



Trasy Gold Ex Limited

(Incorporated in the Cayman Islands with Limited Liability)



Third Quarterly Report 2001

THIRD 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 Third Quarterly Report for 2001 of the Company and its subsidiaries (the "Group").

The terrorist attack in the United States on 11th September 2001 has brought tremendous damages and fears to the whole world and the global economic slowdown will inevitably accelerate. The unstable political situation, the rapid cut in interest rates and the switch of funds from other markets to the commodity sector pushed gold price from US\$271 per ounce to a high of US\$298 per ounce within a short period of time.

Undoubtedly, gold and other precious metals will obtain more attention from fund managers and individual investors in the coming days and hopefully the bullion market will slowly regain some of its glitter.

The Company is concentrating on the promotion of our on-line precious metals trading platform "TRASY" in the final quarter of this year and to secure more participants in TRASY.

FINANCIAL HIGHLIGHTS

	For the three months period ended		
	30th September 2001 (HK\$ '000)	30th June 2001 (HK\$ '000)	31st March 2001 (HK\$ '000)
Turnover	1,258	1,323	1,887
Unrealized gain/(loss) on gold bullion – net	3,773	2,012	(1,162)
Staff costs	(2,315)	(2,743)	(2,946)
Marketing and promotion expenses	(324)	(445)	(304)
Profit/(loss) before taxation	657	(1,292)	(4,180)
Earnings/(loss) per share (in HK cents)	0.028	(0.054)	(0.176)

Note: The results for the three-month periods ended 31st March and 30th June in 2001 are extracted from the first and second quarterly reports respectively in 2001 (after appropriate reclassifications for comparison purpose).

FINANCIAL REVIEW

The Group recorded a net loss of approximately HK\$4,815,000 for the nine months ended 30th September 2001, representing a basic loss per share of 0.202 HK cents. The unaudited consolidated profit and loss account for the three months and nine months ended 30th September 2001 and the comparisons with the corresponding period in 2000 are set out in page 5 herein.

For the nine months ended 30th September 2001, the Group's unaudited consolidated turnover amounted to approximately HK\$4,468,000 (representing transaction fees from trading through TRASY of approximately 10.7 million ounces of gold and 14.8 million ounces of silver). For the period from 1st July 2001 to 30th September 2001, turnover of approximately HK\$1,258,000 (representing transaction fees of approximately 2.8 million ounces of gold and 8.7 million ounces of silver) was recorded.

Upon comparing the loss attributable to shareholders for the nine months ended 30th September 2000, the loss attributable to shareholders has decreased by about 59% for the nine months ended 30th September 2001, which is the result of tightening of cost control and the substantial amount of unrealized gain on revaluation of gold bullion.

The financial performance of the Group for the quarter ended 30th September 2001 ("3rd Quarter") was further improved since its listing on GEM on 7th December 2000 ("the Listing Date") as an amount of approximately HK\$657,000 profit attributable to shareholders was recorded. The 16% drop in staff cost in the 3rd Quarter was one of the factors contributed to the improvement. Another remarkable factor was the effect of revaluation of gold bullion as at 30th September 2001. A net amount of approximately HK\$3.8 million unrealized gain and approximately HK\$439,000 realized loss on gold bullion sold (which has been included in other administrative and operating expenses) were reported in the 3rd Quarter.

OPERATIONS REVIEW

Principal Recruitment

During the 3rd Quarter, the Company has negotiations with several stockbrokers in Hong Kong and other Asian regions to invite them to act as participants in TRASY. Among the stockbrokers currently in discussion, one has already begun trading on TRASY, and is expected to launch precious metals trading services to its customers soon. With such cooperation, the stockbrokers' customers can additionally invest in precious metals.

Furthermore, the Company is in the final stage of discussion with an international bullion market maker to participate in TRASY.

Business Developments in the Middle-East and India

The Company made several visits to the Middle-East and India and discussions are continuing with potential partners and participants in these regions. The Company believes that the trading volume and number of retail investors involved in precious metals trading are quite substantial in the Middle-East and India and would apparently further enhance liquidity of TRASY.

Trasy's Back-Office Solutions

On 3rd September 2001, The Gold On-Line Trading Limited ("Gold On-Line"), a wholly owned subsidiary of the Company, entered into a software license agreement with Tai Fook Bullion Limited ("Tai Fook"). Under the terms of the Agreement, Gold On-Line will provide to Tai Fook the right of use of TRASY's Back-Office Solutions, for the purpose of settlements for bullion trading. Tai Fook has since begun using TRASY's Back-Office Solutions.

Business Alliances

In the 3rd Quarter, the Business Development Department of the Company successfully increased the content within the Group's precious metals information website www.g9999.com, through the establishment of an alliance with an UK online precious metals portal, TheBullionDesk.com. This alliance has increased g9999.com's content with daily Top 10 Gold & Silver stories.

The Company is also in the final stage of discussions with financial portals and stock brokerage and gold related websites throughout the Greater China region to have TRASY's dealable precious metals' prices broadcast onto their websites. This would further raise the status and prestige of TRASY in preparation for the liberalisation of the China gold market.

Exploring Business Opportunities in PRC

The Company sponsored the 5th Annual RNA China Gold & Precious Metals Conference held in Shenzhen on 13th to 14th September 2001. Gold mining companies and jewellery manufacturers throughout China, as well as other international bullion banks and traders, attended this conference.

Furthermore, during the period of 13th to 16th September 2001, the Company has sponsored an exhibition booth at the Shenzhen International Jewellery Fair. A demonstration of TRASY was presented at the exhibition. Approximately 800 exhibitors participated in the exhibition which attracted thousands of visitors from overseas and China.

Diversification of TRASY's Usage

Discussions are continuing with an international financial institution regarding the expansion of TRASY into other financial products such as foreign exchange, other commodities and derivatives products.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three and nine months ended 30th September 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 nine months ended 30th September 2001 together with the comparative unaudited figures for the corresponding periods in 2000 as follows:

	Notes	Three months Ended 30th September		Nine months Ended 30th September	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	2	1,258	1,413	4,468	2,615
Other revenues		3	–	284	1
Unrealized gain on gold bullion – net		3,773	–	4,623	–
		<u>5,034</u>	<u>1,413</u>	<u>9,375</u>	<u>2,616</u>
Software research and development costs		–	–	–	(780)
Staff costs		(2,315)	(2,204)	(8,004)	(4,792)
Depreciation		(83)	(76)	(247)	(210)
Marketing and promotion expenses		(324)	(399)	(1,073)	(884)
Other administrative and operating expenses		(1,655)	(4,657)	(4,866)	(7,594)
		<u>(4,377)</u>	<u>(7,336)</u>	<u>(14,190)</u>	<u>(14,260)</u>
Profit/(loss) before taxation		657	(5,923)	(4,815)	(11,644)
Taxation credit	3	–	–	–	3
Profit/(loss) attributable to shareholders		<u>657</u>	<u>(5,923)</u>	<u>(4,815)</u>	<u>(11,641)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Earnings/(loss) per share	4	<u>0.028</u>	<u>(0.335)</u>	<u>(0.202)</u>	<u>(0.659)</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 the Listing Date. Further details of the group reorganisation are set out in the Prospectus of the Company dated 30th November 2000 ("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 nine months period ended 30th September 2001.

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

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

4. Earnings/(loss) per share

(a) Basic earnings/(loss) per share

The basic earnings/(loss) per share for the three months and nine months ended 30th September 2001 is based on the respective unaudited consolidated profit/(loss) attributable to shareholders of HK\$657,000 and HK\$(4,815,000) (2000: HK\$(5,923,000) and HK\$(11,641,000) 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 respective periods. 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 earnings/(loss) per share

Diluted loss per share for the three months ended 30th September 2000 and nine months ended 30th September respectively in 2001 and 2000 were not presented as there were no dilutive potential ordinary shares. Besides, as the exercise price under the Pre-IPO Share Option Plan is higher than the average market value during the period from 1st July 2001 to 30th September 2001, no potential ordinary share under the Pre-IPO Share Option Plan is deemed to be issued for nil consideration; hence, no diluted earnings per share for the three months ended 30th September 2001 was provided.

5. Interim dividend

The Directors do not recommend the payment of an interim dividend for the period (2000: Nil).

6. Reserves

There were no movements in the reserves other than profit and loss for the three months and nine months ended 30th September respectively in 2001 and 2000.

DIRECTORS' INTERESTS IN SHARES

As at 30th September 2001, the interest of the Directors, chief executives and their associates in the share capital of the Company, and any of its associated corporations (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 are subject to “lock-up” arrangement as follows:

	% of entitlement under lock-up
From 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 September 2001, the Company has 127,172,000 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 nine months ended 30th September 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 nine months ended 30th September 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 September 2001, the register of substantial shareholders maintained by the Company pursuant to Section 16(1) of the 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:

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.

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 September 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 Third Quarterly Results has been reviewed by 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 nine months period ended 30th September 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, 9th November 2001