



Trasy Gold Ex Limited

(Incorporated in the Cayman Islands with Limited Liability)

Annual Report 2001



www.trasy.com

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

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 in order to obtain up-to-date information on GEM-listed issuers.

The Stock Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

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Corporate Information

BOARD OF DIRECTORS

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

* *Non-executive Directors*

** *Independent Non-executive Directors*

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

Moore Stephens
905 Silvercord, Tower II
30 Canton Road
Tsimshatsui
Kowloon
Hong Kong

LEGAL ADVISERS

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

As to Cayman Islands law
Conyers Dill & Pearman
Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

REGISTERED OFFICE

Century Yard
Cricket Square
Hutchins Drive
P.O. Box 2681GT
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

Corporate Information

(Continued)

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
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

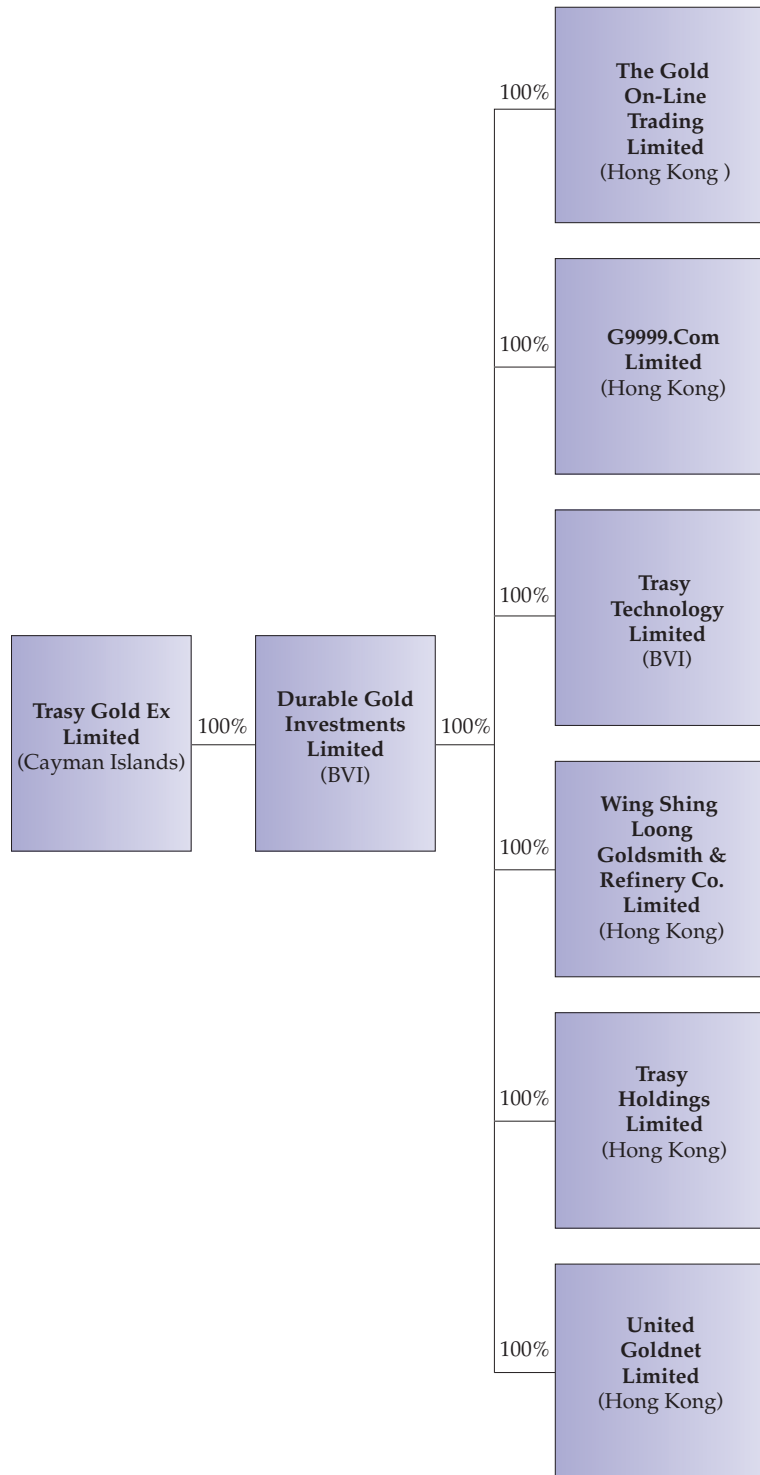
PRINCIPAL BANKERS

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

GEM STOCK CODE

8063

Corporate Structure



Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 1st Floor, Cheung Fat Building, 7-9 Hill Road, Western District, Hong Kong on Tuesday, 30th April, 2002 at 9:00 a.m. for the following purposes:

1. To receive and consider the audited consolidated financial statements and the reports of the Directors and Auditors of the Company and its subsidiaries for the year ended 31st December, 2001;
2. To re-elect Directors and to authorise the Directors to fix their remuneration;
3. To re-appoint Moore Stephens as Auditors and to authorise the Directors to fix their remuneration; and
4. **"THAT:**
 - (i) subject to paragraph (iii) of this Resolution, and pursuant to the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited, the exercise by the Directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (ii) the approval in paragraph (i) of this Resolution shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (iii) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise) by the Directors pursuant to the approval in paragraph (i) of this Resolution, otherwise than pursuant to (a) a Rights Issue; or (b) the exercise of subscription rights under any share option scheme of the Company or any other option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries or such other persons eligible to participate in any such scheme(s) or arrangement(s) of shares or rights to acquire shares of the Company; or (c) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares in accordance with the Articles of Association of the Company in force from time to time; or (d) any issue of shares in the Company upon the exercise of rights of subscription or conversion under the terms of any existing warrants of the Company or any existing securities of the Company which carry rights to subscribe for are convertible into shares of the Company, shall not exceed the aggregate of:
 - (a) 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution; and

Notice of Annual General Meeting

(Continued)

- (b) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this Resolution (up to a maximum equivalent to 10% of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this Resolution); and

the authority pursuant to paragraph (i) of this Resolution shall be limited accordingly; and

- (iv) for the purpose of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company, or any other applicable law of the Cayman Islands to be held; and
- (c) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.

“Rights Issue” means an offer of shares in the Company, or offer or issue of warrants, options or other securities giving rights to subscribe for shares open for a period fixed by the Directors to holders of shares in the Company on the register on a fixed record date in proportion to their holdings of shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction applicable to the Company, or any recognised regulatory body or any stock exchange applicable to the Company).”

As special business, to consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

ORDINARY RESOLUTIONS

5. **“THAT:**

- (i) subject to paragraph (ii) of this Resolution, the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to purchase its shares on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited or any other stock exchange on which the shares of the Company may be listed and recognised by the Securities and Futures Commission and The Stock

Notice of Annual General Meeting

(Continued)

Exchange of Hong Kong Limited for such purpose, and otherwise in accordance with the rules and regulations of the Securities and Futures Commission, The Stock Exchange of Hong Kong Limited or of any other stock exchange as amended from time to time and all applicable laws in this regard, be and the same is hereby generally and unconditionally approved;

- (ii) the aggregate nominal amount of shares of the Company which may be purchased by the Company pursuant to the approval in paragraph (i) of this Resolution during the Relevant Period shall not exceed 10% of the aggregate nominal amount of the issued share capital of the Company as at the date of the passing of this Resolution and the authority pursuant to paragraph (i) of this Resolution shall be limited accordingly; and
- (iii) for the purpose of this Resolution:

“Relevant Period” means the period from the date of the passing of this Resolution until whichever is the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Memorandum and Articles of Association of the Company, or any other applicable law of the Cayman Islands to be held; and
 - (c) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this Resolution.”
6. **“THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph 5(i) of Resolution no. 4 set out in the notice convening this meeting in respect of the share capital of the Company referred to in sub-paragraph (b) of paragraph (iii) of such Resolution.”
7. **“THAT** conditional on The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in the shares of HK\$0.01 each in the capital of the Company (“Shares”) which may fall to be issued pursuant to the new share option scheme (“New Share Option Scheme”) (a copy of the rules of the New Share Option Scheme is produced before the meeting and marked “A” and signed by the Chairman of the meeting for the purpose of identification):
- (i) the Share Option Scheme of the Company adopted on 6th November, 2000 be and is hereby terminated; and

Notice of Annual General Meeting

(Continued)

- (ii) the rules of the New Share Option Scheme be and are hereby approved and adopted and that the Directors be and they are hereby authorised to implement the same and to grant options thereunder and to allot and issue Shares pursuant thereto.”

By Order of the Board
Sit Chun Sze
Chairman

Hong Kong, 25th March, 2002

Principal Place of Business:
14th Floor, Cheung Fat Building
7-9 Hill Road, Western District
Hong Kong

Notes:

1. A shareholder entitled to attend and vote at the meeting is entitled to appoint a person or persons as his proxy or proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. To be valid, a form of proxy, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited with the Company's branch registrar in Hong Kong, Central Registration Hong Kong Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting, and in default thereof the form of proxy shall not be treated as valid.

Chairman's Statement

I present to the Shareholders the 2001 Annual Report of Trasy Gold Ex Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31st December, 2001.

RESULTS

The Group recorded a total turnover of approximately HK\$5,370,000 (2000: approximately HK\$4,654,000) and net loss from operations attributable to shareholders of approximately HK\$10,411,000 for the year ended 31st December, 2001 (2000: approximately HK\$12,602,000).

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2001 (2000: nil).

BUSINESS REVIEW

The continuous declining business sentiment, and consumer confidence since the beginning of the year and the terrorist attack in the United States on 11th September, 2001 have brought serious damages to the whole world economy. In view of all the uncertainties, the bullion market regained same attention and participation from fund managers and investors which was reflected in the volatility of the prices of gold, silver and platinum in the last quarter.

Our on-line precious metals trading platform "TRASY" has recorded a total turnover of 12.4 million ounces of gold (2000: 11.6 million ounces) and 28.1 million ounces of silver (2000: 7.8 million ounces) which is equivalent to more than US Dollars 3.4 billion for the whole year.

In the coming year, the Group will concentrate to promote "TRASY" especially in Hong Kong, Mainland China and India to investors, bullion banks, commission houses and miners. Moreover, the Group will continue to look for suitable financial products related e-business partners to expand the product range to be traded through TRASY.

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, I would like to extend our thanks to all management and staff of the Group for their hard work and dedication over the past year.

Sit Chun Sze
Chairman

Hong Kong, 20th March, 2002

Management Discussion and Analysis

FINANCIAL HIGHLIGHTS

For the quarter ended

	Q4 31st Dec 01 <i>HK\$'000</i>	Q3 30th Sept 01 <i>HK\$'000</i>	Q2 30th Jun 01 <i>HK\$'000</i>	Q1 31st Mar 01 <i>HK\$'000</i>
Turnover	902	1,258	1,323	1,887
Unrealized gain/(loss) on gold bullion – net	(2,583)	3,773	2,012	(1,162)
Staff costs	(2,636)	(2,315)	(2,743)	(2,946)
Marketing and promotion expenses	(243)	(324)	(445)	(304)
Profit/(loss) before taxation	<u>(5,593)</u>	<u>657</u>	<u>(1,292)</u>	<u>(4,180)</u>
Earnings/(loss) per share (in HK cents)	<u>(0.235)</u>	<u>0.028</u>	<u>(0.054)</u>	<u>(0.176)</u>

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

FINANCIAL SUMMARY

Audited Consolidated Results for the year ended 31st December

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover	5,370	4,654	–
Unrealized gain on gold bullion – net	2,040	90	–
Operating Expenditures*	(18,436)	(17,392)	(3,843)
Loss before taxation	<u>(10,408)</u>	<u>(12,603)</u>	<u>(3,825)</u>
Loss per share (in HK cents)	<u>(0.437)</u>	<u>(0.697)</u>	<u>(0.217)</u>

* It includes staff costs, software research and development costs, depreciation, marketing and promotion expenses and administrative expenses (after appropriate reclassifications for comparison purposes).

Management Discussion and Analysis

(Continued)

FINANCIAL SUMMARY (Continued)

Assets and Liabilities (as at 31st December)

	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Non-current Assets	2,781	3,033	1,519
Current Assets	<u>47,257</u>	<u>54,364</u>	<u>715</u>
Total Assets	50,038	57,397	2,234
Current Liabilities	<u>(5,732)</u>	<u>(2,680)</u>	<u>(1,146)</u>
Shareholders' funds	<u><u>44,306</u></u>	<u><u>54,717</u></u>	<u><u>1,088</u></u>

FINANCIAL REVIEW

The Group recorded a net loss of approximately HK\$10,411,000 for the year ended 31st December, 2001 (2000: a net loss of approximately HK\$12,602,000), representing a basic loss per share of 0.437 HK cents (2000: a basic loss per share of 0.697 HK cents).

For the year ended 31st December, 2001, the Group's audited consolidated turnover amounted to approximately HK\$5,370,000 (year ended 31st December, 2000: approximately HK\$4,654,000), mainly representing transaction fees from trading through TRASY of approximately 12.4 million ounces of gold (year ended 31st December, 2000: 11.6 million ounces) and 28.1 million ounces of silver (year ended 31st December, 2000: 7.8 million ounces). The Directors considered such performance was satisfactory under the global economic downturn environment in 2001.

Upon comparing the loss attributable to the shareholders in 2000, the loss attributable to shareholders was decreased by about 17% in 2001, which was mainly caused by the substantial amount of unrealized gain on gold bullion. Besides, the prudent cost management exercised by the Group since the beginning of the 3rd quarter in 2001 also played a key role in the cost reduction process. Excluding the effect of unrealised gain/loss on gold bullion, it resulted in a continuous decrement in the loss before taxation from approximately HK\$3,304,000 recorded in Q2 to approximately HK\$3,010,000 in Q4 of 2001. The positive cost management exerted on the Group became more prominent when looking into the loss per share (the "LPS"). The LPS in 2001 was about 37.3% lower than that in 2000.

Management Discussion and Analysis

(Continued)

FINANCIAL REVIEW *(Continued)*

Liquidity and Financial Resources

The liquidity of the Group remained healthy as the total amount of current assets was about 7.24 times more than that of current liabilities (as at 31st December, 2000: 19.29 times more); no long-term liabilities were borne by the Group as at 31st December, 2001 (as at 31st December, 2000: Nil). The Directors of the Group considered that the healthy financial position of the Group could be sustained, and up to the date of this report, no debt financing activities are being undergone or proposed to be carried out. The Group's gearing ratio, representing total long-term debts divided by total shareholders' equity, was zero as at 31st December, 2001 (2000: Nil). Besides, same as last year, the Group's assets and liabilities are mainly denominated in Hong Kong dollars; the Directors do not consider that the Group is significantly exposed to any material foreign currency exchange risk. In 2001, there was no change in the Company's share capital (In 2000, there were changes to share capital in preparation for and listing of the Company's shares on GEM, details please refer to 2000 annual report).

Material acquisitions and disposals during the year and future plans for material investments

There was no material acquisitions and disposals of investments by the Group during the years ended 31st December, 2001 and 2000 and no significant investments were held by the Group as at 31st December, 2001 and 2000. The Group is now looking for the possibilities of forming alliances with some strategic partners. The Group intends to finance the expansion by its internal resources.

New products and services

The Group developed a bullion settlement system for the trade settlement of Loco London Gold and Silver and Hong Kong Tael Gold. The Group is considering the possibility of distribution of this product in Hong Kong and regionally to precious metal dealers.

Employees Information

The total number of employees (including Directors) was 26 as at 31st December, 2001 (31st December, 2000: 28), and the total remuneration for the year 2001 was about HK\$9.9 million (2000: about HK\$7.3 million). Other benefits provided by the Group include medical coverage and share option. The increase in staff costs was mainly due to the salary adjustments to staff and directors made at the beginning of the year 2001 in order to recognize their contributions to the Group in 2000, in which the Company was listed on GEM.

Charges on Group assets

During the year ended 31st December, 2001 and 2000, none of the Group's assets were pledged.

Management Discussion and Analysis

(Continued)

FINANCIAL REVIEW (Continued)

Contingent liabilities

Up to the date of this report, no contingent liabilities were noted by the Directors.

Segmental information

No analysis of the Group's turnover and its contribution to loss before taxation by principal activities for the years ended 31st December 2001 and 2000 are presented as more than 90% of the Group's turnover and loss before taxation related to provision and operation of an Internet-based electronic trading system to facilitate the trading of precious metals in Hong Kong.

Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2001 (2000: nil).

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 TRASY's trading platform solution, so that their on-line customers could trade precious metals with those stockbrokers using TRASY's trading platform. 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 to cope with the opening of the precious metals market in China.

Management Discussion and Analysis

(Continued)

BUSINESS DEVELOPMENT *(Continued)*

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

(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 exploring other markets as well as expanding 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 of TRASY's trading platform to other financial products.

(d) Negotiation for Joint Ventures

China and India

The Directors believe that localisation is the key to TRASY's business development among other geographical regions. Therefore, the Group is negotiating with potential partners in China and India for the formation of joint ventures. The Directors expect these potential joint ventures could help to expand the user network for TRASY's trading platform, 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 when the markets liberalise, especially in China. Public seminars and education programs will be implemented via these proposed joint ventures to promote TRASY's trading platform and to build up the brand name of TRASY.

(e) Continuing Networking Activities

The Group is actively exploring business opportunities in other countries like Malaysia and Australia. The Group joined the membership of The Australian Gold Council in 2001 and participated in the Australian Gold Conference held in April 2001. The Group believes such activities could help to increase the public awareness of TRASY among the international precious metals market. In addition, the Group has always been in contact with overseas bullion houses.

Management Discussion and Analysis

(Continued)

BUSINESS DEVELOPMENT (Continued)

(ii) Information Licensing to Financial Content Providers & Web Alliances

One of the Group's missions is to provide an easy access means to investors for precious metals market information, so that investors can be well informed of the latest market trend by such increase in 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.

In order to promote TRASY's trading platform and enhance the Company's brand name within the on-line network, the Group has arranged business alliance schemes with the websites listed below. These business alliance schemes involve activities such as banner exchange, content exchange and the broadcast of TRASY's trading platform's precious metals price quotations onto their websites.

These financial content providers include three major categories:

1. *International Financial Information Providers*

www.thebulliondesk.com – an independent website providing the global investment community with precious metals information. A content exchange alliance has been arranged in which TRASY's precious metals prices are posted onto thebulliondesk.com and in turn g9999.com receives and posts daily market news from thebulliondesk.com.

During the year, the Company has also entered into discussions with 4 other global financial information providers for distribution of TRASY's precious metals' prices and information. It is now in the final stage of solving the technicalities of the alliance.

Management Discussion and Analysis

(Continued)

BUSINESS DEVELOPMENT (Continued)

(ii) Information Licensing to Financial Content Providers & Web Alliances (Continued)

2. Financial Websites and Portals

Hong Kong

www.etnet.com.hk – operated by ET Net Limited to provide financial information for professional investors.

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 – 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.

During the year, the Company has entered into discussions with other major local financial portals to develop alliances to broaden its exposure amongst the investment communities. Currently, the Company is in the final stage of discussions of technical feasibility for the delivery of precious metals information to such websites.

Taiwan

www.lanhwa.com – Lan Hwa Trading Co., Ltd is the wholesaler and importer/exporter of golden jewellery in Taiwan, providing updated information to the Taiwanese traders.

China

www.cjsquare.net – Shenzhen Huayi Jewelry Network Co., Ltd. as the only one content release website appointed by the ShenZhen Gold Jewelry association, its business line is information research, IP-service, E-Shopping, etc.

As the China market continues with further liberalisation in the precious metals market, there is increased viewer interest and demand for international precious metals news and information. In order to seize such opportunities, a number of Mainland Chinese portals are in discussion for such alliances with the Company. Some are in the final stage of discussion.

Other

www.iab.gov.tr – operated by Istanbul Gold Exchange to provide gold market information to its exchange members.

Management Discussion and Analysis

(Continued)

BUSINESS DEVELOPMENT (Continued)

(ii) Information Licensing to Financial Content Providers & Web Alliances (Continued)

3. *Financial Magazines*

www.platts.com – Platts is the world’s largest energy information provider, specializing in news, prices, data, analysis, analytical tools, geospatial systems, research and consultancy for the complete spectrum of the energy industry. Platts is currently posting TRASY’s precious metals prices onto its websites with discussions for further avenues of co-operation.

(iii) 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.

Due to the additional precious metals’ content and other value-added features on g9999.com as well as additional business alliances, the viewing audience of g9999.com has significantly increased. Throughout the year, the site has seen its hit rates rise to an average monthly of well over 600,000 hits. The hit rates were well above the monthly average in the latter stages of the year, reaching a yearly high of 1,079,478 hits in October 2001.

(iv) Expansion of Other Value-Added Products and Services

Development of a Precious Metals Charting System

The Company had entered into discussions with a local financial portal to discuss the development and distribution of an interactive precious metals charting system. The alliance would involve the development of the system by the financial portal and the information under this system will be available for subscription by the retail investors throughout Greater China. The first market for using the said charting system will be existing TRASY end-Users and the online subscription members of the financial portal in discussion.

Re-Packaging and Distribution of Precious Metals’ Market Information

The Company had entered into discussions with 2 global financial information providers for the re-packaging and distribution of precious metals market news and information. Such discussions have involved the provision of precious metals information by the Company with additions of other investment news and data by the corresponding firm, these information will be re-packaged and sold to both retail and institutional investors globally. Currently, it is in the final stage of solving the technical feasibility of such an alliance.

Management Discussion and Analysis

(Continued)

BUSINESS DEVELOPMENT *(Continued)*

(iv) Expansion of Other Value-Added Products and Services *(Continued)*

Website Advertisement

The Company has looked into the area of advertising revenue by the search of an appropriate internet advertising sales company to assist the Company in searching for appropriate advertisements for the Company's websites. With increased levels of content on g9999.com and hence substantial increases in daily page views, the Directors believe that the site can justify a substantial amount of revenue from advertisements on g9999.com.

The Licensing of TRASY's Back-Office Solution

In September 2001, The Gold On-Line Trading Limited ("Gold On-Line"), a wholly-owned subsidiary of the Company, had entered into a software license agreement with Tai Fook Bullion Limited ("Tai Fook") for the use of TRASY's Back-Office Solutions.

Progress When Compared Against Business Objectives

The following is a review on the Group's business operations during the year ended 31st December, 2001 together with a comparison of business objectives as set out in the Group's Prospectus dated 30th November, 2000 (the "Prospectus") with actual business progress for the year ended 31st December, 2001

Business Development, Marketing & Promotions

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
1.	Continue to recruit Principals from international precious metals market makers by company visits and educating professional dealers about TRASY's functions	<ul style="list-style-type: none"> • The Group had 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 Group continues to introduce TRASY to the international bullion dealers and market makers via direct contacts and the participation in international gold conferences. • The Group had 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. • The Group had introduced TRASY to a bullion bank based in London, and invited this bank to participate in TRASY's trading platform. Currently, the Group is in the stage of discussions regarding the technical issues. The participation of this bullion bank will enhance the trading volume for TRASY.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
1.	Continue to recruit Principals from international precious metals market makers by company visits and educating professional dealers about TRASY's functions <i>(continued)</i>	<ul style="list-style-type: none"> • The Group 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 Group 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 Group 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
4.	Prepare and arrange public launch campaign with newly joined Principals in the Asian regions to introduce TRASY to local retail Users	<ul style="list-style-type: none"> • The Group 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	<ul style="list-style-type: none"> • The Group 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: <ul style="list-style-type: none"> – 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.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
5.	Continue to form business alliances with other financial content providers and portals specifically in Asia and China <i>(continued)</i>	<ul style="list-style-type: none"> • The Group 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 Group 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The Group 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 Group will continue to explore business development opportunities for TRASY in the Middle-East countries.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
8.	Implement and educate participating Users regarding new functions and features of TRASY through public launch parties or educational seminars	<ul style="list-style-type: none"> • New functions and features of TRASY are currently being enhanced according to customers demand (e.g. trading via other channels such as 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	<ul style="list-style-type: none"> • 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. Furthermore, the Group believes that such development at the current stage is not economically justified after conducting cost and benefits analysis.
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	<ul style="list-style-type: none"> • The Group 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 Group is building a solid business network and relationship in China in preparing for the market penetration once the Chinese gold market liberalises. • The Group 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.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
1.	Explore other revenue streams such as information licensing fees and advertising revenue	<ul style="list-style-type: none"> • The Group had entered into discussions with a financial portal to discuss the development and distribution of an interactive precious metal charting system. The alliance would involve the development of the system and to be subscribed by the retail investors for a subscription fee, particularly throughout Greater China. • The Group had entered into discussions with 2 global financial information providers for the re-packaging and distribution of precious metals market news and information. Currently in the stage of determining the technical and business feasibility of such an alliance. • The Group has explored into the area of advertising revenue by the search of an appropriate internet advertising sales company to assist the Group in searching for appropriate advertisements for the Group's websites. • The Group had developed a bullion settlement system for the trade settlement of Loco London Gold and Silver and Hong Kong Tael Gold. In September 2001, Gold On-Line had entered into a software license agreement with Tai Fook licensing TRASY's Back-Office Solutions for a license fee.
2.	Continue to plan and arrange public seminars targeted to retail Users throughout Asia	<ul style="list-style-type: none"> • The Group has been in discussion with various financial service providers, including stock brokerage firms in Hong Kong to arrange investment seminars to the retail investment community in which precious metals trading will be the main focus of discussion.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
3.	Begin implementation, promotional and educational activities for newly joined Principals and Users in the Middle-East countries	<ul style="list-style-type: none"> • The Group has begun preliminary introductions of TRASY to banks and commission houses in the Middle-East countries, to invite them to join as Principals of TRASY. • The Group had visited the Middle-East countries, including India during the year and discussions are continuing with potential partners and participants in these regions. The Group believes that the trading volume and number of retail investors involved in precious metals trading are quite substantial particularly in India, and would further enhance the liquidity of TRASY.
4.	Offer TRASY in other languages including other European and Middle-Eastern languages	<ul style="list-style-type: none"> • 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.
5.	Launch, implement and educate participating Users regarding new functions and features of TRASY's system such as trading through wireless devices	<ul style="list-style-type: none"> • New functions and features of TRASY are currently being enhanced according to customers' demand (e.g. trading via other channels such as website). Proper training will be provided once these new enhancements are developed, tested and implemented. The launch and development of TRASY's system with trading through wireless devices will be done according to customers' or users' needs.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
6.	Begin preliminary introductions of TRASY in European regions	<ul style="list-style-type: none"> • The Group had 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 Group had successfully introduced TRASY to a bullion bank based in London to be one of TRASY's participating users in September 2001. • The Group began an alliance with a UK based website which provides the global investment community with precious metals information, www.thebulliondesk.com. With their network and coverage of the precious metals industry in Europe, the Group will receive added exposure throughout the European region. A banner exchange alliance has been arranged as well as content exchange in which TRASY's precious metals prices are posted onto thebulliondesk.com and in turn g9999.com receives and posts daily market news from thebulliondesk.com.
7.	Plan for major marketing campaign with business alliances in China in preparation for the liberalisation of the gold market	<ul style="list-style-type: none"> • 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. • The Group sponsored the 5th RNA China Gold Conference held in Shenzhen on 13th to 14th September, 2001. Gold mining companies and jewelry manufacturers throughout China, as well as other international bullion banks and traders, attended this conference.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
7.	<p>Plan for major marketing campaign with business alliances in China in preparation for the liberalisation of the gold market <i>(continued)</i></p>	<ul style="list-style-type: none"> • Furthermore, during the period of 13th to 16th September, 2001, the Group had sponsored an exhibition booth at the China Jewelry Exhibition in Shenzhen. A demonstration of TRASY was presented at the exhibition. Approximately 800 exhibitors participated in the exhibition, which attracted thousands of participants from all over China as well as internationally. • The Group 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 jewelry manufacturers and gold mining companies) to discuss and demonstrate TRASY. Feedback are positive, and the Group is building a solid business network and relationship in China in preparing for the market penetration once the Chinese gold market liberalises. • The Group had also developed business alliances with various Mainland websites (financial portals and jeweler sites) for banner exchange and distribution of TRASY's dealable precious metals' prices: <ul style="list-style-type: none"> – www.cjsquare.net – Shenzhen Huayi Jewelry Network Co. Ltd. as the only one content release website which is appointed by the ShenZhen Gold Jewelry association, its business line is information research, IP-service, E-Shopping, etc.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
8.	Conduct feasibility study with a view to other commodities or financial products being traded through TRASY	<ul style="list-style-type: none"> The Group had preliminary discussions with a financial institution for the feasibility of licensing TRASY's trading platform to trade other commodities and financial products.
9.	Review any opportunities of strategic investments, joint ventures, to strategic partners to expand the product range traded on TRASY	<ul style="list-style-type: none"> The Group realises that to be successful in expanding geographically, as well as TRASY's trading platform to trade other commodities and financial products, a strong strategic partner in the relevant accounting and/or financial sector is important. The Group is reviewing any opportunities, including but not limited to, strategic investments and joint ventures with any potential strategic partners.
10.	Conduct contingency review for the Group in regards to any change in the technology and Internet industry that may require refinement to the Group's overall strategies	<ul style="list-style-type: none"> The Group believes that there are no major change in the technology and Internet industry that require refinement to the Group's overall strategies.

Research and Development

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
1.	Continue server system throughput and reliability enhancement	<ul style="list-style-type: none"> 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.
2.	Increase product handling capacity for business diversification	<ul style="list-style-type: none"> 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.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
3.	Continue to enhance throughput and reliability of credit gateway system	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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 Group will provide wireless device trading.
6.	Software security enhancement study (e.g. token password)	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • The Group had 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	<ul style="list-style-type: none"> • 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.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
9.	Conduct research on expanding & strengthening TRASY's communication network with a global trading backbone	<ul style="list-style-type: none"> Discussions between several data centers and different local providers for the provision of a stable and high-speed backbone connection for TRASY are in progress.
	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
1.	Research on matching server for heterogeneous products (i.e. matching criteria can be set by users)	<ul style="list-style-type: none"> An addition feature was added to TRASY's trading platform (called "Market Maker" version), so different party can see different prices to fit the market making purpose.
2.	Continue to increase product handling capacity for business diversification	<ul style="list-style-type: none"> The case study on increasing TRASY Back-Office's product handling capacity was conducted in November 2001. After that, the TRASY Back-Office System was being upgraded to enhance multiple-product-support capacity. The development process was completed by the end of January 2002.
3.	Develop multimedia advertisement on TRASY interfaces	<ul style="list-style-type: none"> The development of multimedia advertisement on TRASY's interfaces did not proceed since the Group is considering to allow advertisements to be placed on g9999.com.
4.	Continue website development	<ul style="list-style-type: none"> The Group's website g9999.com has been enhanced to efficiently broadcast TRASY's trading platform's precious metals price quotation, news and commentaries to other financial websites (business alliance partners) using XML technology.
5.	Examine public key infrastructure ("PKI") feasibility to enhance system security	<ul style="list-style-type: none"> The Group's development team has studied the "PKI" infrastructure, and determined that the system may apply the "PKI" when the technology became popular.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
6.	Continue client software enhancement	<ul style="list-style-type: none"> • An interface is current under development, applying the web technology to allow the client to connect to TRASY system and trade on web site by the other parties.
7.	Continue wireless device trading development and being implementation for launch	<ul style="list-style-type: none"> • The Group stopped all development projects on wireless device, until there are sufficient business demand.
8.	Continue software security enhancement	<ul style="list-style-type: none"> • After the review, the security level of the current system is stable and meeting the industrial standard. Therefore software security is maintained and will be enhanced in the future.
9.	Feasibility study on wireless trading on third generation wireless devices	<ul style="list-style-type: none"> • The development team has studied the capacity of the third generation wireless device, and concluded that the device can provide impressive multimedia presentation add-on to the current TRASY's trading platform. The team will continue monitoring the future development of the device and decide whether to add the third generation wireless service support to the TRASY's platform when the device is available in Hong Kong.
10.	Develop German, French and other Middle-East languages support for user interfaces	<ul style="list-style-type: none"> • The TRASY's trading platform is ready for adding different language support. A variety of languages can be displayed on the interface upon business demand.
11.	Develop statement notification system through email	<ul style="list-style-type: none"> • A study on the feasibility of the development of statement notification system has begun.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
12.	Develop notification system through WAP	<ul style="list-style-type: none"> • A study on the feasibility of the development of notification system through WAP indicates that it is not valuable for implementation, as WAP no longer is a popular media. • Research on development of notification system through other media is in progress.
13.	Continue to conduct research on TRASY's global trading backbone	<ul style="list-style-type: none"> • Discussions between several ISP to improve the speed and stability of backbone connection for TRASY are in progress.

Operation and Development

	Business objectives as stated in the Prospectus for the period from 1st January, 2001 to 30th June, 2001	Actual business progress for the period from 1st January, 2001 to 30th June, 2001
1.	Liaise with China and Asian regions data centers to provide IT infrastructure for local principals	<ul style="list-style-type: none"> • The Group's technical team had interviewed 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 principals.
2.	Develop trading backbone for China and Asian regions	<ul style="list-style-type: none"> • Discussion with different ISP on the development of trading backbone for China and Asian regions is in progress.
3.	Continue to enhance infrastructure security on network penetration and network traffic protection	<ul style="list-style-type: none"> • Having reviewed different solutions to provide a redundancy on TRASY network, the enhancement of network infrastructure in this aspect is in progress.
4.	Liaise with Middle East regions data centers to provide IT infrastructure for local principals	<ul style="list-style-type: none"> • The Group has begun discussion with different local data center providers on the solution and IT infrastructure for Middle East regions data centers.

Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July, 2001 to 31st December, 2001	Actual business progress for the period from 1st July, 2001 to 31st December, 2001
1.	Liaise with European regional data centers to provide IT infrastructure for local principals	<ul style="list-style-type: none"> • The Group has begun discussion with different local data center providers on the solution and IT infrastructure for European regional data centers.
2.	Development trading backbone for Middle East regions	<ul style="list-style-type: none"> • Discussion with different ISP on the development of trading backbone for Middle East regions is in progress. However, the actual development will begin when there are sufficient customers from the Middle East regions.
3.	Continue to develop and strengthen trading backbone for China and Asia regions	<ul style="list-style-type: none"> • Discussion with different ISP to improve the speed and stability of trading backbone for China and Asian regions is in progress.
4.	Examine the necessity of implementing additional security measures on the system and network infrastructure	<ul style="list-style-type: none"> • A system security consultant had performed a security check on our Web, Database and E-mail servers and additional security measures were implemented. Furthermore, redundancy on TRASY's trading platform's network had been developed and implemented.

In view of the economic environment during the year 2001, the Group has tightened its expenditure control and incurred about HK\$18 million expenditures (including working capital) during the year to achieve the business objectives as above mentioned as compared to HK\$31 million as stated in the Prospectus.

Directors and Senior Management Profile

EXECUTIVE DIRECTORS

Mr. Sit Chun Sze (Age: 50)
Chairman

Mr. Sit joined Hing Fung Goldsmith And Refinery Limited (“HFGR”), 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: 26)

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.

NON-EXECUTIVE DIRECTORS

Mr. Ip Tak Chuen, Edmond (Age: 49)

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 and a non-executive director of TOM.COM LIMITED.

Directors and Senior Management Profile

(Continued)

Dr. Leung Ping Hung, Karl Richard, Ir., C.Eng. RPE (Information), Chartered Information Systems Engineer, Sen. Mem. IEEE, MACM, MBCS, MACS, MHKIE, MHKCS (Age: 40)

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: 40)

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 over 10 years' experience in conveyancing, probate and tenancy matters. Ms. Cheung is currently a solicitor with a law firm.

Ms. Ma Lee Yee (Age: 40)

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

SENIOR MANAGEMENT

Mr. Tse Kam Fai (Age: 38)
Company Secretary

Mr. Tse joined the RNA Group in 1991. He is responsible for company secretarial, compliance and legal related matters of the Group. 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 also the Company Secretary of RNA.

Mr. Chan Wai Sze, Francis (Age: 30)
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 6 years auditing and accounting experience, gained with both well-known international certified public accountants firm and listed companies.

Report of the Directors

The Board of Directors (“Directors”) of the Company is pleased to submit their report together with the audited financial statements of the Group for the year ended 31st December, 2001.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 13 to the financial statements.

No analysis of the Group’s turnover and its contributions to loss before taxation by principal activities for the year ended 31st December, 2001 are presented as more than 90% of the Group’s turnover and loss before taxation related to transaction fees earned in Hong Kong.

MAJOR CUSTOMERS

For the year ended 31st December, 2001, the five largest customers of the Group accounted for about 99.85% of the turnover of the Group and the largest customer, being HFGR, contributed about 93.45% of the Group’s turnover.

Mr. Sit Chun Sze, one of the Directors of the Group, is also a Director of RNA which is the holding company of both the Company and HFGR. Mr. Sit has been granted options to subscribe for shares in both RNA and the Company.

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 customers.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2001 are set out on pages 45 to 68.

The Directors do not recommend the payment of a final dividend for the year ended 31st December, 2001.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 20 to the financial statements.

FIXED ASSETS

Details of the movements in fixed assets of the Group are set out in Note 12 to the financial statements.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company are set out in Note 19 to the financial statements.

Report of the Directors

(Continued)

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, 2001, 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\$41,967,512.

MANDATORY PROVIDENT FUND SCHEME

Details of the mandatory provident fund scheme are set out in Note 7 to the financial statements.

SUBSIDIARIES

Details of the Company's subsidiaries at 31st December, 2001 are set out in Note 13 to the financial statements.

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.

DIRECTORS

The Directors of the Company during the year and as at the date of this report were as follows:

Executive Directors

Mr. Sit Chun Sze (*Chairman*)

Mr. Chan Kee Chee, Keith

Mr. Robert Eric Beale

Mr. Tam Wai Kwan

(Resigned on 23rd January, 2001)

(Resigned on 15th June, 2001)

Non-executive Directors

Mr. Ip Tak Chuen, Edmond

Dr. Leung Ping Hung, Karl Richard

Independent Non-executive Directors

Ms. Cheung Lai Kai, Edwina

Ms. Ma Lee Yee

In accordance with Article 87(1) of the Articles of Association of the Company, all Directors (except the Chairman) are subject to retirement by rotation, Ms. Cheung Lai Kai, Edwina and Ms. Ma Lee Yee will retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election. All other remaining Directors continue in office.

Report of the Directors

(Continued)

DIRECTORS' SERVICE CONTRACTS

Each of Mr. Sit Chun Sze and Mr. Chan Kee Chee, Keith, being an executive director, has entered into a service contract with the Group commencing on 23rd March, 2000 and 3rd January, 2000 respectively. 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).

DIRECTORS' INTEREST IN SHARES AND OPTIONS

(I) Shares

As at 31st December, 2001, the interests of the Directors and their associates in the share capital of the Company, or 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 of Director	Personal interest (Note 1)	Family interest	Corporate interest
Sit Chun Sze	27,991,354	–	–
Chan Kee Chee, Keith	27,991,354	–	–

Note:

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 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

Report of the Directors

(Continued)

(II) Directors' rights to acquire shares

On 6th November, 2000, a share option scheme (the "Scheme") and a Pre-IPO share option plan (the "Plan") were approved pursuant to the written resolutions of the Company.

- (i) Under the 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 Scheme and any other schemes). No share options were granted by the Company under the Scheme during the year.
- (ii) Under the Plan, the pre-IPO share options were granted to certain Directors which entitle them to subscribe for shares in the Company which are exercisable in stages in accordance with the terms of the Plan commencing on 7th June, 2001.

Name of Director	Date of grant	Exercise price HK\$	No. of options outstanding as at 31st December, 2001	Expiry Date
Sit Chun Sze	29th November, 2000	0.21	44,152,000	28th November, 2010
Chan Kee Chee, Keith	29th November, 2000	0.21	44,152,000	28th November, 2010

The pre-IPO share options are exercisable in the following stages during the period commencing from the first day after the end of the first six months from the Listing Date and expiring on 28th November, 2010.

	Percentage of the pre-IPO share options that can be exercised
Upon expiration of 6 months from the Listing Date	25%
Upon expiration of 12 months from the Listing Date	50%
Upon expiration of 24 months from the Listing Date	all the remaining outstanding options

All of these pre-IPO share options have duration of ten years from the date of grant, but shall lapse one month after the grantee ceases to be employed by the Company, RNA or their respective subsidiaries.

Details of terms of the Scheme and the Plan are set out in pages from 193 to 202 of the Prospectus.

Report of the Directors

(Continued)

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

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its holding company was a party and in which a director of the Company has a material interest, whether directly or indirectly subsisted at the end of the year or at any time during the year.

COMPETING INTERESTS

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

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 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 of shareholder	Notes	Number of Shares	Percentage of Shareholding
Golden Rabbit Enterprises Limited	1	1,391,435,322	58.4637
RNA	2	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.
2. RNA, through its interest in Golden Rabbit, is deemed to be interested in the Company.

SPONSOR'S INTERESTS

As of 31st December, 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.

Report of the Directors

(Continued)

CONNECTED TRANSACTIONS

For the year ended 31st December, 2001, the Group has the following connected transactions:

Exempted 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\$1,296,000 to TFHF Investments for the year ended 31st December, 2001.

Non-exempted Continuing Connected Transactions

- (1) As HFGR is one of our principals, the total amount of transaction fees charged to HFGR amounts to HK\$5,018,296, which is equivalent to the sum of transaction fees for trading 11,689,000 ounces of gold, 23,512,500 ounces of silver, 900 ounces of platinum and 500 ounces of palladium for the year ended 31st December, 2001.
- (2) Giant Dragon Limited (“Giant Dragon”), 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, 2001, no fee was charged by Giant Dragon to the Group.

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-exempted continuing connected transactions and, in their opinion, they 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.

AUDIT COMMITTEE

The Company established an audit committee (the “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 Committee are to review and supervise the financial reporting process and internal control systems of the Group. The 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.

Report of the Directors

(Continued)

During the year, the Committee has held four meetings to review the financial statements, interim reports and quarterly reports of the Company.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the year.

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.

AUDITORS

PricewaterhouseCoopers resigned as auditors of the Company with effect from 25th May, 2001 and Moore Stephens were appointed as auditors of the Company to fill the casual vacancy with effect from 20th July, 2001.

The financial statements have been audited by Moore Stephens 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, 20th March, 2002

Report of the Auditors

AUDITORS' REPORT TO THE SHAREHOLDERS OF TRASYS GOLD EX LIMITED

(incorporated in the Cayman Islands with limited liability)

We have audited the financial statements on pages 45 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements 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 statements 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, 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 financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2001 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.

Moore Stephens

Certified Public Accountants

Hong Kong
20th March, 2002

Consolidated Profit and Loss Account

For the year ended 31st December, 2001

	<i>Note</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
TURNOVER	3	5,369,803	4,654,498
Unrealised gain on gold bullion – net	3	2,039,548	90,188
Other revenue	3	618,797	43,819
Software research and development costs		–	(780,000)
Staff costs		(10,640,438)	(7,547,530)
Depreciation		(330,323)	(286,683)
Marketing and promotion expenses		(1,315,621)	(1,755,892)
Other administrative and operating expenses		<u>(6,149,518)</u>	<u>(7,021,877)</u>
LOSS BEFORE TAXATION	5	(10,407,752)	(12,603,477)
Tax (charge)/credit	8	<u>(3,274)</u>	<u>1,375</u>
LOSS ATTRIBUTABLE TO SHAREHOLDERS	9	<u><u>(10,411,026)</u></u>	<u><u>(12,602,102)</u></u>
		<i>HK cents</i>	<i>HK cents</i>
LOSS PER SHARE	11	<u><u>(0.437)</u></u>	<u><u>(0.697)</u></u>

Consolidated Statement of Recognised Gains and Losses

For the year ended 31st December, 2001

	2001 HK\$	2000 HK\$
LOSS FOR THE YEAR	<u>(10,411,026)</u>	<u>(12,602,102)</u>
TOTAL RECOGNISED LOSS	(10,411,026)	(12,602,102)
GOODWILL ELIMINATED DIRECTLY AGAINST RESERVES	<u> -</u>	<u> (26,115)</u>
	<u><u>(10,411,026)</u></u>	<u><u>(12,628,217)</u></u>

Consolidated Balance Sheet

As at 31st December, 2001

	<i>Note</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
NON-CURRENT ASSETS			
Fixed assets	12	1,601,319	1,853,133
Other assets	14	<u>1,180,000</u>	<u>1,180,000</u>
		<u>2,781,319</u>	<u>3,033,133</u>
CURRENT ASSETS			
Deposits with business partners	15	–	15,094,340
Deposit with ultimate holding company	16	–	3,584,775
Accounts receivable and prepayments	17	1,165,539	5,308,791
Gold bullion	2(f)	45,968,171	21,560,400
Tax recoverable		1,600	–
Cash and bank balances		<u>122,088</u>	<u>8,815,653</u>
		<u>47,257,398</u>	<u>54,363,959</u>
CURRENT LIABILITIES			
Amount due to ultimate holding company	18	1,246,400	–
Other payables and accrued expenses		<u>4,486,061</u>	<u>2,679,810</u>
		<u>5,732,461</u>	<u>2,679,810</u>
NET CURRENT ASSETS			
		<u>41,524,937</u>	<u>51,684,149</u>
		<u>44,306,256</u>	<u>54,717,282</u>
CAPITAL AND RESERVES			
Share capital	19	23,800,000	23,800,000
Reserves	20	<u>20,506,256</u>	<u>30,917,282</u>
		<u>44,306,256</u>	<u>54,717,282</u>

Sit Chun Sze
Director

Chan Kee Chee, Keith
Director

Consolidated Cash Flow Statement

For the year ended 31st December, 2001

	<i>Note</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	21(a)	<u>(1,132,859)</u>	<u>(19,102,524)</u>
RETURNS ON INVESTMENT AND SERVICING OF FINANCE			
Interest received		<u>66,783</u>	<u>42,359</u>
TAXATION			
Hong Kong profits tax paid		<u>(4,874)</u>	<u>(43,450)</u>
INVESTING ACTIVITIES			
Deposits with business partners		15,094,340	(15,094,340)
Purchase of fixed assets		(78,509)	(1,803,094)
Purchase of gold bullion		(48,612,571)	(21,470,212)
Proceed from disposal of gold bullion		25,974,125	–
Purchase of a subsidiary	21(b)	<u>–</u>	<u>(2)</u>
Net cash outflow from investing activities		<u>(7,622,615)</u>	<u>(38,367,648)</u>
NET CASH OUTFLOW BEFORE FINANCING		<u>(8,693,565)</u>	<u>(57,471,263)</u>
FINANCING			
Issue of ordinary shares		–	82,603,062
Share issue expenses		<u>–</u>	<u>(16,345,144)</u>
NET CASH (OUTFLOW)/INFLOW FROM FINANCING		<u>(8,693,565)</u>	<u>66,257,918</u>
(DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(8,693,565)	8,786,655
Cash and cash equivalents at 1st January		<u>8,815,653</u>	<u>28,998</u>
Cash and cash equivalents at 31st December		<u><u>122,088</u></u>	<u><u>8,815,653</u></u>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		<u><u>122,088</u></u>	<u><u>8,815,653</u></u>

Company Balance Sheet

As at 31st December, 2001

	<i>Note</i>	2001 <i>HK\$</i>	2000 <i>HK\$</i>
NON-CURRENT ASSETS			
Investments in subsidiaries	13	<u>67,012,453</u>	<u>34,565,323</u>
CURRENT ASSETS			
Deposits with business partners	15	–	15,094,340
Deposit with ultimate holding company	16	–	3,584,775
Accounts receivable and prepayments		922	4,753,028
Cash and bank balances		<u>537</u>	<u>8,332,299</u>
		<u>1,459</u>	<u>31,764,442</u>
CURRENT LIABILITIES			
Amount due to ultimate holding company	18	1,246,400	–
Other payables and accrued expenses		–	373,793
		<u>1,246,400</u>	<u>373,793</u>
NET CURRENT (LIABILITIES)/ASSETS		<u>(1,244,941)</u>	<u>31,390,649</u>
		<u>65,767,512</u>	<u>65,955,972</u>
SHAREHOLDERS' EQUITY			
Share capital	19	23,800,000	23,800,000
Reserves	20	<u>41,967,512</u>	<u>42,155,972</u>
		<u>65,767,512</u>	<u>65,955,972</u>

Sit Chun Sze
Director

Chan Kee Chee, Keith
Director

Notes to the Financial Statements

1. CORPORATE INFORMATION

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. The shares of the Company are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited since 7th December, 2000.

During the year, the Group was principally engaged in the provision and operation of an Internet-based electronic trading system to facilitate the trading of precious metals.

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies which have been adopted in preparing these financial statements and which conform with the Statements of Standard Accounting Practice (“SSAPs”) issued by the Hong Kong Society of Accountants (“HKSA”) and accounting principles generally accepted in Hong Kong are as follows:-

(a) Adoption of statements of standard accounting practice

During the current year, the Group has adopted the following SSAPs issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The adoption of the above standards has had no material effect on the amounts reported in the current and prior years, and has not resulted in any significant changes in the Group’s accounting policies.

Notes to the Financial Statements

(Continued)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES *(Continued)*

(b) Consolidation

The consolidated financial statements incorporate the financial statements 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 their 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.

(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) Fixed assets

Fixed assets are stated at cost, less provisions for depreciation. Details are set out in note 12. The cost of an asset comprises its purchase price and any directly attributable cost of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the fixed asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of the fixed asset. When an asset is sold, any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is included in the profit and loss account.

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.

Depreciation is provided on the straight-line method, based on the estimated economic useful life of the individual assets.

Notes to the Financial Statements

(Continued)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(d) Fixed assets (Continued)

The principal annual rates used for this purpose are as follows:-

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

(e) 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.

(f) 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.

(g) Revenue

Revenue is recognized when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) transaction fees derived from the provision and operation of Internet-based electronic trading system are recognised when a transaction is duly executed on the trade date;
- (b) commission from transaction handling services is recognised when the services are rendered; and
- (c) interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

(h) 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 Financial Statements

(Continued)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(i) 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.

(j) Research and development

All research costs were charged to the profit and loss account as incurred.

Expenditure incurred on projects to develop new products was capitalised and deferred only when the projects were clearly defined; the expenditure was separately identifiable and could be measured reliably; there was reasonable certainty that the projects were technically feasible; and the products had commercial value. Product development expenditure which did not meet these criteria was expensed when incurred.

(k) Deferred tax

Provision is made under the liability method at the current rate for taxation deferred by timing differences between profits as stated in the financial statements and as computed for taxation purposes, except to the extent that timing differences are expected to continue for the foreseeable future or result in a deferred tax asset. In these cases, no provision is made.

(l) Foreign currency translation

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of foreign subsidiaries are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are dealt with as movements in reserves.

(m) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

Notes to the Financial Statements

(Continued)

2. SUMMARY OF PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification cash equivalents represent assets similar in nature to cash, which are not restricted to use.

3. REVENUE AND TURNOVER

The Group's turnover is derived from transactions fees earned from the provision and operation of Internet-based electronic trading system that facilitates the trading of precious metals. Revenue recognised during the year are as follows:

	2001 HK\$	2000 HK\$
Turnover		
Transaction fees	5,369,803	4,654,498
Unrealised gain on gold bullion – net	2,039,548	90,188
Other revenue		
Commission income	–	1,460
Interest income	66,783	42,359
Miscellaneous income	552,014	–
	<u>618,797</u>	<u>43,819</u>
Total revenue	<u>8,028,148</u>	<u>4,788,505</u>

4. SEGMENTAL INFORMATION

No analysis of the Group's turnover and its contribution to loss before taxation by principal activities for the years ended 31st December, 2001 and 31st December, 2000 are presented as more than 90% of the Group's turnover and loss before taxation related to provision and operation of an Internet-based electronic trading system to facilitate the trading of precious metals in Hong Kong.

Notes to the Financial Statements

(Continued)

5. LOSS BEFORE TAXATION

	2001 HK\$	2000 HK\$
Loss before taxation is stated after charging the following:		
Auditors' remuneration	526,500	600,000
Loss on disposal of fixed assets	–	2,418
Operating leases relating to land and buildings	<u>1,435,720</u>	<u>1,038,260</u>

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

	2001 HK\$	2000 HK\$
Fees	–	–
Basic salaries and allowances	4,012,673	3,271,000
Benefits from shares issued under a bonus share scheme	–	21,273,000
Contributions to retirement scheme	<u>179,770</u>	<u>147,000</u>
	<u>4,192,443</u>	<u>24,691,000</u>

All of the above were paid to the four executive directors, including two resigned as directors and became part-time employees of the Group during the year. Of the two executive directors who resigned during the year, one (ex director A) received emoluments of less than HK\$1,000,000 during the tenure of his office, and the other one (ex director B) did not receive any fees or other emoluments during the tenure of his office. The non-executive directors did not receive any fees or other emoluments during the years ended 31st December, 2001 and 2000.

On 6th December, 2000, 106,367,145 ordinary shares of HK\$0.01 each in the Company had been issued to certain executive directors at par for cash of approximately HK\$1,064,000 under a bonus share scheme. In addition, 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 8th June, 2001. Details of the Plan are set out in note 19 of the financial statements.

Notes to the Financial Statements

(Continued)

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Emoluments of the directors fell within the following bands:

	Group	
	Number of directors	
	2001	2000
HK\$Nil – HK\$1,000,000	6	4
HK\$1,000,001 – HK\$2,000,000	2	1
HK\$6,000,001 – HK\$6,500,000	–	2
HK\$11,000,001 – HK\$11,500,000	–	1
	8	8
	8	8

The four executive directors, including two resigned as directors and became part-time employees of the Group during the year, received and/or were to receive individual emoluments of approximately HK\$845,000, HK\$1,667,000, HK\$1,680,000 and nil for the year ended 31st December, 2001 (2000: HK\$11,119,000, HK\$6,149,000, HK\$6,119,000 and HK\$1,304,000).

There were no arrangements under which a director waived or agreed to waive any emolument for the years ended 31st December, 2001 and 2000.

(b) Senior management's emoluments

The five highest paid individuals included four executive directors, including ex directors A and B, whose emoluments are detailed above. The emoluments of the remaining highest paid individuals, including ex directors A and B, are analysed below:

	2001	2000
	HK\$	HK\$
Basic salaries and allowances	1,731,221	480,000
Benefits from shares issued under a bonus share scheme	–	1,120,000
Contributions to retirement scheme	82,278	2,000
	1,813,499	1,602,000
	1,813,499	1,602,000

Notes to the Financial Statements

(Continued)

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Senior management's emoluments (Continued)

Each of ex directors A and B was paid and/or to be paid emoluments of less than HK\$1,000,000 for the period in which they were part-time employees of the Group.

On 6th December, 2000, 5,598,271 ordinary shares of HK\$0.01 each in the Company were issued to an employee at par for cash of approximately HK\$56,000 under a bonus share scheme. The employee worked for the Group on a full-time basis in the first half of Year 2001 and became a part-time employee of the Group in the second half of Year 2001. He was not one of the five highest paid individuals in Year 2001, but was in Year 2000.

As for the individual who was one of the five highest paid individuals in Year 2001, he has been granted 1,586,000 options under the pre-IPO share option plan. Details of the Plan are set out in note 19 to the financial statements.

Emoluments of the non-director highest paid employees fell within the following bands:

	Number of individuals	
	2001	2000
HK\$Nil – HK\$1,000,000	3	–
HK\$1,500,001 – HK\$2,000,000	–	1
	<u>3</u>	<u>1</u>

7. RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the profit and loss account represented contributions by the Group to a mandatory provident fund scheme of HK\$451,065 (2000: HK\$171,298). The amount is net off forfeited contributions of HK\$6,348 (2000: Nil) relating to unvested benefits for employees who resigned from the Group during the year. 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 will be withdrawn 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\$58,703 (2000: HK\$36,982) were payable to the scheme at the year end and are included in other payables.

Notes to the Financial Statements

(Continued)

8. TAXATION

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries incurred losses for the year.

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

	2001 HK\$	2000 HK\$
Hong Kong profits tax	–	–
Under/(Over)provision in respect of prior years	<u>3,274</u>	<u>(1,375)</u>
	<u><u>3,274</u></u>	<u><u>(1,375)</u></u>

Details of the Group's full potential deferred tax (assets)/liabilities are as follows:

	2001 HK\$	2000 HK\$
Excess of depreciation over tax allowances	195,000	224,000
Tax losses	<u>(3,482,000)</u>	<u>(1,620,000)</u>
	<u><u>(3,287,000)</u></u>	<u><u>(1,396,000)</u></u>

9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company amounted to HK\$188,460 (2000: HK\$301,946).

10. DIVIDENDS

No dividend has been declared or paid by the Company in respect of the current year (2000: Nil).

11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$10,411,026 (2000: HK\$12,602,102) and the weighted average of 2,380,000,000 (2000: 1,809,070,072) ordinary shares in issue during the year.

No diluted loss per share is shown because the exercise of share options granted by the Company would have an anti-dilutive effect for the years ended 31st December, 2001 and 2000.

Notes to the Financial Statements

(Continued)

12. FIXED ASSETS

	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
Group				
Cost				
1st January, 2001	472,423	135,512	1,531,799	2,139,734
Additions	—	22,546	55,963	78,509
	<u>472,423</u>	<u>158,058</u>	<u>1,587,762</u>	<u>2,218,243</u>
31st December, 2001	<u>472,423</u>	<u>158,058</u>	<u>1,587,762</u>	<u>2,218,243</u>
Accumulated depreciation				
1st January, 2001	61,047	20,877	204,677	286,601
Charge for the year	70,836	23,638	235,849	330,323
	<u>131,883</u>	<u>44,515</u>	<u>440,526</u>	<u>616,924</u>
31st December, 2001	<u>131,883</u>	<u>44,515</u>	<u>440,526</u>	<u>616,924</u>
Net book value				
31st December, 2001	<u>340,540</u>	<u>113,543</u>	<u>1,147,236</u>	<u>1,601,319</u>
31st December, 2000	<u>411,376</u>	<u>114,635</u>	<u>1,327,122</u>	<u>1,853,133</u>

Notes to the Financial Statements

(Continued)

13. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	8	8
Amounts due from subsidiaries	<u>67,012,445</u>	<u>34,565,315</u>
	<u><u>67,012,453</u></u>	<u><u>34,565,323</u></u>

The amounts due from subsidiaries are unsecured, interest-free, and there are no fixed terms for repayment.

The following is a list of the subsidiaries of the Company as at 31st December, 2001:

Company	Place of incorporation	Issued and fully paid up capital	Interest held	Principal activities
Durable Gold Investments Limited	British Virgin Islands	Ordinary US\$1	100% *	Investment holding
The Gold On-Line Trading Limited	Hong Kong	Ordinary HK\$2	100%	Operation of an Internet-based electronic trading system
G9999.Com Limited	Hong Kong	Ordinary HK\$2	100%	Internet content provider
Wing Shing Loong Goldsmith & Refinery Co. Limited	Hong Kong	Ordinary HK\$5,000,000	100%	Gold bullion licence holding
Trasy Technology Limited	British Virgin Islands	Ordinary US\$1	100%	Dormant
Trasy Holdings Limited	Hong Kong	Ordinary HK\$2	100%	Dormant
United Goldnet Limited	Hong Kong	Ordinary HK\$2	100%	Dormant

* Shares held directly by the Company

The subsidiaries operate in their respective places of incorporation.

Notes to the Financial Statements

(Continued)

14. OTHER ASSETS

	Group	
	2001	2000
	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.

15. 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 metal 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.

During the year ended 31st December, 2001, the deposits were 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.

16. DEPOSIT WITH ULTIMATE HOLDING COMPANY

As at 29th December, 2000, the amount represented 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 ("HFGR"), a wholly-owned subsidiary of RNA. According to the terms of the agreement, the Group engaged HFGR 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. During the year ended 31st December, 2001, the amount was fully refunded to the Group.

Notes to the Financial Statements

(Continued)

17. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Accounts receivable and prepayments comprised:

	2001 HK\$	2000 HK\$
Accounts receivable	85,662	130,036
Prepayments	<u>1,079,877</u>	<u>5,178,755</u>
	<u><u>1,165,539</u></u>	<u><u>5,308,791</u></u>

An ageing analysis of accounts receivable is set out below:

	2001 HK\$	2000 HK\$
0 – 30 days	24,492	47,795
31 – 60 days	1,170	36,504
61 – 90 days	–	15,697
Over 90 days	<u>60,000</u>	<u>30,040</u>
	<u><u>85,662</u></u>	<u><u>130,036</u></u>

The Group generally grants a credit period of 30 days to the Principals who have agreed to contribute tradable prices and/or customer business to TRASY's trading platform.

The management of the Group performs a regular review, usually on a monthly basis, on the ageing of accounts receivable. Appropriate actions will be taken against those debtors whose amounts are overdue for more than 30 days.

Included in accounts receivable and prepayments as at 31st December, 2000 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 metal trading system, the establishment of a data centre, and the marketing and promotion of the Group's business in Mainland China.

During the year ended 31st December, 2001, an amount of HK\$3,000,000 out of the prepayments of HK\$4,752,000 mentioned above was 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 Financial Statements

(Continued)

18. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

The amount due to ultimate holding company is unsecured, interest-free and there are no fixed terms for repayment.

19. SHARE CAPITAL

	2001	2000
	HK\$	HK\$
<i>Authorised:</i>		
180,000,000,000 ordinary shares of HK\$0.01 each	<u>1,800,000,000</u>	<u>1,800,000,000</u>
<i>Issued and fully paid:</i>		
2,380,000,000 ordinary shares of HK\$0.01 each	<u>23,800,000</u>	<u>23,800,000</u>

On 6th November 2000, a share option scheme and a pre-IPO share option plan were approved pursuant to the written resolutions 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.
- (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 and 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. Details of the grantees under the Plan are as follows:

Notes to the Financial Statements

(Continued)

19. SHARE CAPITAL (Continued)

Position of grantees of the Group	Exercise price HK\$	Balance at 1.1.2001	Exercised during the year	Granted during the year	Expired during the year	Balance at 31.12.2001
Director of the Company	0.21	178,448,000	-	-	90,144,000	88,304,000
Employee of the Group	0.21	22,770,000	-	-	14,614,000	8,156,000
Sub-total		<u>201,218,000</u>	-	-	104,758,000	<u>96,460,000</u>
Employees of the RNA Group	0.21	33,654,000	-	-	3,074,000	30,580,000
Total		<u>234,872,000</u>	-	-	<u>107,832,000</u>	<u>127,040,000</u>

All of the above options have a duration of ten years from the date of grant, but shall lapse one month after the grantee ceases to be employed on a full-time basis by the Group or by the RNA Group.

Notes to the Financial Statements

(Continued)

20. RESERVES

Group	Share premium HK\$	Merger reserve HK\$	Accumulated losses HK\$	Total HK\$
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 reorganization	–	4,999,986	–	4,999,986
Loss for the year	–	–	(12,602,102)	(12,602,102)
	<u>42,457,918</u>	<u>4,999,986</u>	<u>(16,540,622)</u>	<u>30,917,282</u>
31st December, 2000	<u>42,457,918</u>	<u>4,999,986</u>	<u>(16,540,622)</u>	<u>30,917,282</u>
1st January, 2001	42,457,918	4,999,986	(16,540,622)	30,917,282
Loss for the year	–	–	(10,411,026)	(10,411,026)
	<u>42,457,918</u>	<u>4,999,986</u>	<u>(26,951,648)</u>	<u>20,506,256</u>
31st December, 2001	<u>42,457,918</u>	<u>4,999,986</u>	<u>(26,951,648)</u>	<u>20,506,256</u>

Company	Share premium HK\$	Accumulated losses HK\$	Total HK\$
1st January, 2000			
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>
31st December, 2000	<u>42,457,918</u>	<u>(301,946)</u>	<u>42,155,972</u>
1st January, 2001	42,457,918	(301,946)	42,155,972
Loss for the year	–	(188,460)	(188,460)
	<u>42,457,918</u>	<u>(490,406)</u>	<u>41,967,512</u>
31st December, 2001	<u>42,457,918</u>	<u>(490,406)</u>	<u>41,967,512</u>

Notes:

- (a) The merger reserve of the Group represents the difference between the net worth of the subsidiaries acquired over the value of the consideration shares in exchange pursuant to the group reorganisation which was completed on 31st March, 2000.
- (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, 2001, 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\$41,967,512 (2000: HK\$42,155,972).

Notes to the Financial Statements

(Continued)

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 HK\$	2000 HK\$
Loss before taxation	(10,407,752)	(12,603,477)
Depreciation	330,323	286,683
Interest income	(66,783)	(42,359)
Loss on disposal of gold bullion – net	270,223	–
Unrealised gain on gold bullion – net	(2,039,548)	(90,188)
Loss on disposal of fixed assets	–	2,418
Decrease/(Increase) in accounts receivable and prepayments	4,143,252	(4,622,790)
Decrease/(Increase) in deposit with ultimate holding company	3,584,775	(3,584,775)
Increase in other payables and accrued expenses	1,806,251	1,854,857
Increase/(Decrease) in amount due to ultimate holding Company	<u>1,246,400</u>	<u>(302,893)</u>
Net cash outflow from operating activities	<u><u>(1,132,859)</u></u>	<u><u>(19,102,524)</u></u>

(b) Purchase of a subsidiary

	2001 HK\$	2000 HK\$
Liability acquired		
Amount due to ultimate holding company	–	(26,113)
Goodwill	<u>–</u>	<u>26,115</u>
	<u><u>–</u></u>	<u><u>2</u></u>
Satisfied by:		
Cash	<u><u>–</u></u>	<u><u>2</u></u>

Notes to the Financial Statements

(Continued)

22. COMMITMENTS UNDER OPERATING LEASES

At 31st December, 2001, the Group had minimum outstanding commitments under non-cancellable operating leases as follows:

	Group	
	2001	2000
	HK\$	HK\$
Land and buildings expiring:		
– within one year	396,000	1,435,000
– in the second to fifth year inclusive	–	396,000
	<u>396,000</u>	<u>1,831,000</u>

23. RELATED PARTY TRANSACTIONS

Transactions with related parties during the year not disclosed elsewhere in the financial statements are as follows:

- (a) Transaction fees of HK\$5,018,296 were earned from Hing Fung Goldsmith And Refinery Company Limited (“HFGR”), a fellow subsidiary, for the year ended 31st December, 2001 (2000: HK\$4,430,863). The transaction fees were charged at rates in accordance with the terms of the agreement governing the transactions.
- (b) Pursuant to two 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\$1,296,000 to TFHF Investments for the year ended 31st December, 2001 (2000: HK\$940,000).
- (c) On 12th July, 2000 and on 16th October, 2000, the Group entered into agreements with Giant Dragon Limited, a fellow subsidiary, for the provision of sales and marketing support to the Group including, but not limited to, the supply of expertise and technical knowledge in the previous metals trading business for a fee based on the lower of cost plus 20% and HK\$1,000,000 per project. No fee was payable by the Group under these agreements for the years ended 31st December, 2001 and 2000.

24. CONTINGENT LIABILITIES

The company has given undertaking to provide continuing financial support to enable certain subsidiaries to meet their liabilities as and when they fall due for at least 12 months.

25. ULTIMATE HOLDING COMPANY

The Directors consider the Company’s ultimate holding company to be RNA Holdings Limited, which is incorporated in Bermuda and the shares of which are listed on the Main Board of the Stock Exchange of Hong Kong Limited.

Notes to the Financial Statements

(Continued)

26. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of Directors on 20th March, 2002.