements of professional traders and retail clients, there are two versions of TRASY trading terminals specially designed for them.

The Market Maker terminal has similar trading features with the Client terminal, but different trading interfaces, which also access to the Central-Matching server of TRASY. Additional fast keys are designed for professional traders to allow prompt order placing and order withdrawing. In addition, different kinds of confirmation messages are specially designed for retail clients through the Client terminal and for professional traders through the Market Maker terminal to ensure their trading activities are fully informed.

The screenshot displays the TRASY MARKET MAKER 2.00m terminal interface. It includes a menu bar (File, Edit, System, Help), a product selection bar (GOLD, SILVER, PALLADIUM, PLATINUM), and order entry fields for Bid Size, Bid, Ask, and Ask Size. A quote table shows the current market data for Gold, Silver, Palladium, and Platinum. Below the quote table is an order history table with columns for Order No., Product, B/S, Qty, Price, Amount, Time Stamp, and Status.

SIZE	BID	ASK	SIZE
1000	274.2	274.3	7000
3000	274.1	274.4	1200
2000	273.8	274.6	1200
1000	273.7	275.75	2200
2500	273.6	275.8	2000

BEST QUOTE	LAST	BID SIZE	BID	ASK	ASK SIZE	HIGH	LOW	VOLUME
GOLD	274.2	1000	274.2	274.3	7000	301	249.6	402200
SILVER	4.595	10000	4.595	4.72	5000	5	4.585	1595000
PALLADIUM	870	1000	930	950	1500	890	572	18900
PLATINUM	617	1500	604	613	1200	765	570	14250

ORDER NO.	PRODUCT	B/S	QTY	PRICE	AMOUNT	TIME STAMP	STATUS
1 465846	PLATINUM	Buy	200	572	114400	10/25 09:39:19	Working
2 465928	SILVER	Sell	30000	4.74	142200	11/18 15:57:31	Working
3 466412	PLATINUM	Sell	800	625	500000	12/07 10:13:21	Working
4 466547	GOLD	Buy	2000	266.6	533200	01/03 11:28:25	Working
5 466548	GOLD	Sell	1200	274.6	329520	01/03 11:28:26	Working
6 466560	GOLD	Buy	2500	273.6	684000	01/03 11:40:06	Working
7 466563	GOLD	Buy	3000	273.2	819600	01/03 11:42:16	Working

Working Order | Position Summary | Done Trade | Activity Log | Message

Domain:centralmatch.trasy.com Account:DM503-CS-LL On-line

# Management Discussion and Analysis

(Continued)

## TECHNOLOGY AND PRODUCT DEVELOPMENT (Continued)

### Margin Checker

Margin Checker is specially designed for Dealers to monitor the real-time credit conditions of their clients. A real-time sorted list of all margin called accounts would be given in accordance with their account names or margin amounts in ascending or descending order. Besides the margin call list, the real-time positions of each margin called accounts would be shown, including the Call Amount. The detailed positions of both individual accounts and corporate accounts would be given in either separated or consolidated format.

The screenshot displays the 'Margin Monitor' application window. At the top, it shows 'Live Monitoring | Single Account | Corporate Account | Co. Acc. Consolidated'. Below this, there are tabs for 'and01-cs11', 'GOLD', '265-1', and '265-2'. A small table shows prices for SILVER (4.73, 4.85), PLATINUM (600, 620), and PALLADIUM (665, 670). Buttons for 'Options...', 'Message...', and 'Exit' are visible.

Account details for 'and01-cs11' are listed below:

- Account No. : and01-cs-11
- Trading Limit : 10000000.00
- Margin Class : 2
- Mark To Market : Worst
- Currency : USD
- Cash Balance : 0.00
- Profit/Loss : 0.00
- Net Equity : 0.00
- Float P/L : 0.00
- Total Equity : 0.00
- Credit Line : 10.00
- Initial Margin : -60900.00
- Maintenance Margin : -30450.00
- Available Fund : -60890.00
- Call amount : 60890.00

The 'Position Summary' table is as follows:

Product	Buy/Sel	Qty	Price	Total Amount	Floating P/L	I. Margin	M. Mar
SILVER	Buy	10000	6.00	60000.00	0.0000	6000.00	3000
SILVER	Buy	10000	7.00	70000.00	0.0000	7000.00	3500
SILVER	Buy	10000	8.00	80000.00	0.0000	8000.00	4000
SILVER	Buy	10000	9.00	90000.00	0.0000	9000.00	4500
SILVER	Buy	10000	10.00	100000.00	0.0000	10000.00	5000
PALLADIUM	Buy	100	500.00	50000.00	0.0000	5000.00	2500
PALLADIUM	Buy	100	520.00	52000.00	0.0000	5200.00	2600
PALLADIUM	Buy	100	530.00	53000.00	0.0000	5300.00	2650
PALLADIUM	Buy	100	540.00	54000.00	0.0000	5400.00	2700



# Management Discussion and Analysis

(Continued)

## TECHNOLOGY AND PRODUCT DEVELOPMENT (Continued)

### Matching Monitor

Matching Monitor provides a convenient path for exchange administrators to have live monitor on order matching and prices quoted on TRASY system. All working orders waiting for execution would be shown.

Besides, there are some other market information which would be provided for Dealers to have a close look on the trading conditions on TRASY system. These information included Day High, Day Low, Traded Volume and Turnover of each products. In addition, the 5 last traded prices would also be provided.

The screenshot shows the 'Matching Monitor 1.10.831.1' window. It features a menu bar (File, System), a product selection bar (GOLD, SILVER, PALLADIUM, PLATINUM, HKGOLD), and a main data area. The main area contains a table with columns for Tickets, Size, BID, ASK, and Tickets. A summary box on the right displays 'Last Update: 03/06 18:49:56' and various market metrics: Last (300), Last 1 (300), Last 2 (300), Last 3 (300), Last 4 (300), High (300), Low (270), Volume (10800), and Turnover (3141130). At the bottom, there is a detailed table with columns: Name, Size, Bid, Ask, Size, Last, Open, High, Low.

Tickets	Size	BID	ASK	Size	Tickets
1	200	295	295.5	200	1

Name	Size	Bid	Ask	Size	Last	Open	High	Low
GOLD	200	295	295.5	200	300	276.2	300	270
GOLD1	200	295	295.5	200	0	0	0	0
GOLD2	0	0	0	0	0	0	0	0
GOLD3	0	0	0	0	0	0	0	0
GOLD4	0	0	0	0	0	0	0	0
GOLD5	0	0	0	0	0	0	0	0
SILVER	0	0	0	0	4.785	4.785	4.785	4.785
SILVER1	0	0	0	0	0	0	0	0
SILVER2	0	0	0	0	0	0	0	0
SILVER3	0	0	0	0	0	0	0	0
SILVER4	0	0	0	0	0	0	0	0
SILVER5	0	0	0	0	0	0	0	0

# Management Discussion and Analysis

(Continued)

## TECHNOLOGY AND PRODUCT DEVELOPMENT (Continued)

### SuperUser

SuperUser is specially designed for Dealers to have an easy control over their clients' trading activities.

Dealers could on behalf of their clients perform trading activities and fund movements, such as add/delete/amend orders and change available fund/credit limit/trading limit respectively. In addition, SuperUser can control their customers' trading on TRASY's trading platform with functions to open/close market and to suspend/resume trading. Dealers are also allowed to communicate with their clients online through the message channel provided by SuperUser.

BEST QUOTE	LAST	BID SIZE	BID	ASK	ASK SIZE	HIGH	LOW	VOLUME
GOLD	300	100	295	300	700	300	261.5	10600
SILVER	5.02	20000	4.505	5.025	10000	5.02	4.58	90000
PALLADIUM	950	1000	930	950	1300	950	950	200
PLATINUM	604	1400	604	613	1200	604	604	100

ORDER NO.	PRODUCT	B/S	QTY	PRICE	AMOUNT	MARGIN REQ.	ORG. QTY	STATUS
1 466412	PLATINUM	Sell	800	625	500000	50000	800	Working
2 466620	PLATINUM	Buy	500	600	300000	30000	500	Working
3 466621	PLATINUM	Sell	300	625	187500	18750	300	Working
4 466622	PLATINUM	Sell	500	650	325000	32500	500	Working
5 466654	SILVER	Buy	20000	4.505	90100	9010	20000	Working
6 466655	SILVER	Sell	10000	5.025	50250	5025	10000	Working
7 466772	GOLD	Buy	100	290	29000	1740	100	Working

## Progress When Compared Against Business Objectives

In compliance with the rules of the GEM, the Group presents a summary of actual business progress as measured against the business objectives set out in its Prospectus dated 30th November, 2000 (“the Prospectus”) for the period from 28th November, 2000, the Latest Practicable Date prior to the printing of the Prospectus until 31st December, 2000 (“Review Period”).

### Business Development, Marketing & Promotions

	<b>Business Objectives for the Review Period as set out in the Prospectus</b>	<b>Actual Business Progress in the Review Period</b>
1.	Continue to recruit and introduce TRASY to international market makers as Users and Principals	<p>The Company introduced TRASY to a number of international market makers and to invite them to be Users and/or Principals of TRASY. After the introduction, positive feedback is received which includes the followings:</p> <ul style="list-style-type: none"> <li>● A Geneva-based company became an User and began to use the TRASY platform for trading since January 2001.</li> <li>● A Japan-based company in Hong Kong showed its interest in using TRASY. The Company is in the final stage of discussion on the technical issues.</li> </ul>
2.	Continue to invite Principals and their customers in Hong Kong to participate in TRASY (e.g. local banks, commission houses, stock-brokers)	<ul style="list-style-type: none"> <li>● Proposals of cooperation have been sent to 8 major online brokerage firms in Hong Kong to introduce TRASY to them and to encourage them introducing the system to their clients. The Company is in the final stage of negotiation on the technical feasibility with 5 of the brokerage firms.</li> </ul>
3.	Form business alliances with banks to provide settlement services for Users (e.g. fund transfers and deposits between Principals and their customers through e-banking services)	<ul style="list-style-type: none"> <li>● The Company is continuing to monitor the development of e-banking services in Hong Kong. So far, all the Principals which have approached the Company are providing their own settlement services with their customers. Therefore, up to now, TRASY needs not to provide e-banking settlement services to the banks’ customers.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	<b>Business Objectives for the Review Period as set out in the Prospectus</b>	<b>Actual Business Progress in the Review Period</b>
4.	Form business alliances by licensing TRASY's precious metals market information to other financial content providers and portals in Hong Kong. This aims to build the brand-name of TRASY	<p>The Company has invited and worked with a number of websites and financial portals for distribution of TRASY's precious metals information (including live price quotations, news and market commentary provided on g9999.com) and banner exchanges:</p> <ul style="list-style-type: none"> <li>● Websites that are distributing TRASY's precious metals information: www.852001.com www.hkmoney.net www.etnet.com.hk</li> <li>● 5 financial websites have exchanged banners with TRASY, and the Company is in the final stage of discussion on alliances with 3 possible financial websites, where they may act as a Principal or an introducing broker to a principal on TRASY's trading platform.</li> </ul>
5.	Further enhance the content provided on g9999.com and WAP devices by incorporating research analysis from international bullion houses and participating Principals	<p>Content of g9999.com has been enhanced by adding the following new sections:</p> <ul style="list-style-type: none"> <li>● Intraday Charts of precious metals prices of TRASY: <a href="http://www.g9999.com/live_trasy_chart/live_charts.asp">http://www.g9999.com/live_trasy_chart/live_charts.asp</a></li> <li>● Daily Charts of precious metals prices of TRASY: <a href="http://www.g9999.com/historical_trasy_chart/trasy_charts.asp">http://www.g9999.com/historical_trasy_chart/trasy_charts.asp</a></li> <li>● Technical Analysis section provided by a research house: <a href="http://www.g9999.com/english/MarketInfo/technical_analysis_1.asp">http://www.g9999.com/english/MarketInfo/technical_analysis_1.asp</a></li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	<b>Business Objectives for the Review Period as set out in the Prospectus</b>	<b>Actual Business Progress in the Review Period</b>
6.	Begin preliminary introduction to banks and commission houses in other Asian regions and invite them to join as Principals	<p>Preliminary Introduction schemes, including road shows, have been carried out in Asian regions as well as European countries which provide the Group with new business opportunities:</p> <ul style="list-style-type: none"> <li>● Japan: The Company is in the progress of discussing on forming a joint venture with a Japanese securities and commodities trading house. The joint venture company is proposed to provide precious metals trading services by using TRASY to its clients in Japan.</li> <li>● Taiwan: The Company is in the progress of discussing on forming a joint venture with one of the jewelry associations in Taiwan. The joint venture company is proposed to provide TRASY's trading platform to the association's members in Taiwan.</li> <li>● Singapore: A financial institution in Singapore has shown their interest in TRASY. The Company is now in the stage of discussing the possibilities of providing online precious metals trading services to its clients by using TRASY in Singapore.</li> <li>● Europe: A Memorandum of Understanding has been signed with a major bullion trader, a Geneva-based company which is going to provide precious metals trading services through TRASY to its clients in Europe and Middle East.</li> </ul>
7.	Preparation of preliminary marketing and business plan for China, to be implemented after liberalisation of the gold market.	<ul style="list-style-type: none"> <li>● Discussed business alliance with major gold market participants in China to facilitate on-line precious metals trading by using TRASY after liberalisation of the Chinese gold market.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	<b>Business Objectives for the Review Period as set out in the Prospectus</b>	<b>Actual Business Progress in the Review Period</b>
8.	Plan and arrange public educational seminars with participating Principals in Hong Kong.	<p>Seminars have been and are planned to be organized in and outside Hong Kong:</p> <ul style="list-style-type: none"> <li>• A public seminar was organized in Hong Kong on 2nd December, 2000.</li> </ul> <p>Speakers in the Seminar included Mr. Liu Shanen (Deputy Director of Ministry of Metallurgical Industry P.R.C. — Gold Economic Development Research Center and Deputy Editor-in-Chief of Magazine Agency of China Gold Economy), Mr. Robert Eric Beale (Ex Chairman of the Company &amp; Ex Chairman of the London Gold Futures Market), Mr. Y. K. Hui (Managing Director of AIM Y K Hui Investment Consultants Ltd), Mr. Chan Fat Chu, Raymond (Ex Chairman of the Chinese Gold &amp; Silver Exchange Society) and Mr. Chan Kee Chee, Keith (Executive Director of the Company)</p> <ul style="list-style-type: none"> <li>• The Company has participated the 2001 Conference held by Taiwan All Jewelers Association on 17th March 2001 in Taiwan. A speech was delivered to introduce TRASY and the Company's future development in Taiwan to the members of the Association.</li> <li>• The Company is planning to participate in the Australian Gold Conference to be held on 9th – 10th April 2001 in Perth, Western Australia and will have an exhibition booth to demonstrate TRASY to the attendants. In addition, the Company will hold a workshop at the Conference to deliver a speech about the Company's background, services provided and TRASY's model of electronic trading in the precious metals e-marketplace.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

### Research and Development

	<b>Business Objectives for the Review Period as set out in the Prospectus</b>	<b>Actual Business Progress in the Review Period</b>
1.	Examine server system throughput and reliability enhancement (eg. by code re-engineering, porting to a more powerful machine)	Enhanced server system throughput and reliability by porting the code to UNIX system. All codes are re-examined and the whole system is re-engineered.
2.	Further enhance throughput and reliability of credit gateway system	In the previous version of credit gateway system, all tasks are handled on one machine. In the enhanced version, applying the distributed computing scheme, these tasks are done separately on distributed machines. This removes bottleneck and increase the throughput.
3.	Examine client software usability, functionality (eg. multimedia commentary, charting)	Examination completed and the client software was updated to v2.0. Same kind of examinations will be held periodically.
4.	Study existing wireless device trading technology such as WAP	After studying various mobile technologies, the Company decided to develop wireless PDA version of Trasy client, since WAP is not as considerate as PDA to common mobile phones' limited processing power and security.
5.	Revamp existing website for better usability	g9999.com has been revamped by applying PUSH technology. The Website now is able to show live precious metals price quotes so that any trade done through the TRASY system will be reflected on the Web site automatically without request.

### Operation and Deployment

	<b>Business Objectives for the Review Period as set out in the Prospectus</b>	<b>Actual Business Progress in the Review Period</b>
1.	Enhance system network capacity and reliability such as backup facilities, network bandwidth	The network bandwidth was upgraded, accordingly the network capacity was enhanced. The backup link installation is in progress.
2.	Comprehensive re-examination of testing scheme to ensure system reliability	Continuous upgrade and refine of testing scheme and procedures at least once a quarter to ensure better quality and problem-free Trasy applications in all future version release.
3.	Study and set up local data center for the increasing demand of business requirements	In order to serve the increasing demands some servers will be located in various data centers worldwide. The Company has contacted and arranged the setup with one local data center.
4.	Feasibility study on China and Asian regions, IT infrastructure and network capability	To offer better services to the overseas clients, the Company is negotiating with some international network providers to setup high-speed VPNs to overseas countries.

## Progress When Compared Against Business Objectives

*(Continued)*

### USE OF PROCEEDS

The Group raised approximately HK\$66 million through the placing of shares upon the listing of the Company, the conversion of outstanding loan amounts and the bonus share scheme after deducting related cost of issues.

During the year of 2000, the Group has incurred the following amounts to achieve the business objectives as set out in the Prospectus.

- Approximately HK\$2.1 million for capital expenditure, which includes acquisition of computer equipment and strengthening of the network infrastructure.
- Approximately HK\$2.2 million for research and development, which includes further enhancement of TRASY and the User interface, trading solution via other wireless devices, examining the necessity of implementing additional security measures and related technical staff cost.
- Approximately HK\$1.8 million for promotion and marketing activities, which includes advertisements in such channels as magazines, newspapers, television, websites and seminars.
- Approximately HK\$11 million for payment of debts owed to RNA and GIRL.
- Approximately HK\$15 million for deposits with certain business partners pursuant to two letters of intent in connection with the following proposed investments:
  - (a) a proposed investment in an entity established in China whose principal activities are the development of an Internet-based gold and jewellery trading platform; and
  - (b) a proposed investment in a joint venture to be established in China with two business partners. The proposed joint venture will be engaged in the development and management of an on-line precious metals trading system and the provision of related consultancy services.

Subsequent to the year end, these deposits have been refunded to the Group as a result of the termination of the letter of intent in respect of the proposed investment referred to in note (b) above and the delay experienced in the development of the Internet-based gold and jewellery trading platform in respect of the proposed investment referred to in note (a) above.

- Approximately HK\$4.8 million for prepayments to certain third parties for the provision of consultancy services to the Group for a term of two years commencing on 1st January, 2001. The consultancy services include the development of an on-line precious metals trading system, the establishment of a data centre, and the marketing and promotion of the Group's business in China.

Subsequent to the year end, an amount of HK\$3 million has been refunded to the Group as a result of the termination of one of the consultancy service agreements in relation to the development of an on-line precious metals trading system and the establishment of a data centre.



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## Progress When Compared Against Business Objectives

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*(Continued)*

### USE OF PROCEEDS *(Continued)*

- Approximately HK\$3.6 million for a deposit with RNA pursuant to a system development agreement dated 12th October, 1999 entered into between the Group and Hing Fung Goldsmith And Refinery Company Limited, a wholly owned subsidiary of RNA.

Subsequent to the year end, the amount has been fully refunded to the Group.

- The remaining net proceeds have been partly deposited in licensed banks in Hong Kong and partly invested in bullion market.



羅兵咸永道會計師事務所

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### AUDITORS' REPORT TO THE SHAREHOLDERS OF TRASY GOLD EX LIMITED

*(incorporated in the Cayman Islands with limited liability)*

We have audited the accounts on pages 42 to 62 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

#### **Respective responsibilities of directors and auditors**

The directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

#### **Basis of opinion**

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

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

#### **Opinion**

In our opinion, the accounts give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2000 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**PricewaterhouseCoopers**  
*Certified Public Accountants*

Hong Kong, 26th March, 2001

## Consolidated Profit and Loss Account

*For the year ended 31st December, 2000*

	<i>Note</i>	<b>2000</b> <i>HK\$</i>	<b>1999</b> <i>HK\$</i>
Turnover	3	4,654,498	—
Other revenues	3	43,819	17,794
Software research and development costs		(780,000)	(3,272,000)
Staff costs		(7,547,530)	(120,000)
Depreciation		(286,683)	—
Marketing and promotion expenses		(1,755,892)	(396,938)
Other administrative and operating expenses		<u>(6,931,689)</u>	<u>(53,807)</u>
Loss before taxation	4	(12,603,477)	(3,824,951)
Taxation credit/(charge)	5	<u>1,375</u>	<u>(1,526)</u>
Loss attributable to shareholders	6 & 18	<u><u>(12,602,102)</u></u>	<u><u>(3,826,477)</u></u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	8	<u><u>(0.697)</u></u>	<u><u>(0.217)</u></u>

## Consolidated Balance Sheet

As at 31st December, 2000

	<i>Note</i>	<b>2000</b> <i>HK\$</i>	<b>1999</b> <i>HK\$</i>
<b>Non-current assets</b>			
Fixed assets	11	1,853,133	339,140
Other assets	13	<u>1,180,000</u>	<u>1,180,000</u>
<b>Total non-current assets</b>		<u>3,033,133</u>	<u>1,519,140</u>
<b>Current assets</b>			
Deposits with business partners	14	15,094,340	—
Accounts receivable and prepayments	15	5,308,791	686,001
Deposit with ultimate holding company	16	3,584,775	—
Gold bullion		21,560,400	—
Cash and bank balances		<u>8,815,653</u>	<u>28,998</u>
<b>Total current assets</b>		<u>54,363,959</u>	<u>714,999</u>
<b>Current liabilities</b>			
Accounts payable and accrued expenses		2,679,810	824,953
Amount due to ultimate holding company		—	276,748
Taxation payable		<u>—</u>	<u>44,825</u>
<b>Total current liabilities</b>		<u>2,679,810</u>	<u>1,146,526</u>
<b>Net current assets/(liabilities)</b>		<u>51,684,149</u>	<u>(431,527)</u>
		<u>54,717,282</u>	<u>1,087,613</u>
Financed by:			
Share capital	17	23,800,000	5,000,018
Reserves	18	<u>30,917,282</u>	<u>(3,912,405)</u>
<b>Shareholders' funds</b>		<u>54,717,282</u>	<u>1,087,613</u>

Sit Chun Sze  
*Director*

Chan Kee Chee, Keith  
*Director*

## Company Balance Sheet

As at 31st December, 2000

	<i>Note</i>	<b>2000</b> <i>HK\$</i>
<b>Non-current asset</b>		
Subsidiary	12	34,565,323
<b>Current assets</b>		
Deposits with business partners	14	15,094,340
Accounts receivable and prepayments	15	4,753,028
Deposit with ultimate holding company	16	3,584,775
Cash and bank balances		8,332,299
<b>Total current assets</b>		31,764,442
<b>Current liability</b>		
Accounts payable and accrued expenses		373,793
<b>Total current liability</b>		373,793
<b>Net current assets</b>		31,390,649
		65,955,972
Financed by:		
Share capital	17	23,800,000
Reserves	18	42,155,972
<b>Shareholders' funds</b>		65,955,972

**Sit Chun Sze**  
*Director*

**Chan Kee Chee, Keith**  
*Director*

## Consolidated Cash Flow Statement

*For the Year Ended 31st December, 2000*

	<i>Note</i>	<b>2000</b> <i>HK\$</i>	<b>1999</b> <i>HK\$</i>
<b>Net cash (outflow)/inflow from operating activities</b>	<i>19(a)</i>	(19,012,336)	390,950
<b>Returns on investment and servicing of finance</b>			
Interest received		42,359	10,664
<b>Taxation</b>			
Hong Kong profits tax paid		(43,450)	—
<b>Investing activities</b>			
Deposits with business partners		(15,094,340)	—
Purchase of gold bullion		(21,560,400)	—
Purchase of fixed assets		(1,803,094)	(339,140)
Purchase of a subsidiary	<i>19(b)</i>	(2)	—
<b>Net cash outflow from investing activities</b>		(38,457,836)	(339,140)
<b>Net cash (outflow)/inflow before financing</b>		(57,471,263)	62,474
<b>Financing</b>			
Issue of ordinary shares		82,603,062	—
Share issue expenses		(16,345,144)	—
<b>Net cash inflow from financing</b>		66,257,918	—
<b>Increase in cash and cash equivalents</b>		8,786,655	62,474
<b>Cash and cash equivalents at 1st January</b>		28,998	(33,476)
<b>Cash and cash equivalents at 31st December</b>		8,815,653	28,998
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances		8,815,653	28,998

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## Consolidated Statement of Recognised Gains and Losses

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*For the Year Ended 31st December, 2000*

	<b>2000</b> <i>HK\$</i>	<b>1999</b> <i>HK\$</i>
Loss for the year	<u>(12,602,102)</u>	<u>(3,826,477)</u>
Total recognised loss	(12,602,102)	(3,826,477)
Goodwill eliminated directly against reserves	<u>(26,115)</u>	<u>—</u>
	<u><u>(12,628,217)</u></u>	<u><u>(3,826,477)</u></u>

## Notes to the Accounts

### 1. GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 23rd March, 2000 as an exempted company with limited liability under the Companies Law (Revised) of the Cayman Islands.

Pursuant to a group reorganisation, which was completed on 31st March, 2000, and as part of the rationalisation of the structure of the Group in preparation for a listing of the Company's shares on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the subsidiaries now comprising the Group. The shares of the Company were listed on GEM on 7th December, 2000 (the "Listing Date"). Further details of the group reorganisation are set out in the prospectus of the Company dated 30th November, 2000.

### 2. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention.

No balance sheet of the Company as at 31st December, 1999 is presented in the accounts as the Company was not incorporated on that date.

#### (b) Consolidation

The Group comprising the Company and its subsidiaries resulting from the group reorganisation is regarded as a continuing entity for the financial years presented. Accordingly, the consolidated results of the Group for the years ended 31st December, 1999 and 2000 include the results of the subsidiaries comprising the Group for the two years or from their respective dates of incorporation or acquisition to 31st December, 2000, where there is a shorter period, as if the current Group structure had been in existence and remained the same throughout the years presented.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition to 31st December, or up to the effective date of disposal, as appropriate.

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



## Notes to the Accounts

(Continued)

### 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

#### (c) Subsidiaries

A company is a subsidiary if more than 50 per cent of the issued voting capital is held for the long term or the composition of the board of directors is controlled. In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for diminution in value, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

#### (d) Goodwill

Goodwill represents the difference of purchase consideration over the fair values ascribed to the net assets of subsidiaries acquired and is written off to reserves upon acquisition.

Upon the disposal of a subsidiary, the attributable amount of goodwill previously written off to reserves is taken to the profit and loss account.

#### (e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation.

Fixed assets are depreciated at rates sufficient to write off the cost over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold improvements	15%
Furniture, fixtures and equipment	15%
Computer equipment	15%

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

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

#### (f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged to the profit and loss account on a straight line basis over the lease term.

## Notes to the Accounts

*(Continued)*

### 2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

#### **(g) Gold bullion**

Gold bullion is stated at the gold price prevailing at the close of business on the balance sheet date. Differences arising from changes in gold prices are dealt with in the profit and loss account.

#### **(h) Accounts receivable**

Provision is made against accounts receivable to the extent that they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

#### **(i) Translation of foreign currencies**

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The accounts of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Exchange differences are dealt with as a movement in reserves.

#### **(j) Revenue recognition**

Transaction fees derived from the provision of Internet-based electronic trading system are recognised when a transaction is duly executed on the trade date.

Commission from transaction handling services is recognised when the services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

#### **(k) Retirement benefit costs**

The Group contributes to a mandatory provident fund scheme which is available to all employees. Contributions to the scheme represent amounts payable at rates specified in the terms of the scheme. The Group's contributions to this scheme are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions.

## Notes to the Accounts

(Continued)

### 3. REVENUE AND TURNOVER

The Group is principally engaged in the provision of Internet-based electronic trading system to facilitate the trading of precious metals. Revenues recognised during the year are as follows:

	<b>2000</b>	<b>1999</b>
	<i>HK\$</i>	<i>HK\$</i>
Turnover		
Transaction fees	4,654,498	—
Other revenues		
Commission income	1,460	7,130
Interest income	42,359	10,664
	<u>43,819</u>	<u>17,794</u>
Total revenues	<u>4,698,317</u>	<u>17,794</u>

No analysis of the Group's turnover and contribution to loss before taxation by geographical locations is presented as more than 90% of the Group's turnover and loss before taxation were generated in Hong Kong.

### 4. LOSS BEFORE TAXATION

	<b>2000</b>	<b>1999</b>
	<i>HK\$</i>	<i>HK\$</i>
Loss before taxation is stated after crediting and charging the following:		
<i>Crediting</i>		
Unrealised revaluation gain on gold bullion	<u>90,188</u>	<u>—</u>
<i>Charging</i>		
Auditors' remuneration	600,000	8,890
Loss on disposal of fixed assets	2,418	—
Operating leases on land and buildings	<u>1,038,260</u>	<u>—</u>

## Notes to the Accounts

(Continued)

### 5. TAXATION

No Hong Kong profits tax has been provided for as there were no assessable profits for the year. In prior year, Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the year.

The amount of taxation (credited)/charged to the consolidated profit and loss account represents:

	<b>2000</b>	<b>1999</b>
	<i>HK\$</i>	<i>HK\$</i>
Hong Kong profits tax	—	1,526
Overprovision in prior year	(1,375)	—
	<u>(1,375)</u>	<u>—</u>
	<u><u>(1,375)</u></u>	<u><u>1,526</u></u>

Deferred taxation has not been accounted for as there were no significant timing differences.

### 6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$301,946.

### 7. DIVIDENDS

No dividend has been declared or paid by the Company since its date of incorporation.

### 8. LOSS PER SHARE

The basic loss per share is calculated based on the Group's loss attributable to shareholders of HK\$12,602,102 (1999: HK\$3,826,477) and on the weighted average of 1,809,070,072 (1999: 1,767,213,039) ordinary shares in issue during the year. In determining the weighted average number of shares in issue, a total of 780 shares issued in connection with the incorporation of the Company together with the capitalisation issue of 1,767,212,259 shares were deemed to be in issue since 1st January, 1999.

Diluted loss per share for the year ended 31st December, 1999 and 2000 was not presented as there were no dilutive potential ordinary shares.

## Notes to the Accounts

(Continued)

### 9. RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the profit and loss account represented contributions payable by the Group to a mandatory provident fund scheme with effect on 1st December, 2000 and amounted to HK\$171,298. In addition to the employer's mandatory contribution, the employer will contribute an additional voluntary contribution equal to 5% of monthly basic salary for employees whose monthly basic salary is higher than HK\$20,000. Employees may choose to contribute on top of the mandatory contribution a specified percentage of their basic salaries or a fixed sum as employees' voluntary contributions. The employer's mandatory contributions are fully and immediately vested to the employees. When an employee leaves the scheme, the accrued benefits from the employer's voluntary contributions are entitled to the employee in accordance with the vesting scale as laid down in the scheme. If the employer's voluntary contributions are not fully vested to the employees, such forfeited contributions may be used by the employer to reduce its level of contributions. Contributions totalling HK\$36,982 were payable to the scheme at the year end and are included in accounts payable. As at 31st December, 2000, there were no forfeited contributions available to offset future employer's contributions to the scheme.

### 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

	2000	1999
	HK\$	HK\$
<b>(a) Directors' emoluments</b>		
Fees	—	—
Basic salaries and allowances	3,271,000	—
Benefits from shares issued under a bonus share scheme	21,273,000	—
Contributions to retirement scheme	147,000	—
	<u>24,691,000</u>	<u>—</u>

All of the above were paid to the executive directors. The non-executive directors did not receive any fees or other emoluments during the years ended 31st December, 1999 and 2000.

On 6th December, 2000, 106,367,145 ordinary shares of HK\$0.01 each in the Company were issued to certain executive directors at par for cash of approximately HK\$1,064,000 under a bonus share scheme. The shares issued to these executive directors under the bonus share scheme are subject to certain selling restrictions as laid down in the scheme. Based on the issue price of HK\$0.21 per share on the Listing Date, the total value of the shares issued to these executive directors under the bonus share scheme was approximately HK\$22,337,000.

## Notes to the Accounts

(Continued)

### 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

#### (a) Directors' emoluments (Continued)

During the year, 178,448,000 options were granted to the executive directors under a pre-IPO share option plan (the "Plan") which was adopted on 6th November, 2000. Each of the options entitles the holder to subscribe for one share in the Company at HK\$0.21 each. These options are exercisable in stages in accordance with the terms of the Plan commencing on 7th June, 2001. Details of the Plan are disclosed in Note 17 to the accounts.

The emoluments of the directors fell within the following bands:

	Number of individuals	
	2000	1999
Emolument bands		
HK\$ Nil – HK\$1,000,000	4	—
HK\$1,000,001 – HK\$1,500,000	1	—
HK\$6,000,001 – HK\$6,500,000	2	—
HK\$11,000,001 – HK\$11,500,000	1	—
	8	—

The four executive directors received individual emoluments of approximately HK\$11,119,000, HK\$6,149,000, HK\$6,119,000 and HK\$1,304,000 for the year ended 31st December, 2000.

No directors waived any emoluments during the years ended 31st December, 1999 and 2000.

#### (b) Senior management's emoluments

The five highest paid individuals included four executive directors whose emoluments are detailed above. The emoluments of the remaining highest paid individual for 1999 and 2000 are analysed below:

	2000	1999
	<i>HK\$</i>	<i>HK\$</i>
Basic salaries and allowances	480,000	120,000
Benefits from shares issued under a bonus share scheme	1,120,000	—
Contributions to retirement scheme	2,000	—
	1,602,000	120,000

## Notes to the Accounts

(Continued)

### 10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

#### (b) Senior management's emoluments (Continued)

On 6th December, 2000, 5,598,271 ordinary shares of HK\$0.01 each in the Company were issued to the employee at par for cash of approximately HK\$56,000 under a bonus share scheme. The shares issued to the employee under the bonus share scheme are subject to certain selling restrictions as laid down in the scheme. Based on the issue price of HK\$0.21 per share on the Listing Date, the total value of the shares issued to the employee under the bonus share scheme was approximately HK\$1,176,000.

The emoluments of the employee fell within the following band:

	<b>Number of individuals</b>	
	<b>2000</b>	<b>1999</b>
Emolument bands		
HK\$Nil – HK\$1,000,000	—	1
HK\$1,500,001 – HK\$2,000,000	1	—
	<u>1</u>	<u>1</u>

### 11. FIXED ASSETS

#### Group

	<b>Leasehold improvements HK\$</b>	<b>Furniture, fixtures and equipment HK\$</b>	<b>Computer equipment HK\$</b>	<b>Total HK\$</b>
<b>Cost</b>				
At 1st January, 2000	—	—	339,140	339,140
Additions	472,423	138,012	1,192,659	1,803,094
Disposals	—	(2,500)	—	(2,500)
At 31st December, 2000	<u>472,423</u>	<u>135,512</u>	<u>1,531,799</u>	<u>2,139,734</u>
<b>Accumulated depreciation</b>				
At 1st January, 2000	—	—	—	—
Charge for the year	61,047	20,959	204,677	286,683
Disposals	—	(82)	—	(82)
At 31st December, 2000	<u>61,047</u>	<u>20,877</u>	<u>204,677</u>	<u>286,601</u>
<b>Net book value</b>				
At 31st December, 2000	<u>411,376</u>	<u>114,635</u>	<u>1,327,122</u>	<u>1,853,133</u>
At 31st December, 1999	<u>—</u>	<u>—</u>	<u>339,140</u>	<u>339,140</u>

## Notes to the Accounts

(Continued)

### 12. SUBSIDIARY

	Company 2000 HK\$
Unlisted shares, at cost	8
Amount due from a subsidiary	34,565,315
	34,565,323

The amount due from a subsidiary is unsecured and interest free, and has no fixed terms of repayment.

The following is a list of the subsidiaries of the Company as at 31st December, 2000:

Company	Place of incorporation/ operation	Issued and fully paid up capital	Interest held	Principal activities
Durable Gold Investments Limited	British Virgin Islands ("BVI")/BVI	Ordinary US\$1	*100%	Investment holding
The Gold On-Line Trading Limited (formerly known as Nice Hero Enterprise Limited and RNA Gold On-Line Trading Limited)	Hong Kong/ Hong Kong	Ordinary HK\$2	100%	Operation of an Internet-based electronic trading system
G9999.Com Limited (formerly known as On Perfect Enterprise Limited)	Hong Kong/ Hong Kong	Ordinary HK\$2	100%	Internet content provider
Wing Shing Loong Goldsmith & Refinery Co. Limited	Hong Kong/ Hong Kong	Ordinary HK\$5,000,000	100%	Gold bullion licence holding
Trasy Technology Limited (formerly known as Huntington Star Limited)	BVI/Hong Kong	Ordinary US\$1	100%	Research and development and software owner
Trasy Holdings Limited (formerly known as Free-net Limited)	Hong Kong/ Hong Kong	Ordinary HK\$2	100%	Dormant
United Goldnet Limited (formerly known as Hall Full Limited and Trasy Gold Ex Limited)	Hong Kong/ Hong Kong	Ordinary HK\$2	100%	Investment holding

\* Shares held directly by the Company



## Notes to the Accounts

(Continued)

### 13. OTHER ASSETS

	Group	
	2000	1999
	HK\$	HK\$
Membership licences, at cost	<u>1,180,000</u>	<u>1,180,000</u>

The membership licences represent the costs of acquiring a Bullion Group Membership and an Ordinary Membership in The Chinese Gold and Silver Exchange Society.

### 14. DEPOSITS WITH BUSINESS PARTNERS

As at 31st December, 2000, the Group had refundable deposits of HK\$15,094,340 with certain business partners pursuant to two letters of intent in connection with the following proposed investments:

- (a) a proposed investment in an entity established in Mainland China whose principal activities are the development of an Internet-based gold and jewellery trading platform; and
- (b) a proposed investment in a joint venture to be established in Mainland China with two business partners. The proposed joint venture will be engaged in the development and management of an on-line precious metals trading system and the provision of related consultancy services.

In relation to the above deposit payments, the Group paid a sum of HK\$15,094,340 to RNA Holdings Limited ("RNA") on 29th December, 2000 as a refund to RNA of equivalent amounts initially made by RNA to these business partners for and on behalf of the Group.

Subsequent to the year end, these deposits have been refunded to the Group as a result of the termination of the letter of intent in respect of the proposed investment referred to in note (b) above and the delay experienced in the development of the Internet-based gold and jewellery trading platform in respect of the proposed investment referred to in note (a) above.

### 15. ACCOUNTS RECEIVABLE AND PREPAYMENTS

As at 31st December, 2000, included in accounts receivable and prepayments were prepayments of HK\$4,752,000 to certain third parties for the provision of consultancy services to the Group for a term of two years commencing on 1st January, 2001. The consultancy services include the development of an on-line precious metals trading system, the establishment of a data centre and the marketing and promotion of the Group's business in Mainland China.

In relation to the aforesaid prepayments, the Group paid a sum of HK\$4,752,000 to RNA on 29th December, 2000 as a refund to RNA of equivalent amounts initially made by RNA to these third parties for and on behalf of the Group. Subsequent to the year end, an amount of HK\$3,000,000 has been refunded to the Group as a result of the termination of one of the consultancy service agreements in relation to the development of an on-line precious metals trading system and the establishment of a data centre.

## Notes to the Accounts

(Continued)

### 16. DEPOSIT WITH ULTIMATE HOLDING COMPANY

The amount represented a deposit paid by the Group to RNA on 29th December, 2000 pursuant to a system development agreement dated 12th October, 1999 entered into between the Group and Hing Fung Goldsmith And Refinery Company Limited ("HFG&R"), a wholly owned subsidiary of RNA. According to the terms of the agreement, the Group engaged HFG&R as a main contractor to develop an Internet-based electronic bullion dealing and settlement system for a fixed fee of US\$400,000 plus an amount up to US\$600,000 for reimbursement of costs and expenses incurred for and on behalf of the Group. Subsequent to the year end, the amount has been fully refunded to the Group.

### 17. SHARE CAPITAL

	2000	1999
	HK\$	HK\$
<i>Authorised:</i>		
180,000,000,000 ordinary shares of HK\$0.01 each	<u>1,800,000,000</u>	<u>—</u>
<i>Issued and fully paid:</i>		
2,380,000,000 ordinary shares of HK\$0.01 each	<u>23,800,000</u>	<u>5,000,018</u>

- (a) The comparative figure for the previous year represents the combined total of the issued share capital of the subsidiaries as at 31st December, 1999 prior to the group reorganisation referred to in Note 1 to the accounts.
- (b) The Company was incorporated on 23rd March, 2000 with an authorised share capital of US\$50,000 divided into 50,000 shares of US\$1 each, of which one share was allotted and issued at par to the subscriber on the date of incorporation.
- (c) In preparation for a listing of the Company's shares on GEM, the following changes in the authorised and issued share capital of the Company took place pursuant to written resolutions dated 29th September, 2000.
- (i) The currency of the authorised share capital of the Company be changed from US dollars to Hong Kong dollars at the exchange rate of US\$1.00 to HK\$7.80.
- (ii) Every authorised and issued share with par value of HK\$7.80 each was subdivided into 780 shares of HK\$0.01 each; resulting in an increase in the authorised and issued share capital to 39,000,000 shares and 780 shares respectively.

## Notes to the Accounts

(Continued)

### 17. SHARE CAPITAL (Continued)

- (iii) The authorised share capital of the Company was increased from HK\$390,000 to HK\$1,800,000,000 divided into 180,000,000,000 shares of HK\$0.01 each by the creation of an additional 179,961,000,000 shares of HK\$0.01 each. Such shares rank *pari passu* in all respects with the existing shares.
- (d) On 6th December, 2000, 2,161,493,740 shares were issued and allotted in connection with the following transactions:
  - (i) 242,800,000 shares of HK\$0.01 each were issued to the public at a premium of HK\$0.20 per share for cash totalling HK\$50,988,000. The excess of the issue price over the par value of the shares was credited to the share premium account of the Company;
  - (ii) 1,767,212,259 shares of HK\$0.01 each were issued, allotted at par and credited as fully paid by way of the capitalisation of a sum of HK\$17,672,123 out of the credit of the share premium account of the Company; and
  - (iii) 113,386,243 shares and 38,095,238 shares of HK\$0.01 each were issued, allotted at a premium of HK\$0.179 each and HK\$0.20 each respectively to two third parties upon the conversion of the loan amounts totalling HK\$29,430,000 due to these third parties by RNA under the convertible loan agreements and the subscription agreements entered into between RNA and each of these third parties. The excess of the issue price over the par value of the shares was credited to the share premium account of the Company. On 29th December, 2000, RNA remitted a sum of HK\$29,430,000 to the Company in relation to the shares issued to these third parties.
- (e) On 6th November, 2000, a bonus share scheme was approved pursuant to a written resolution of the Company under which up to 218,505,480 new shares would be allotted to certain directors and senior executives of the Company, RNA and their respective subsidiaries. On 6th December, 2000, 218,505,480 shares were issued and allotted at par for cash of HK\$2,185,055 under the bonus share scheme.
- (f) On 6th November, 2000, a share option scheme and a pre-IPO share option plan were approved pursuant to a written resolution of the Company.
  - (i) Under the share option scheme, the board of directors may, at their discretion, grant options to any full-time employees or executives of the Group which entitle them to subscribe for shares representing up to a maximum of 10% of the shares in issue of the Company from time to time (excluding shares which have been allotted and issued pursuant to the share option scheme and any other schemes). No share options were granted by the Company under the share option scheme during the year.

## Notes to the Accounts

(Continued)

### 17. SHARE CAPITAL (Continued)

- (ii) Under the pre-IPO share option plan (the "Plan"), the board of directors may, at its discretion, grant options to any full-time employees or executives of the Company, RNA and their respective subsidiaries on or before 29th November, 2000 which entitle them to subscribe for shares representing up to a maximum of 10% of the shares of the Company in issue on the Listing Date. On 29th November, 2000, 234,872,000 share options were granted under the Plan. These options are exercisable in stages in accordance with the terms of the Plan commencing on 7th June, 2001.

All of these options have a duration of ten years from the date of grant, but shall lapse where the grantee ceases to be employed by the Company, RNA or their respective subsidiaries.

### 18. RESERVES

#### Group

	Share premium HK\$	Merger reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1st January, 1999	—	—	(85,928)	(85,928)
Loss for the year	—	—	(3,826,477)	(3,826,477)
At 31st December, 1999	—	—	(3,912,405)	(3,912,405)
At 1st January, 2000	—	—	(3,912,405)	(3,912,405)
Goodwill written off	—	—	(26,115)	(26,115)
Premium on issue of shares	76,475,185	—	—	76,475,185
Capitalisation issue	(17,672,123)	—	—	(17,672,123)
Share issue expenses	(16,345,144)	—	—	(16,345,144)
Reserve arising from the group reorganisation	—	4,999,986	—	4,999,986
Loss for the year	—	—	(12,602,102)	(12,602,102)
At 31st December, 2000	42,457,918	4,999,986	(16,540,622)	30,917,282

## Notes to the Accounts

(Continued)

### 18. RESERVES (Continued)

#### Company

	Share premium HK\$	Accumulated losses HK\$	Total HK\$
Premium on issue of shares	76,475,185	—	76,475,185
Capitalisation issue	(17,672,123)	—	(17,672,123)
Share issue expenses	(16,345,144)	—	(16,345,144)
Loss for the year	—	(301,946)	(301,946)
	<u>42,457,918</u>	<u>(301,946)</u>	<u>42,155,972</u>
At 31st December, 2000	<u>42,457,918</u>	<u>(301,946)</u>	<u>42,155,972</u>

Notes:

- (a) The merger reserve of the Group represents the difference between the net worth of the subsidiaries acquired pursuant to the group reorganisation over the value of the consideration shares in exchange.
- (b) Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium of the Company is available for distribution to shareholders subject to a solvency test on the Company and the provisions of the Articles of Association of the Company. As at 31st December, 2000, in the opinion of the directors, the Company's reserves available for distribution to shareholders, comprising share premium account and accumulated losses, amounted to HK\$42,155,972.

### 19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of loss before taxation to net cash (outflow)/inflow from operating activities

	2000 HK\$	1999 HK\$
Loss before taxation	(12,603,477)	(3,824,951)
Depreciation	286,683	—
Loss on disposal of fixed assets	2,418	—
Interest income	(42,359)	(10,664)
Increase in accounts receivable and prepayments	(4,622,790)	(401,578)
Increase in deposit with ultimate holding company	(3,584,775)	—
Increase in accounts payable and accrued expenses	1,854,857	809,702
(Decrease)/increase in amount due to ultimate holding company	<u>(302,893)</u>	<u>3,818,441</u>
Net cash (outflow)/inflow from operating activities	<u>(19,012,336)</u>	<u>390,950</u>

## Notes to the Accounts

(Continued)

### 19. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

#### (b) Purchase of a subsidiary

	2000	1999
	HK\$	HK\$
Liability acquired		
Amount due to ultimate holding company	(26,113)	—
Goodwill	26,115	—
	2	—
	2	—
Satisfied by:		
Cash	2	—
	2	—

### 20. COMMITMENTS UNDER OPERATING LEASES

At 31st December, 2000, the Group had commitments to make payments in the next twelve months under operating leases which expire as follows:

	Group	
	2000	1999
	HK\$	HK\$
Land and buildings		
— in the second to fifth year inclusive	1,434,720	—
	1,434,720	—

### 21. RELATED PARTY TRANSACTIONS

Save as those disclosed in Notes 14, 15, 16 and 17(d)(iii) to the accounts, the Group had the following significant related party transactions:

- (a) Transaction fees of HK\$4,430,863 were earned from Hing Fung Goldsmith And Refinery Company Limited (“HFG&R”), a fellow subsidiary, for the year ended 31st December, 2000 (1999: Nil). The transaction fees were charged at rates in accordance with the terms of the agreement governing the transactions.
- (b) Pursuant to tenancy agreements entered into between the Group and Tem Fat Hing Fung Investments (Holdings) Limited (“TFHF Investments”), a fellow subsidiary, on 1st April, 2000 and 1st May, 2000, the Group made rental payments of HK\$940,000 to TFHF Investments for the year ended 31st December, 2000 (1999: Nil).
- (c) Pursuant to the system development agreement as referred to in Note 16, the Group paid HK\$780,000 and HK\$2,340,000 in relation to the fixed fee of the agreement and HK\$313,847 and HK\$781,378 as reimbursement of purchases of fixed assets to HFG&R for the years ended 31st December, 2000 and 31st December, 1999 respectively.

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## Notes to the Accounts

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*(Continued)*

### **21. RELATED PARTY TRANSACTIONS** *(Continued)*

- (d) Pursuant to agreements dated 1st September, 1998 and 3rd May, 1999, the Group engaged Global Investor Relations Limited ("GIRL"), a company in which a director of the Company had a 16.67% beneficial interest, to conduct business research on the viability of developing an Internet-based electronic bullion dealing and settlement system for a consultancy fee of HK\$932,000 for the year ended 31st December, 1999. No consultancy fee was payable to GIRL for the year ended 31st December, 2000.
- (e) On 12th July, 2000 and on 16th October, 2000, the Group entered into agreements with Giant Dragon Limited, a fellow subsidiary, for the latter's provision of sales and marketing support to the Group including, but not limited to, the supply of expertise and technical knowledge in the precious metals trading business for a fee based on the lower of cost plus 20% and HK\$1,000,000 per project, commencing from the Listing Date. No fee was payable by the Group under these agreements for the year ended 31st December, 2000.

### **22. ULTIMATE HOLDING COMPANY**

The ultimate holding company is RNA Holdings Limited, a company incorporated in Bermuda and listed in Hong Kong.

### **23. APPROVAL OF ACCOUNTS**

The accounts were approved by the board of directors on 26th March, 2001.