



Trasy Gold Ex Limited

(Incorporated in the Cayman Islands with Limited Liability)

Second Quarterly Report 2001

SECOND QUARTERLY REPORT 2001

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

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the Second Quarterly Report for 2001 of Trasy Gold Ex Limited ("the Company") and its subsidiaries (collectively "the Group").

The Group has recorded a turnover of 7,924,500 ounces of gold and 6,075,000 ounces of silver for the six months ended 30th June 2001 which is equivalent to a total value of approximately US\$2.2 billion.

In the second quarter of the year, the Company continued to promote the Group's on-line commodity trading platform "TRASY" to international bullion banks and commission houses and positive responses were received.

The Directors of the Company expect to see new participants in TRASY in the very near future.

FINANCIAL REVIEW

The Group recorded a net loss of approximately HK\$5,472,000 for the six months ended 30th June 2001, representing a basic loss per share of 0.230 HK cents. The unaudited consolidated profit and loss account for the three months and six months ended 30th June 2001 and the comparisons with the corresponding period in year 2000 are set out in page 12 herein.

For the six months ended 30th June 2001, the Group's unaudited consolidated turnover amounted to approximately HK\$3,209,000 (representing transaction fees from trading through TRASY of approximately 7.9 million ounces of gold and 6 million ounces of silver). In other words, turnover of approximately HK\$1,323,000 (representing transaction fees of approximately 3.3 million ounces of gold and 2.5 million ounces of silver) was recorded for the period from 1st April 2001 to 30th June 2001.

Upon comparing the loss attributable to the shareholders for the six months ended 30th June 2000, loss attributable to shareholders was decreased by about 4.29% for the six months ended 30th June 2001, which was resulting from tightening cost control.

The loss per share for the three months ended 30th June ("2nd quarter") was significantly less than that for the three months ended 31st March ("1st quarter") in year 2001, equivalent to approximately 69.32% decrease. The 7% drop in staff cost in the 2nd quarter was one of the factors contributed to such a favorable change. Another remarkable factor was the effect of revaluation of gold bullion as at 30th June 2001. A total net amount of approximately

HK\$2.9 million unrealized profit was reported in the 2nd quarter, which has been included in other administrative and operating expenses. Last but not least, the other revenue of approximately HK\$210,000 representing a net realized gain upon the disposal of gold bullion was also recorded in the 2nd quarter.

OPERATIONS REVIEW AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

The following is a review on the Group’s business operations during the six months ended 30th June 2001 together with a comparison of business objectives as set out in the Company’s Prospectus dated 30th November 2000 (the “Prospectus”) with actual business progress up to 30th June 2001.

Business Development, Marketing & Promotions

Business objective as stated in the Prospectus

Actual business progress up to 30th June 2001

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| <p>1. Continue to recruit Principals from international precious metals market makers by company visits and educating professional dealers about TRASY’s functions</p> | <ul style="list-style-type: none"> • The Company has successfully invited SocoFinance S.A. to be one of TRASY’s Principals and in March 2001, training was also conducted for their staff to start the system testing period following the installation of the trading platform. • The Company continues to introduce TRASY to the international bullion dealers and market makers via direct contacts and the participation in international gold conferences. • The Company has set-up an exhibition booth and was invited to speak about “TRASY’s trading platform” at the Australian Gold Conference held in Perth on 10th April 2001. During the gold conference, TRASY was introduced among the professional market makers and dealers who participated in the conference. |
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- The Company has introduced TRASY to a bullion bank based in London, and invited this bank to participate in TRASY's trading platform. Currently, the Company is in the stage of discussions regarding the technical issues. The participation of this bullion bank will enhance the trading volume for TRASY.
- The Company participated in the conference held by the Taiwan All Jewelers Association on 17th March 2001 in Taiwan. TRASY was introduced to the members of the Association during the conference and several meetings were held between the Company and the potential business partners in Taiwan to discuss the business plan of the Group's expansion into the region.
- The inaugural launch of the Japanese version of TRASY was exhibited and demonstrated in the First World Money Conference held in Osaka, Japan on 9th and 10th April 2001. Discussions also began with a local commodity and stock brokerage company concerning expansion of the Group's business into Japan.
- The Company is still in discussion with a Japan-based company about inviting the same as a Principal of TRASY.

2. Continue to plan and arrange public seminars jointly with newly participating Principals in Hong Kong to increase trading volume from retail Users
 - Discussion with stock brokers in Hong Kong is continuing. These stock brokers may act as a participating broker for TRASY, allowing an easy and convenient access for retail investors in Hong Kong for the trading of precious metals. Customers opening trading account with these participating stock brokers may place buy and sell orders for precious metals at the prices quoted on TRASY via the stock brokers online trading websites.
 - Further plans and public seminars will be arranged once these services are launched by the stock brokers.
3. Begin implementation of TRASY and provide training sessions to Principals throughout the Asian region after visits and negotiations
 - Discussions had been made with one of TRASY's Participating Principals in Hong Kong regarding the implementation of TRASY's front and back office solution. This would allow the Participating Principal's end-customers to transact and settle all trades via TRASY.
4. Prepare and arrange public launch campaign with newly joined Principals in the Asian regions to introduce TRASY to local retail Users
 - The Company made several visits and introduced TRASY's trading platform to precious metals traders in the Asian regions, including Japan, Taiwan, Korea and Malaysia. These potential participants are either bullion market makers, bullion brokers, or financial service companies.

- Follow up discussions are being held with these potential participants. Once detailed terms of co-operations are finalised, public launch campaigns and presentation seminars targeted at local retail Users will be arranged throughout the Asian regions.

- 5. Continue to form business alliances with other financial content providers and portals specifically in Asia and China
 - The Company formed business alliances with several well-known financial portals located in Hong Kong and overseas for broadcasting the news, commentaries and/or real-time prices provided on the Group's website g9999.com through their respective websites as follows:
 - www.852001.com – Website operated by FinanceSec.com Limited to provide internet users with an easy on-line service for acquiring quotations of loans and other financial products.
 - www.hkmoney.net – Website operated by Summer Way Limited to provide financial information for Chinese in Hong Kong, South China and North America.
 - www.etnet.com.hk – Website operated by ET Net Limited to provide financial information for professional investors.

- www.iab.gov.tr – Website operated by The Istanbul Gold Exchange to provide gold market information to its exchange members.
- The Company had begun discussions with two financial content websites in London and in the Middle-East, both have an extensive viewers from the respective regions. Alliances of information exchange and banner exchange are currently in discussion, which could enhance and enrich TRASY's contents as well as public exposure throughout the online community.
- Discussions with other financial content providers and portals specifically in Asia and China are still underway and with good progress. The Company will aggressively target to enhance the public awareness of TRASY for the trading of precious metals, as well as to increase the transparency of the precious metals market by broadcasting the trading platform's price quotations via the alliances with these content providers and portals.
- 6. Offer TRASY in other languages for Users from different countries in Asia and examine other localization possibilities
 - Japanese version of TRASY has been preliminary launched to the Japanese market through the exhibition in the First World Money Conference held in Osaka, Japan in April 2001.

- Currently, TRASY's End-User software is available in four languages, including Chinese (Simplified), Chinese (Traditional), English and Japanese. Other languages will be developed when required.
- 7. Begin preliminary introductions of TRASY to banks and commission houses in the Middle-East countries, to invite them to join as Principals of TRASY
 - The Company made a visit to Dubai in July 2001. Several meetings were held with precious metals brokers and dealers, and TRASY was introduced in the region. The Company will continue to explore business development opportunities for TRASY in the Middle-East countries.
- 8. Implement and educate participating Users regarding new functions and features of TRASY through public launch parties or educational seminars
 - New functions and features of TRASY is currently being enhanced according to customers demand (e.g. trading via other channels such as a website). Proper training will be provided once these new enhancements are developed, tested and implemented.
- 9. Conduct feasibility studies and plans to launch TRASY with trading through wireless devices
 - The development of TRASY with trading via wireless devices has been deferred since the market demand from investors trading with such technology is not sufficient for TRASY to launch such product. The Company believes that such development at the current stage is not economically justified after conducting cost and benefit analysis.

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| <p>10. Form business alliances with banks and commission houses in China to plan for any business opportunities and strategies to be implemented after liberalisation of the gold market</p> | <ul style="list-style-type: none"> • The Company held several meetings with both potential market principals (including banks and stock brokers), as well as other End-users of the precious metals market (including jewellery manufacturers and gold mining companies) to discuss and demonstrate TRASY. Feedbacks are positive, and the Company is building a solid business network and relationship in China in preparing for the market penetration once the Chinese gold market liberalises.
 • The Company participated in the China World Gold Expo. 2001 during 19th to 21st June 2001 and set up an exhibition booth to demonstrate TRASY and its technology. |
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Research and Development

Business objective as stated in the Prospectus

1. Continue server system throughput and reliability enhancement

2. Increase product handling capacity for business diversification

Actual business progress up to 30th June 2001

Continue server system enhancement and the enhanced data backup process increases the system's reliability. The system throughput was proved satisfactory to the current business volume and provide enough room for future business expansion. Therefore hardware upgrade is not necessary at this stage.

The feasibility of increasing product handling capacity was studied. The client and server systems are under development in order to adapt to the increase in product handling capacity.

3. Continue to enhance throughput and reliability of credit gateway system

A number of versions of credit gateway system have been implemented for research purpose and precise testing is in progress.
4. Continue client software enhancement

The improvement of client software continues. An open client programming interface was introduced which allows future development of web client front-ends.
5. Continue wireless device trading development and begin testing

A study on wireless device trading indicates that the wireless link quality and handheld devices' processing power cannot satisfy our trading specification, and therefore the development of wireless device trading has been suspended for the moment. However, the development team will closely monitor the wireless technologies and once the technologies become matured and meet our trading specification requirement, the Company will provide wireless device trading.
6. Software security enhancement study (e.g. token password)

A study on the application of token password on client software shows that such application is user-unfriendly. Moreover, the high-cost and redundant operation make it inefficient to implement token password.
7. Begin to form technical alliances with international high-tech companies

The Company has identified and begun negotiation with several international high-tech companies for the establishment of technical alliances to minimise the running cost.
8. Develop Japanese, Korean, Thai and Indian language support for user interfaces

The user interface of Japanese language was developed and further testing on different Japanese operating system machines is needed. Other languages' user interfaces are under development and testing, and will be launched according to the business expansion plan in different regions.

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| <p>9. Conduct research on expanding & strengthening TRASY's communication network with a global trading backbone</p> | <p>Discussions between several data centers and different local providers for the provision of a stable and high-speed backbone connection for TRASY is in progress.</p> |
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Operation and Development

Business objective as stated in the Prospectus

Actual business progress up to 30th June 2001

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| <p>1. Liaise with China and Asian regions data centers to provide IT infrastructure for local principals</p> | <p>The Group's technical team had interviews with several potential network providers and prepared proposals for the extension of network to potential Principals. The IT infrastructure is ready and is made available to any newly-joined principal.</p> |
| <p>2. Develop trading backbone for China and Asian regions</p> | <p>Discussion with different ISP. on the development of trading backbone for China and Asian regions is in progress.</p> |
| <p>3. Continue to enhance infrastructure security on network penetration and network traffic protection</p> | <p>Having reviewed different solutions to provide a redundancy on TRASY network, the enhancement of network infrastructure in this aspect is in progress.</p> |
| <p>4. Liaise with Middle East regions data centers to provide IT infrastructure for local principals</p> | <p>The Company has begun discussion with different local data center providers on the solution and IT infrastructure for Middle East regions data centers.</p> |

The Company has spent about HK\$8.6 million (including working capital) during the six months ended 30th June 2001 to achieve the business objectives as above mentioned.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three and six months ended 30th June 2001

The Board of Directors (“the Board”) of the Company is pleased to announce the unaudited consolidated results of the Group for the three and six months ended 30th June 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Three months		Six months	
		Ended 30th June		Ended 30th June	
		2001	2000	2001	2000
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	1,323	992	3,209	1,202
Other revenues		212	–	282	2
		<u>1,535</u>	<u>992</u>	<u>3,491</u>	<u>1,204</u>
Software research and development costs		–	–	–	(780)
Staff costs		(2,743)	(1,566)	(5,689)	(2,588)
Depreciation		(83)	(70)	(164)	(134)
Marketing and promotion expenses		(445)	(407)	(749)	(485)
Other administrative and operating expenses		444	(2,089)	(2,361)	(2,937)
		<u>(2,827)</u>	<u>(4,132)</u>	<u>(8,963)</u>	<u>(6,924)</u>
Loss before taxation		(1,292)	(3,140)	(5,472)	(5,720)
Taxation credit	3	–	–	–	3
Loss attributable to shareholders		<u>(1,292)</u>	<u>(3,140)</u>	<u>(5,472)</u>	<u>(5,717)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Loss per share	4	<u>(0.054)</u>	<u>(0.178)</u>	<u>(0.230)</u>	<u>(0.324)</u>

Notes:

1. Basis of presentation

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 the listing of the Company's shares on GEM of the Stock Exchange, 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.

The unaudited results of the Group are prepared under the historical cost convention and in accordance with generally accepted accounting principles in Hong Kong. In the opinion of the Board, the above presents fairly the results of the Group as a whole.

The Group comprising the Company and its subsidiaries resulting from the group reorganization is regarded as a continuing entity for the financial periods presented.

2. 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.

3. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profits in Hong Kong for the six months period ended 30th June 2001.

The taxation credit for the six months ended 30th June 2000 represented the over provision in 1999.

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

4. Loss per share

(a) Basic loss per share

The basic loss per share for the three months and six months ended 30th June 2001 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$1,292,201 and HK\$5,472,214 (2000: HK\$3,139,799 and HK\$5,717,493) and the weighted average number of 2,380,000,000 and 2,380,000,000 (2000: 1,767,213,039 and 1,767,213,039) ordinary shares in issue during the periods concerned. 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 2000.

(b) Diluted loss per share

Diluted loss per share for the three months and six months ended 30th June respectively in 2001 and 2000 was not presented as there were no dilutive potential ordinary shares.

5. Interim dividend

The Directors have resolved not to declare the payment of an interim dividend for the period (2000: Nil)

6. Reserves

There were no movements in the reserves for the three months and six months ended 30th June respectively in 2001 and 2000.

DIRECTORS' INTERESTS IN SHARES

As at 30th June 2001, the interest of the Directors, chief executives and their associates in the share capital of the Company, and 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 <i>(Note 1)</i>	Family Interest	Corporate interest	Pre-IPO Share Options <i>(Note 2)</i>
Sit Chun Sze	27,991,354	–	–	44,152,000
Chan Kee Chee, Keith	27,991,354	–	–	44,152,000

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 GEM on the Listing Date up to the end of the first 6 months after the Listing Date	100
From the 7th month after the Listing Date up to the end of the 12th month after the Listing Date	75
From the 13th month after the Listing Date up to the end of the 24th month after the Listing Date	50

2. Pre-IPO Share Options were granted to certain Directors under the Pre-IPO Share Option Plan. As at 30th June 2001, the Company has 227,386,000 outstanding Pre-IPO Share Options, the exercisable period of which are set out in sub-paragraph (f) of the paragraphs headed "Pre-IPO Share Option Plan" in Appendix VI of the Prospectus.

DIRECTORS' RIGHT TO ACQUIRE SHARES

During the period for the six months ended 30th June 2001, no share options were granted by the Company under the share option scheme adopted by the Company on 6th November 2000. Details of the terms of the scheme are set out in the paragraphs headed "Share Option Scheme" in Appendix VI of the Prospectus.

Save as disclosed above, at no time during the six months ended 30th June 2001 was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2001, 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	<i>Notes</i>	Number of Shares	Percentage of Shareholding
Golden Rabbit Enterprises Limited	<i>1</i>	1,391,435,322	58.4637
RNA Holdings Limited	<i>2</i>	1,391,435,322	58.4637

Notes:

- 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").
- RNA, through its interest in Golden Rabbit, is deemed to be interested in the Company.

COMPETING INTERESTS

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

SPONSOR'S INTERESTS

As of 30th June 2001, BOCI Asia Limited ("BOCI Asia"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) did not have any interests in the shares of the Company or any rights to subscribe for or to nominate persons to subscribe for the shares of the Company.

Pursuant to the sponsorship agreement dated 30th November 2000 entered between the Company and BOCI Asia, BOCI Asia has been appointed as sponsor of the Company for the period from 7th December 2000 to 31st December 2002 and the Company shall pay an agreed fee to BOCI Asia for its provision of services.

AUDIT COMMITTEE

The Company established an audit committee on 19th October 2000 with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The audit committee comprises the Qualified Accountant of the Company and two Independent Non-executive Directors.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months period ended 30th June 2001. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the period.

On behalf of the Board
Sit Chun Sze
Chairman

Hong Kong, 8th August 2001