



# Trasy Gold Ex Limited

(Incorporated in the Cayman Islands with Limited Liability)



*Half-year Report 2002*

## HALF-YEAR REPORT 2002

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

## **CHAIRMAN'S STATEMENT**

I am pleased to present to the shareholders the half-year report 2002 of the Company and its subsidiaries (the "Group").

The total trading volume in the Company for the six months ended 30th June, 2002 amounted to approximately 3.1 million ounces of gold and 21 million ounces of silver. Not only did the number of individual participants increase substantially, but the number of visits to our website [www.g9999.com](http://www.g9999.com) which provides live gold, silver, platinum and palladium quotes, market news, information and analysis, had increased over 5 times since December 2001 which we believe is a very good indication that the bullion market is gradually regaining attention from investors.

## **FINANCIAL REVIEW**

The Group recorded a net loss of approximately HK\$8,000 for the six months period ended 30th June, 2002 (for the six months ended 30th June, 2001: a net loss of approximately HK\$5,472,000). The material unrealised gain on gold bullion contributed to a substantial extent of the decrease in net loss upon comparing the financial performance with the corresponding period in 2001.

Excluding the effect of the revaluation of gold bullion, the losses before taxation for the 1st and 2nd quarter of 2002 were approximately HK\$2,812,000 and HK\$2,851,000 respectively. Hence, the financial performance of the Group in the 2nd quarter was more or less the same as that in the 1st quarter. However, comparing with the corresponding period in 2001, the total expenses for the six months ended 30th June, 2002 were about 23.5% lower. This indicates that the Company is being operated in a more cost-conscious manner, and can expect to become profitable in the foreseeable future.

## **Liquidity and financial resources**

The liquidity of the Group remained healthy as the total amount of current assets was about 8.61 times more than that of current liabilities (as at 31st December, 2001: 7.24 times more); no long-term liabilities were carried by the Group as at 30th June, 2002 (as at 31st December, 2001: Nil). The Directors consider that the healthy financial position of the Group can be sustained, and up to the date of approval of the financial statements, no debt financing activities are currently in place or proposed. The Group's gearing ratio, representing total long-term debts divided by total shareholders' equity, was zero as at 30th June, 2002 (as at 31st December, 2001: Nil). In addition, 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. On 18th July, 2002, 399,000,000 equity shares (the "Subscription Shares") were successfully subscribed for pursuant to the respective Subscription Agreements (the "Subscription") at a price of HK\$0.023 for each equity share. The Subscription Shares were issued under the general mandate granted to the Directors at the last annual general meeting of the Company

held on 30th April, 2002. The Subscription Shares represent approximately 16.76% of the Company's then existing issued share capital and approximately 14.36% of the current issued share capital of the Company as enlarged by the Subscription. The net proceeds from the Subscription amounting to approximately HK\$9.1 million will be used for suitable investment opportunities to expand the product range traded on TRASY. If there is no suitable investment opportunity, the proceeds will be used as additional working capital for the Group. In 2001, there were no changes in the Company's share capital.

### Segmental information

No analysis of the Group's turnover and its contribution to loss before taxation by principal activities for the three months and six months period ended 30th June 2002 and 2001 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.

### Employee information

The total number of employees (including the Directors) was 23 as at 30th June, 2002 (30th June, 2001: 31), and the total remuneration for the six months period ended 30th June, 2002 was about HK\$4.2 million (30th June, 2001: HK\$5.3 million). The decrease in staff costs is mainly due to a decrease in staff numbers.

Other than as disclosed, the Directors do not consider that there is any current information which has changed materially from the information disclosed in the Company's latest annual report for the year ended 31st December, 2001 in relation to those matters set out in Rule 18.41 of the GEM Listing Rules.

## FINANCIAL HIGHLIGHTS

*For the quarter ended*

	<b>Q2</b> <b>30th Jun 02</b> <b>HK\$'000</b>	<b>Q1</b> <b>31st Mar 02</b> <b>HK\$'000</b>
Turnover	<b>746</b>	868
Unrealised gain on gold bullion – net	<b>1,389</b>	4,266
Staff costs	<b>(2,171)</b>	(2,284)
Marketing and promotion expenses	<b>(268)</b>	(224)
Other administrative and operating expenses	<b>(1,160)</b>	(1,206)
(Loss) / profit before taxation	<b>(1,462)</b>	1,454

**OPERATIONS REVIEW AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS**

The following is a review on the Group’s business operations during the six months ended 30th June, 2002 together with a comparison of business objectives as set out in the Company’s prospectus dated 30th November, 2000 (the “Prospectus”) with actual business progress up to 30th June, 2002.

**Business Development, Marketing & Promotions**

<b>Business objective as stated in the Prospectus</b>	<b>Actual business progress up to 30th June, 2002</b>
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- |   |   |
|---|---|
| <p>1. Continue to implement, arrange promotional and educational activities in different countries throughout the world</p> | <ul style="list-style-type: none"> <li>• The Company is currently arranging to participate as a sponsor for the 6th Annual RNA China Gold &amp; Precious Metals Conference scheduled to be held in September 2002.</li> <li>• The Company has been planning to discuss with a few of its business alliances to carry out an educational seminar in Hong Kong with the objective of introducing the TRASY system and the advantages of the precious metals investment market to retail investors.</li> <li>• The Company is also in discussions with AASTOCKS.COM in arranging joint promotional activities to launch the Company’s new precious metals charting product.</li> </ul> |
| <p>2. Begin preliminary introductions of TRASY in North and South American regions</p>                                      | <ul style="list-style-type: none"> <li>• Due to the continued intensive interest in the precious metals around the Asian region, the Company has decided to postpone its plans of expansion and introduction of the TRASY system to the North and South American regions.</li> <li>• The Company maintains a strong focus on the Greater China and Indian market. The Company believes that</li> </ul>  |

**Business objective as stated in the Prospectus**

**Actual business progress up to 30th June, 2002**

- the trading volume and number of retail investors involved in precious metals trading are very substantial in both China and India, thus focus on those markets will further enhance the trading liquidity on TRASY.
- During the first half-year, the Company continued discussions with potential business partners in India in relation to the promotion of the TRASY system in India.
  - During the first half-year, the Company made visits to China to introduce the TRASY system to commercial banks and brokerage houses.
  - The Company began discussions with a financial institution in the United Kingdom regarding the implementation of TRASY as additional precious metals trading tool.
  - During the first half-year, the main focus of the Company remained on Greater China. In May 2002, the Company successfully licensed TRASY's Online Trading Solution (Market Maker) to South China Precious Metal Limited ("South China") in Hong Kong. Official trading on the system licensed to South China has begun. Furthermore, the Company is discussing with South China to conduct precious metals trading seminars to its clients in order to promote greater liquidity on the system.
3. Begin implementation, promotional and educational activities to newly joined Principals and Users in European countries

**Business objective as stated in the Prospectus**

4. Begin consulting and discussions with other Principals for trading of other commodities or financial products on TRASY

**Actual business progress up to 30th June, 2002**

- In the first half-year, the Company have meetings with Principals of TRASY and other financial institutions regarding the facilitation of trading other commodities and financial products on the TRASY platform. The general response was positive and most Principals were anticipating TRASY to expand its product lines. The Company will continue to carry out other market research to decide on the issue.
- The Company began detailed investigations into the possibility of distributing UK investment products in the Asian market. The Company is currently negotiating with two UK based financial institutions for introduction of their unique investment products to the Asian markets.
- In the final stage of the first half-year, the Company together with AASTOCKS.COM completed a precious metals charting system. It is anticipated that the product will be launched to Principals and retail investors in the 3rd Quarter of 2002.
- Also in the first half-year, the Company started discussions with a reputable gold corporation with regard to the possibility of distributing their gold-related investment products to retail investors around Asia.

**Business objective as stated in the Prospectus**

**Actual business progress up to 30th June, 2002**

5. Prepare marketing and promotional events for launching TRASY with the trading of other commodities and financial products
  
6. Implement marketing and promotional activities with an aim to generate revenue from information licensing and advertising

- The Company is in the process of conducting market research and analysis of the feasibility of introducing additional commodities and financial products onto the TRASY system. Hence the marketing of such will be arranged at a later stage.
  
- The Company has set up a business alliance with Gold Fields Mineral Services Ltd (“GFMS”). The alliance initially involves a banner exchange and the broadcasting of TRASY’s live and dealable prices on the GFMS website ([www.GFMS.co.uk](http://www.GFMS.co.uk)).
  
- In the first half-year, the Company arranged to become an information provider on [www.Quamnet.com](http://www.Quamnet.com) (“Quamnet”), a leading financial portal in Hong Kong. The arrangement involves the provision of precious metals information onto their Alternative Investment – Precious Metals section, which includes: TRASY’s live and dealable price quotations, as well as News & Commentary. The Company continues to negotiate with Quamnet on the possibility of expanding the alliance to incorporate other revenue-based relationships.



**Business objective as stated in the Prospectus**

**Actual business progress up to 30th June, 2002**

- During the first half-year, the Company realised that web traffic in its precious metals information website, [www.g9999.com](http://www.g9999.com) had become more frequently visited by viewers (monthly page visits have grown over 500% since December 2001). Hence, the Company began to actively promote advertising space to other websites as an additional source of revenue. Furthermore, through the Company's analysis of the monthly website traffic and page views of the TRASY prices (on other financial portals), the Company is looking into the feasibility of introducing a pricing scheme for the licensing of TRASY prices to external websites for broadcast.

**Research and Development**

<b>Business objective as stated in the Prospectus</b>	<b>Actual business progress up to 30th June, 2002</b>
1. Development of matching server for heterogeneous products	<ul style="list-style-type: none"><li>• The development team has conducted various researches and testing on the development of heterogeneous-product-supported matching server. The development is in progress. So as the business expands, the new matching server will be launched for production.</li></ul>
2. Develop wireless trading on third generation wireless devices	<ul style="list-style-type: none"><li>• The development team is monitoring on the third generation wireless communication development, and has researched on the strengths and weaknesses in application for TRASY's trading platform. The development of such service will be considered once the third generation wireless communication is publicly launched in the market.</li></ul>
3. Continue public key infrastructure ("PKI") development	<ul style="list-style-type: none"><li>• The current security level of the TRASY system meets the international standard, and therefore the PKI implementation will be reserved for future release as the business expanded.</li></ul>
4. Continue client software enhancement	<ul style="list-style-type: none"><li>• The interface of TRASY system is continuously being upgraded, making it easier to use and more reliable.</li></ul>

**Operation and Development**

<b>Business objective as stated in the Prospectus</b>	<b>Actual business progress up to 30th June, 2002</b>
<p>1. Liaise with North and South American regional data centers to provide IT infrastructure for local principals</p>	<ul style="list-style-type: none"> <li>• The actual business development of the Company has been focused on the Asian region including India, therefore the liaison with regional data centers in North and South America to provide IT infrastructure is pending. For End-users of TRASY in the North and South American regions, an internet connection with a local ISP is sufficient to trade on TRASY platform.</li> </ul>
<p>2. Develop trading backbone for European regions</p>	<ul style="list-style-type: none"> <li>• The actual business development of the Company has been focused on the Asian region including India, therefore the development of a trading backbone with regional data centers in Europe is pending. For End-users of TRASY in the European regions, an internet connection with a local ISP is sufficient to trade on TRASY's trading platform.</li> </ul>
<p>3. Continue to develop and strengthen trading backbone for Middle-East regions</p>	<ul style="list-style-type: none"> <li>• The actual business development of the Company has been focused on the Asian region including India, therefore the development of a trading backbone with regional data centers in Middle-East is pending. For End-users of TRASY in the Middle-East regions, an internet connection with a local ISP is sufficient to trade on TRASY's trading platform.</li> </ul>
<p>4. Review the necessity of implementing additional security measures on the system and network infrastructure</p>	<ul style="list-style-type: none"> <li>• All Web, Database and Mail systems have gone through the security checks. The network of TRASY's trading platform has also been upgraded to faster speed which can lead to higher efficiency in connection for both local and international clients.</li> </ul>

The Company has spent about HK\$7.3 million (including working capital) during the six months ended 30th June, 2002 to achieve the business objectives as above mentioned.

**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

*For the three and six months ended 30th June, 2002*

The Board of Directors of the Company is pleased to announce the unaudited consolidated results of the Group for the three and six months ended 30th June, 2002 together with the comparative unaudited figures for the corresponding periods in 2001 as follows:

		<b>Three months</b>		<b>Six months</b>	
		<b>ended 30th June</b>		<b>ended 30th June</b>	
		<b>2002</b>	2001	<b>2002</b>	2001
<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	<b>746</b>	1,323	<b>1,614</b>	3,209
Unrealised gain on gold bullion – net	2	<b>1,389</b>	2,012	<b>5,655</b>	850
Other revenue	2	<b>85</b>	214	<b>202</b>	246
		<u><b>2,220</b></u>	<u>3,549</u>	<u><b>7,471</b></u>	<u>4,305</u>
Staff costs		<b>(2,171)</b>	(2,743)	<b>(4,455)</b>	(5,689)
Depreciation		<b>(83)</b>	(83)	<b>(166)</b>	(164)
Marketing and promotion expenses		<b>(268)</b>	(445)	<b>(492)</b>	(749)
Other administrative and operating expenses		<b>(1,160)</b>	(1,570)	<b>(2,366)</b>	(3,175)
		<u><b>(3,682)</b></u>	<u>(4,841)</u>	<u><b>(7,479)</b></u>	<u>(9,777)</u>
Loss before taxation		<b>(1,462)</b>	(1,292)	<b>(8)</b>	(5,472)
Taxation	3	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Loss attributable to shareholders		<u><b>(1,462)</b></u>	<u>(1,292)</u>	<u><b>(8)</b></u>	<u>(5,472)</u>
		<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
Basic loss per share	4	<u><b>(0.0614)</b></u>	<u>(0.0543)</u>	<u><b>(0.0003)</b></u>	<u>(0.2299)</u>
Diluted loss per share	4	<u><b>N/A</b></u>	<u>N/A</u>	<u><b>N/A</b></u>	<u>N/A</u>

*Remark:*

Appropriate reclassifications have been made to comparative figures for comparison purposes.

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the six months ended 30th June, 2002*

	<b>Share capital</b>	<b>Share premium</b>	<b>Merger reserve</b>	<b>Accumulated losses</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 31st December, 2000	23,800	42,458	5,000	(16,541)	54,717
Loss for the period	—	—	—	(5,472)	(5,472)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th June, 2001	23,800	42,458	5,000	(22,013)	49,245
Loss for the period	—	—	—	(4,939)	(4,939)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31st December, 2001	23,800	42,458	5,000	(26,952)	44,306
Loss for the period	—	—	—	(8)	(8)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 30th June, 2002	<u>23,800</u>	<u>42,458</u>	<u>5,000</u>	<u>(26,960)</u>	<u>44,298</u>

**UNAUDITED CONSOLIDATED BALANCE SHEET**

As at 30th June, 2002

		(Unaudited) 30th June, 2002	(Audited) 31st December, 2001
	Note	HK\$'000	HK\$'000
<b>NON-CURRENT ASSETS</b>			
Fixed assets	6	1,435	1,601
Other assets	7	<u>1,180</u>	<u>1,180</u>
		<u>2,615</u>	<u>2,781</u>
<b>CURRENT ASSETS</b>			
Accounts receivable and prepayments	8	748	1,166
Gold bullion		44,687	45,968
Tax recoverable		4	1
Cash and bank balances		<u>1,086</u>	<u>122</u>
		<u>46,525</u>	<u>47,257</u>
<b>CURRENT LIABILITIES</b>			
Amount due to ultimate holding company		93	1,246
Other payables and accrued expenses		<u>4,749</u>	<u>4,486</u>
		<u>4,842</u>	<u>5,732</u>
<b>NET CURRENT ASSETS</b>		<u>41,683</u>	<u>41,525</u>
		<u>44,298</u>	<u>44,306</u>
<b>CAPITAL AND RESERVES</b>			
Share Capital		23,800	23,800
Reserves		<u>20,498</u>	<u>20,506</u>
		<u>44,298</u>	<u>44,306</u>

**UNAUDITED CONSOLIDATED CASHFLOW STATEMENT**

*For the six months period ended 30th June, 2002*

	<i>Note</i>	<b>2002</b> <b>HK\$'000</b>	2001 <i>HK\$'000</i>
<b>Net cash used in operating activities</b>	9	<u>(6,133)</u>	<u>(1,019)</u>
<b>Investing activities</b>			
Deposits with business partners		–	15,094
Purchase of gold bullion		–	(29,214)
Purchase of fixed assets		–	(65)
Proceed from disposal of gold bullion		<u>7,097</u>	<u>6,437</u>
<b>Net cash from/(used in) investing activities</b>		<u>7,097</u>	<u>(7,748)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>964</b>	(8,767)
<b>Cash and cash equivalents at 1st January</b>		<u>122</u>	<u>8,816</u>
<b>Cash and cash equivalents at 30th June</b>		<u><u>1,086</u></u>	<u><u>49</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances		<u><u>1,086</u></u>	<u><u>49</u></u>

Notes:

**1. Basis of presentation**

The financial statements have been prepared in accordance with generally accepted accounting principals in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st December, 2001.

**2. Revenue and turnover**

Turnover represents transaction fees derived from the provision of Internet-based electronic trading system, and transaction fees are recognised when a transaction is duly executed on the trade date. Revenue recognised during the three months and six months ended 30th June, 2002 together with the comparative unaudited figures for the corresponding periods in 2001 are as follows:

	Three months ended 30th June		Six months ended 30th June	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover				
Transaction fees	<u>746</u>	<u>1,323</u>	<u>1,614</u>	<u>3,209</u>
Unrealised gain				
on gold bullion – net	<u>1,389</u>	<u>2,012</u>	<u>5,655</u>	<u>850</u>
Other revenue				
Interest income	–	4	–	65
Realised gain				
on gold bullion – net	80	210	160	172
Miscellaneous income	5	–	42	9
	<u>85</u>	<u>214</u>	<u>202</u>	<u>246</u>
Total revenue	<u>2,220</u>	<u>3,549</u>	<u>7,471</u>	<u>4,305</u>

**3. Taxation**

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits in Hong Kong for the six months period ended 30th June, 2002.

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



**4. Loss per share**

(a) *Basic loss per share*

The calculation of basic loss per share for the three months and six months ended 30th June, 2002 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$1,462,161 and HK\$8,172 (2001: HK\$1,292,201 and HK\$5,472,214) and the weighted average number of 2,380,000,000 (2001: 2,380,000,000) ordinary shares in issue during the respective periods.

(b) *Diluted loss per share*

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 three months and six months ended 30th June, 2002 and 2001.

**5. Interim dividend**

The Directors have resolved not to declare the payment of an interim dividend for the period (2001: Nil)

**6. Fixed assets**

	Leasehold improvements	Furniture, fixtures and equipment	Computer equipment	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Group</b>				
Cost				
1st January, 2002 and 30th June, 2002	472	158	1,588	2,218
Accumulated depreciation				
1st January, 2002	132	44	441	617
Charge for the period	35	12	119	166
30th June, 2002	167	56	560	783
Net book value				
30th June, 2002	<u>305</u>	<u>102</u>	<u>1,028</u>	<u>1,435</u>
31st December, 2001	<u>340</u>	<u>114</u>	<u>1,147</u>	<u>1,601</u>

7. Other assets

	(Unaudited) 30th June, 2002 HK\$'000	(Audited) 31st December, 2001 HK\$'000
Membership licences, at cost	<u>1,180</u>	<u>1,180</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.

8. Accounts receivable and prepayments

Accounts receivable and prepayments comprised:

	(Unaudited) 30th June, 2002 HK\$'000	(Audited) 31st December, 2001 HK\$'000
Accounts receivable	94	86
Prepayments	<u>654</u>	<u>1,080</u>
	<u>748</u>	<u>1,166</u>

An ageing analysis of accounts receivable is set out below:

	(Unaudited) 30th June, 2002 HK\$'000	(Audited) 31st December, 2001 HK\$'000
0 – 30 days	24	25
31 – 60 days	3	1
61 – 90 days	–	–
Over 90 days	<u>67</u>	<u>60</u>
	<u>94</u>	<u>86</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 accounts are overdue for more than 30 days.

9. Reconciliation of loss before taxation to net cash used in operating activities

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>
Loss before taxation	(8)	(5,472)
Adjustments for:		
Depreciation	166	164
Unrealised gain on gold bullion – net	(5,655)	(850)
Realised gain on gold bullion – net	(160)	(172)
	<hr/>	<hr/>
Operating loss before working capital changes	(5,657)	(6,330)
Decrease in deposit with ultimate holding company	–	3,585
Decrease in accounts receivable and prepayments	418	688
Increase in other payables and accrued expenses	263	1,038
Decrease in amount due to ultimate holding company	(1,154)	–
	<hr/>	<hr/>
Cash used in operations	(6,130)	(1,019)
Hong Kong profits tax paid	(3)	–
	<hr/>	<hr/>
Net cash used in operating activities	<u>(6,133)</u>	<u>(1,019)</u>

## DIRECTORS' INTEREST IN SHARES AND OPTIONS

### (I) Shares

As at 30th June, 2002, 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 <i>(Note)</i>	Family interest	Corporate interest
Mr. Sit Chun Sze	27,991,354	–	–
Mr. Chan Kee Chee, Keith	27,991,354	–	–

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

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

	<b>% of entitlement under lock-up</b>
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

### (II) Directors' rights to acquire shares

- (i) The Company adopted a share option scheme on 6th November, 2000 (the "Scheme") pursuant to which options to subscribe for shares may be granted to any eligible employees and the Scheme was terminated and replaced by a new share option scheme ("New Scheme") at the annual general meeting of the Company held on 30th April, 2002. No share options were granted under the Scheme during the period under review.

- (ii) Under the New Scheme, the Board may, at its discretion, grant options to any eligible participants which entitle them to subscribe for shares in aggregate not exceeding 30% of the shares in issue of the Company from time to time (including shares which have been or may be allotted and issued under other schemes). No share options were granted under the New Scheme during the period under review. Details of the New Scheme are set out in the circular of the Company dated 28th March, 2002.
  
- (iii) Under the pre-IPO share option plan adopted by the Company on 6th November, 2000, (the “Plan”), pre-IPO share options were granted to certain Directors which entitle them to subscribe for shares in the Company, exercisable in stages in accordance with the terms of the Plan commencing on 7th June, 2001. Details of the Plan are set out in the Prospectus.

Details of the pre-IPO share options granted under the Plan to certain Directors are as follows:

Name of Director	Date of grant	Exercise price HK\$	No. of options outstanding as at 30th June, 2002	Expiry Date
Mr. Sit Chun Sze	29th November, 2000	0.21	44,152,000	28th November, 2010
Mr. 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:

	<b>Percentage of the pre-IPO share options that can be exercised</b>
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 options have duration of ten years from the date of grant, but shall lapse where the grantee ceases to be employed by the Company, RNA Holdings Limited (“RNA”) or their respective subsidiaries.

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

## SUBSTANTIAL SHAREHOLDERS

As at 30th June, 2002, 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:

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

## COMPETING INTERESTS

None of the Directors or the management shareholders (as defined in the Rules Governing the Listing of Securities on GEM (“GEM Listing Rules”)) of the Company had an interest in a business (as defined in Rule 11.04) which competes or may compete with the business of the Group.

## SPONSOR’S INTERESTS

As of 30th June, 2002, 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 the provision of its services.

## **AUDIT COMMITTEE**

The Company established an audit committee on 19th October, 2000 with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting processes and internal controls of the Group. The half-year accounts has been reviewed by the audit committee comprises two Independent Non-executive Directors and the Qualified Accountant 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 six months ended 30th June, 2002.

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

The Company has not redeemed any of its shares during the six months ended 30th June, 2002. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's shares during the period.

On behalf of the Board

**Sit Chun Sze**

*Chairman*

Hong Kong, 9th August, 2002