



# Trasy Gold Ex Limited

(Incorporated in the Cayman Islands with Limited Liability)

## Annual Report 2002



## 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](http://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. Chan Choi Ling\*\*

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*

### COMPLIANCE OFFICER

Mr. Sit Chun Sze

### COMPANY SECRETARY

Mr. Tse Kam Fai, *ACIS, ACS, MHKSI*

### QUALIFIED ACCOUNTANT

Ms. Cheng Chor Miu, *AHKSA, ACCA, ACIS, ACS*

### AUDIT COMMITTEE

Ms. Cheung Lai Kai, Edwina  
Ms. Chan Choi Ling

### AUTHORISED REPRESENTATIVES

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

### 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

Louis K.Y. Pau & Company, Solicitors  
24th Floor, Euro Trade Centre  
13-14 Connaught Road Central  
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 WEBSITES

[www.trasy.com](http://www.trasy.com)  
[www.g9999.com](http://www.g9999.com)

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## Corporate Information

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

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

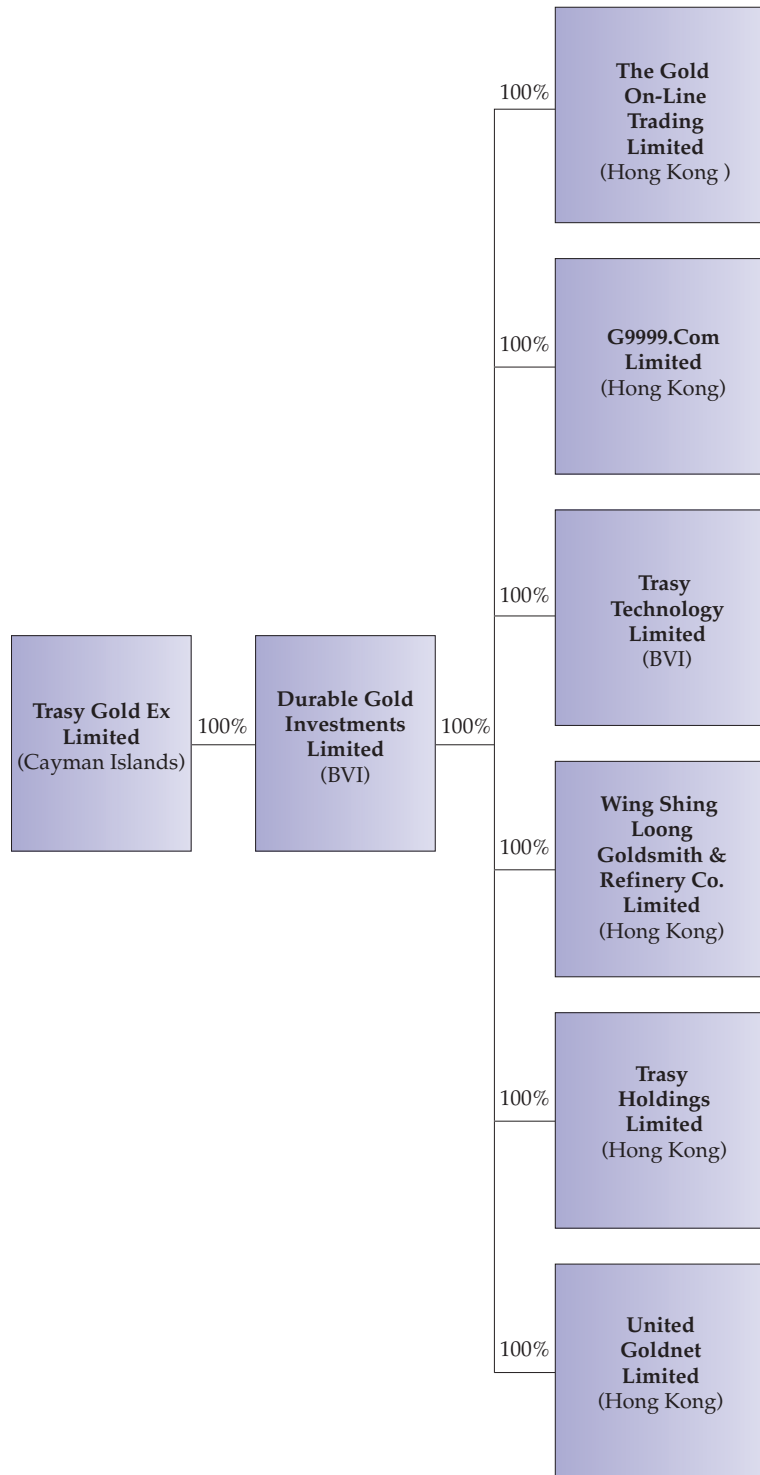
### **PRINCIPAL BANKERS**

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

### **GEM STOCK CODE**

8063

# Corporate Structure



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## Notice of Annual General Meeting

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**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 Wednesday, 23rd April 2003 at 9:30 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 2002;
2. To re-elect Director and to authorize the Directors to fix their remuneration;
3. To re-appoint Moore Stephens as Auditors and to authorize 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 authorize 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 20% of the aggregate nominal amount of the share capital of the Company in issue on the date of passing of this Resolution; and

## Notice of Annual General Meeting

(Continued)

(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 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 recognized regulatory body or any stock exchange applicable to the Company).”

By Order of the Board  
**Tse Kam Fai**  
*Company Secretary*

Hong Kong, 21st March 2003

*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 share registrar in Hong Kong, Computershare Hong Kong Investor Services 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.



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## Chairman's Statement

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I am pleased to present to the Shareholders the 2002 Annual Report of the Company and its subsidiaries (collectively the "Group") for the year ended 31st December 2002.

### RESULTS

The total turnover of the Group was approximately HK\$4,330,000 (2001: approximately HK\$5,370,000) and net loss attributable to shareholders of approximately HK\$383,000 for the year ended 31st December 2002 (2001: approximately HK\$10,581,000).

### DIVIDEND

No interim dividend was paid during the year (2001: Nil) and the Directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2002 (2001: nil).

### PLACING OF NEW SHARES

The Company placed a total of 399,000,000 ordinary shares to individual investors at HK\$0.023 each on 18th July 2002 and the total proceeds of approximately HK\$9,100,000 were used in acquisition of gold bullion and working capital of the Group.

### BUSINESS REVIEW

Our on-line precious metals trading platform "TRASY" recorded a total turnover of 7.7 million ounces of gold (2001: 12.4 million ounces) and 67.8 million ounces of silver (2001: 28.1 million ounces) for the whole year.

The Company had entered into an agreement with Gold Corporation, a wholly-owned statutory authority of the Government of Western Australia, to act as their approved Dealer to promote the Perth Mint Gold Certificate Program to clients, whereby the Company will receive commission on successful deals.

### PROSPECTS AND APPRECIATION

In the year ahead, the Group will continue to seek for suitable investment opportunities especially in gold-related business and business partners to expand financial products to be traded through our trading platform.

On behalf of the Board, I would like to express our appreciation and gratitude to all staff for their support, hard work and dedication over the year.

**Sit Chun Sze**  
*Chairman*

Hong Kong, 21st March 2003

## Management Discussion and Analysis

### FINANCIAL HIGHLIGHTS

#### For the quarter ended

	Q4 31st Dec 02 <i>HK\$'000</i>	Q3 30th Sept 02 <i>HK\$'000</i>	Q2 30th Jun 02 <i>HK\$'000</i>	Q1 31st Mar 02 <i>HK\$'000</i>
Turnover	1,314	1,402	746	868
Unrealized gain/(loss) on gold bullion – net	3,178	1,770	1,389	4,266
Staff costs	(1,962)	(1,821)	(2,171)	(2,284)
Marketing and promotion expenses	(642)	(244)	(268)	(224)
Profit/(loss) before taxation	<u>(1)</u>	<u>(374)</u>	<u>(1,462)</u>	<u>1,454</u>
Earnings/(loss) per share (in HK cents)	<u>(0.001)</u>	<u>(0.014)</u>	<u>(0.061)</u>	<u>0.061</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 2002.

### FINANCIAL SUMMARY

#### Audited Consolidated Results for the year ended 31st December

	2002 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	1999 <i>HK\$'000</i>
Turnover	4,330	5,370	4,654	–
Unrealized gain on gold bullion – net	10,603	2,040	90	–
Operating expenditures*	(15,637)	(18,606)	(17,662)	(3,953)
Loss before taxation	<u>(383)</u>	<u>(10,577)</u>	<u>(12,873)</u>	<u>(3,935)</u>
Loss per share (in HK cents)	<u>(0.015)</u>	<u>(0.445)</u>	<u>(0.712)</u>	<u>(0.223)</u>

\* These include staff costs, software research and development costs, depreciation, marketing and promotion expenses, finance costs, administrative and other expenses.

## Management Discussion and Analysis

(Continued)

### FINANCIAL SUMMARY (Continued)

#### Assets and Liabilities (as at 31st December)

	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Non-current Assets	1,055	2,781	3,033	1,519
Current Assets	<u>55,072</u>	<u>47,257</u>	<u>54,364</u>	<u>715</u>
Total Assets	56,127	50,038	57,397	2,234
Current Liabilities	<u>(3,592)</u>	<u>(6,282)</u>	<u>(3,060)</u>	<u>(1,256)</u>
Shareholders' fund	<u><u>52,535</u></u>	<u><u>43,756</u></u>	<u><u>54,337</u></u>	<u><u>978</u></u>

Remark: The comparative figures for the years ended 31st December 2001, 2000 and 1999 have been restated to conform to the change in accounting policy as detailed in note 19 to the financial statements.

### FINANCIAL REVIEW

The Group recorded a net loss of approximately HK\$383,000 for the year ended 31st December 2002 (2001: a net loss of approximately HK\$10,581,000), representing a basic loss per share of 0.015 HK cents (2001: a basic loss per share of 0.445 HK cents). The unrealized gain on gold bullion contributed to a substantial extent of the decrease in net loss upon comparing the financial performance with the corresponding year in 2001.

For the year ended 31st December 2002, the Group's audited consolidated turnover amounted to approximately HK\$4,330,000 (2001: approximately HK\$5,370,000), mainly representing transaction fees from trading through TRASY of approximately 7.7 million ounces of gold (2001: 12.4 million ounces) and 67.8 million ounces of silver (2001: 28.1 million ounces). The Directors considered such performance was satisfactory under the global economic downturn environment in 2002.

Upon comparing the total expenses in 2001, the total expenses in 2002 decreased by about HK\$2,969,000. This indicates that the Company is being operated in a more cost-conscious manner, and can expect to become profitable in the foreseeable future.

## 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 as at 31st December 2002 was about 14.33 times more than that of current liabilities (2001: 6.52 times more); no long-term liabilities were borne by the Group as at 31st December 2002 (2001: Nil). Up to the date of this report, 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 31st December 2002 (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 and thereby no related hedges were made by the Group.

#### Capital structure

Except for the increase in the Company's issued share capital of 399,000,000 shares of HK\$0.01 each and allotted for cash at a premium of HK\$0.013 each during the year as detailed below, there was no other change in the capital structure of the Group during the year ended 31st December 2002 (In 2001, there were no changes in the Company's share capital).

On 4th July 2002, the Company entered into subscription agreements with more than six subscribers, who are independent of and not connected with any directors, chief executive, substantial shareholders or management shareholders of the Company or any of their respective associates (as defined under the GEM Listing Rules), to subscribe for 399,000,000 ordinary shares of HK\$0.01 each in the capital of the Company at HK\$0.023 each (the "Subscription"). The closing price of the Company's shares on 4th July 2002 was HK\$0.026. The Directors considered that the Subscription would widen the capital base of the Company. The Subscription was completed on 18th July 2002. The net proceeds therefrom was approximately HK\$9.1 million and was originally intended to be used for suitable investment opportunities to expand the product range traded on TRASY or as additional working capital of the Company, since the Company has not identified suitable investment opportunities, the proceeds of about 61% was used in the acquisition of gold bullion, which can be easily convertible into cash, and the remaining as working capital of the Company.

#### Significant investments

There were no significant investments held by the Group as at 31st December 2002 and 2001.

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

There were no material acquisitions and disposals of investments by the Group during the years ended 31st December 2002 and 2001. The Group is now looking for the possibilities of forming alliances or any investment opportunities with some strategic partners. The Group intends to finance the expansion by its internal resources or any other fund raising exercises, where appropriate.

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## Management Discussion and Analysis

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(Continued)

### FINANCIAL REVIEW (Continued)

#### New products and services

During the year, the Company in conjunction with AASTOCKS.COM Limited had developed a precious metals charting system, tracking Loco London gold, silver, palladium and platinum. The Company began marketing this new product regionally to precious metal investors which provides an additional revenue stream to the Company.

#### Employee Information

The total number of employees (including Directors) was 17 as at 31st December 2002 (2001: 26), and the total remuneration for the year 2002 was about HK\$8 million (2001: about HK\$9.9 million). Other benefits provided by the Group to the employees include medical coverage and share options.

#### Charges on Group assets

During the years ended 31st December 2002 and 2001, none of the Group's assets has been pledged.

#### 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 2002 and 2001 are presented as more than 90% of the Group's turnover and loss before taxation relate to provision and operation of an Internet-based electronic trading system to facilitate the trading of precious metals in Hong Kong.

#### Dividend

No interim dividend was paid during the year (2001: Nil) and the Directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2002 (2001: nil).

### BUSINESS DEVELOPMENT

#### I. TRASY's Trading Platform

##### A. Value Adding to On-line Stockbrokers

Given the downturn in global economics and equities markets, as well as the global political tension, 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.

## Management Discussion and Analysis

(Continued)

### BUSINESS DEVELOPMENT (Continued)

#### I. TRASY's Trading Platform (Continued)

##### A. Value Adding to On-line Stockbrokers (Continued)

The Group will license to these on-line stockbrokers TRASY's trading platform solution, so that their on-line customers may trade precious metals with those stockbrokers using TRASY's trading platform after opening an account. 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.

In May 2002, the Company had licensed TRASY's Online Trading Solution (Market Maker) to a local brokerage firm in Hong Kong. Throughout the year, the Company has also actively spoken to several other local brokerages regarding the implementation of the TRASY system for their precious metals business.

##### B. Preparation for the Liberalisation of the Chinese Gold Market

The Group continues to explore business opportunities in precious metals market in China. During the year, the Company made visits to China to introduce the TRASY system to major gold market participants (jewellery manufacturers, mining companies and financial institutions) with the aim of promoting on-line precious metals trading through the use of TRASY. This is through the anticipation that there will be a high demand for precious metals trading when the Chinese market is liberalised.

The Company has sponsored the 6th RNA China Gold Conference held in Shanghai on 9th September 2002. Gold mining companies and jewellery manufacturers throughout China, as well as other international bullion banks and traders had attended the conference. At the conference, the Company was able to carry out extensive marketing programs to the delegates as well as live demonstration of the TRASY system for their precious metals trading.

##### C. Expansion of TRASY's Trading Platform to Other Financial Products

The Directors believe that the trading solutions of TRASY developed by the Group's Research & Development team have great value because TRASY has a potential application to trading of other commodities and financial products. This will enrich the Group's revenue stream and help explore other markets as well as expand the customer network by centralising different markets into one marketplace.

Discussions began during the year with Principals of TRASY and other international financial institution regarding the expansion of TRASY into other financial products such as foreign exchange, other commodities and derivative products. The general response was positive and most Principals are anticipating TRASY to expand its product offerings. The Company will continue to explore the feasibility of expanding TRASY's trading platform by offering other financial products.

## Management Discussion and Analysis

(Continued)

### BUSINESS DEVELOPMENT (Continued)

#### I. TRASY's Trading Platform (Continued)

##### D. Negotiation for Strategic Partners

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, especially in China and India for business co-operations. This can be in the form of business alliances or joint-ventures. Public seminars and education programs will be implemented via these co-operations to promote TRASY's trading platform and to build up the brand name of TRASY.

#### II. Information Licensing to Financial Content Providers & Web Alliances

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

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.

In addition to the alliances arranged from previous years, the Company during the year had successfully aligned with several recognized financial content providers for the distribution of the Company's precious metals information.

These financial content providers includes two major categories:

##### 1. International Financial and Precious Metals Information Providers

- (i) [www.GFMS.co.uk](http://www.GFMS.co.uk) – 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.
- (ii) [www.iab.gov.tr](http://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)

##### 1. International Financial and Precious Metals Information Providers (Continued)

- (iii) [www.thebulliondesk.com](http://www.thebulliondesk.com) – an independent website providing the global investment community with precious metals information. A banner exchange alliance has been arranged as well as information exchange in which TRASY's precious metals prices are posted onto [thebulliondesk.com](http://thebulliondesk.com) and [g9999.com](http://g9999.com) receives and posts daily market news from [thebulliondesk.com](http://thebulliondesk.com).

##### 2. Regional Financial Websites and Portals

###### *Hong Kong*

- (i) [www.quamnet.com](http://www.quamnet.com) – the Company had arranged to become an information provider on Quamnet.com, the leading financial portal in Hong Kong. The sponsorship 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.
- (ii) [www.aastocks.com](http://www.aastocks.com) – the Company had arranged for TRASY's live and dealable quotes to be placed onto the Aastocks.com website for viewing. Furthermore, TRASY's quotations and news were incorporated into AASTOCKS.COM's chart winner to view live metal prices.
- (iii) [www.scgold.com](http://www.scgold.com) – the Company now broadcasts the news and commentary provided by [g9999.com](http://g9999.com).
- (iv) [www.etnet.com.hk](http://www.etnet.com.hk) – Operated by ET Net Limited to provide financial information for professional investors.

###### *China*

- (i) [www.htmetal.com](http://www.htmetal.com) – HuaTong Non-Ferrous Wholesale Market has become the leader of the China silver exchange.
- (ii) [www.goldst.net](http://www.goldst.net) – ChangChun Gold Research Institute is the only comprehensive organization, specially engaged in basic theory and engineering technique research – development in gold industry in China.
- (iii) [www.cjsquare.net](http://www.cjsquare.net) – ShenZhen Huayi Jewelry NetWork Co as the only one NetWork company which is appointed by the ShenZhen Gold Jewelry Association, its business line is information research, IP-service, E-Shopping, etc.



## Management Discussion and Analysis

(Continued)

### BUSINESS DEVELOPMENT (Continued)

#### 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 become the premiere precious metals information website in Asia and a major contributor globally.

Due to the increased amount of exposure of the Group's website g9999.com, as well as additional precious metals' content and other value-added features on g9999.com, 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 5 million (as compared to 600,000 in year 2001). The hit rates were well above the monthly average in the latter stages of the year, reaching a yearly high of 8.9 million hits in December 2002.

#### IV. Expansion of Other Value-Added Products and Services

##### *Precious Metals Charting System*

During the year, the Company had signed an agreement with AASTOCKS.COM Limited. The basis of the agreement included the co-operation to develop a precious metals charting system to be sold by both parties to interested individuals or entities. The charting system is an additional revenue stream to the Company and is sold to the retail and institutional investors based on a subscription fee.

##### *Re-Packaging and Distribution of Precious Metals' Market Information*

The Company had entered into discussions with a financial information provider 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, this information will be re-packaged and sold to both retail and institutional investors globally.

##### *Website Advertisement*

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.

##### *TRASY's Back-Office Solution*

As a supportive software for TRASY's trading platform, the Company will continue to market TRASY's Back-Office Solution to existing and newly joined Principals of TRASY. During the year, the Company had made new enhancements to TRASY's Back-Office Solution based on clients' requests.

## Progress When Compared Against Business Objectives

The following is a review on the Group's business operations during the year ended 31st December 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 for the year ended 31st December 2002.

### Business Development, Marketing & Promotion

	<b>Business objectives as stated in the Prospectus for the period from 1st January 2002 to 30th June 2002</b>	<b>Actual business progress for the period from 1st January 2002 to 30th June 2002</b>
1.	Continue to implement, arrange promotional and educational activities in different countries throughout the world	<ul style="list-style-type: none"> <li>• The Group has arranged to participate as a sponsor for the 6th Annual RNA China Gold &amp; Precious Metals Conference held in September 2002.</li> <li>• The Group 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 Group is also in discussions with AASTOCKS.COM in arranging joint promotional activities to launch the Group's new precious metals charting product.</li> </ul>
2.	Begin preliminary introductions of TRASY in North and South American regions	<ul style="list-style-type: none"> <li>• Due to the continued intensive interest in the precious metals market around the Asian region, the Group has decided to postpone its plans of expansion and introduction to the North and South American regions.</li> <li>• The Group maintains a strong focus on the Greater China and Indian market. The Group believes that 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.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January 2002 to 30th June 2002	Actual business progress for the period from 1st January 2002 to 30th June 2002
2.	Begin preliminary introductions of TRASY in North and South American regions <i>(continued)</i>	<ul style="list-style-type: none"> <li>• During the first half-year, the Group continued discussions with potential business partners in India in relation to the promotion of the TRASY system in India.</li> <li>• During the first half-year, the Group made visits to China to introduce the TRASY system to commercial banks and brokerage houses.</li> </ul>
3.	Begin implementation, promotional and educational activities to newly joined Principals and Users in European countries	<ul style="list-style-type: none"> <li>• The Group began discussions with a financial institution in the UK regarding the implementation of TRASY as an additional precious metals trading tool.</li> <li>• During the first half-year, the main focus of the Group remained on Greater China. In May 2002, the Group successfully licensed TRASY's Online Trading Solution (Market Maker) to a local brokerage firm in Hong Kong. Installation of the system and training for their staff to start utilising the system was completed. Official trading on the system licensed to the brokerage firm has begun. The Group is discussing to carry out precious metals trading seminars to the clients of the brokerage firm in order to promote greater liquidity on the system.</li> </ul>
4.	Begin consulting and discussions with other Principals for trading of other commodities or financial products on TRASY	<ul style="list-style-type: none"> <li>• In the first half-year, the Group held talks 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 Group will continue to carry out other market research to decide on the issue.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January 2002 to 30th June 2002	Actual business progress for the period from 1st January 2002 to 30th June 2002
4.	Begin consulting and discussions with other Principals for trading of other commodities or financial products on TRASY <i>(continued)</i>	<ul style="list-style-type: none"> <li>• The Group began detailed investigations into the possibility of distributing UK investment products in the Asian market. The Group is currently negotiating with 2 UK based financial institutions for introduction of their unique investment products to the Asian markets.</li> <li>• In the final stage of the first half-year the Group 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.</li> <li>• Also in the first half-year, the Group began talks with a reputable gold corporation with regard to the possibility of distributing their gold-related investment products to retail investors around Asia.</li> </ul>
5.	Prepare marketing and promotional events for launching TRASY with the trading of other commodities and financial products	<ul style="list-style-type: none"> <li>• The Group 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.</li> </ul>
6.	Implement marketing and promotional activities with an aim to generate revenue from information licensing and advertising	<ul style="list-style-type: none"> <li>• The Group 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 (<a href="http://www.GFMS.co.uk">www.GFMS.co.uk</a>).</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st January 2002 to 30th June 2002	Actual business progress for the period from 1st January 2002 to 30th June 2002
6.	Implement marketing and promotional activities with an aim to generate revenue from information licensing and advertising <i>(continued)</i>	<ul style="list-style-type: none"> <li>• In the first half-year, the Group arranged to become an information provider on <a href="http://www.quamnet.com">www.quamnet.com</a> ("Quamnet"), a leading financial portal in Hong Kong. The sponsorship 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 &amp; Commentary. The Group continues to negotiate with Quamnet on the possibility of expanding the alliance to incorporate other revenue-based relationships.</li> <li>• During the first half-year, the Group realised that web traffic in its precious metals information website, <a href="http://www.g9999.com">www.g9999.com</a>, had become more frequently visited by viewers (monthly page visits have grown over 500% since December 2001). Hence, the Group began to actively promote advertising space to other websites as an additional source of revenue. Furthermore, through the Group's analysis of the monthly website traffic and page views of the TRASY prices (on other financial portals), the Group is looking into the feasibility of introducing a pricing scheme for the licensing of TRASY prices to external websites for broadcast.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	<b>Business objectives as stated in the Prospectus for the period from 1st July 2002 to 31st December 2002</b>	<b>Actual business progress for the period from 1st July 2002 to 31st December 2002</b>
1.	Begin implementation, promotional and educational activities to newly joined Principals and Users in the North and South American regions	<ul style="list-style-type: none"> <li>• As the Company had decided to postpone its plans of expansion and introduction of the TRASY system to the North and South American regions, no such promotional activity was undertaken during the period.</li> <li>• Rather, the Company continues to maintain a strong focus on the Greater China and Indian markets for expansion.</li> </ul>
2.	Public launch of TRASY for the trading of other commodities and financial products	<ul style="list-style-type: none"> <li>• Since the principals of TRASY and other financial institutions have shown a strong interest in including other commodities or financial products to the TRASY trading system, the Company is currently reviewing the logistics and technicalities involved in providing additional products to be traded on TRASY.</li> <li>• The Company had launched the TRASY – AASTOCKS precious metals charting system in September 2002 at the 6th Annual RNA China Gold &amp; Precious Metals Conference. Over 300 delegates globally attended the conference, allowing the Company to promote the precious metals charting system to the industry.</li> <li>• On 6th September 2002, the Company also became an Approved Dealer of The Perth Mint Certificate Program which offers investors a unique range of precious metal storage options on attractive terms, under Government Guarantee.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July 2002 to 31st December 2002	Actual business progress for the period from 1st July 2002 to 31st December 2002
3.	Plan and execute promotional and educational activities to the public for trading other commodities and financial products on TRASY	<ul style="list-style-type: none"> <li>• The Company will continue to understand the validity of providing other commodities and financial products onto TRASY and hence has postponed any promotional and educational activities for such additional products.</li> <li>• In co-operation with AASTOCKS.COM, the Company began to market the precious metals charting system to professional precious metals investors and retail investors in Hong Kong. This had been achieved through brochure mail outs and e-newsletters alerts to AASTOCKS.COM members.</li> </ul>
4.	Begin implementation and training sessions with Principals to trade other commodities and financial products on TRASY	<ul style="list-style-type: none"> <li>• The Company is currently reviewing the logistics and technicalities involved in providing additional products to be traded on TRASY.</li> </ul>
5.	Continue to expand the product range to be offered for trading on TRASY	<ul style="list-style-type: none"> <li>• The Company continues to have meetings with Principals of TRASY and other financial institutions regarding the facilitation of trading other commodities and financial products on the TRASY platform.</li> </ul>
6.	Continue to promote the brand-name of TRASY internationally as a global trading platform	<ul style="list-style-type: none"> <li>• The Company has been in discussion with a Principal to begin promoting and implementing the TRASY system to the Principal's India based customers. Furthermore, the Company has been in discussion with local based companies to seek for partners and participants in the regions.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

	Business objectives as stated in the Prospectus for the period from 1st July 2002 to 31st December 2002	Actual business progress for the period from 1st July 2002 to 31st December 2002
6.	Continue to promote the brand-name of TRASY internationally as a global trading platform <i>(continued)</i>	<ul style="list-style-type: none"> <li>• The Company sponsored the 6th RNA China Gold Conference held in Shanghai on 9th September 2002. Gold mining companies and jewellery manufacturers throughout China, as well as other international bullion banks and traders had attended the conference. At the conference the Company was able to carry out extensive marketing programs to the delegates.</li> <li>• The Company has entered into the final stages of discussions with a local Hong Kong financial services provider to implement the TRASY system for its bullion trading.</li> </ul>
7.	Review any opportunities for strategic investments, joint ventures, to strategic partners to expand the product range traded on TRASY	<ul style="list-style-type: none"> <li>• The Company continues to review any opportunities for strategic investments, joint ventures with partners to either expand the products traded on TRASY, and/or to expand the network and client base geographically.</li> </ul>
8.	Conduct contingency review in regards to any change in the technology and Internet industry that may require refinement to the Company's overall strategies	<ul style="list-style-type: none"> <li>• Market reviews found that internet trading usage has increased and will continue to rise. This coincides with the Company's strategies which will allow for further growth of the Company.</li> </ul>



## Progress When Compared Against Business Objectives

(Continued)

### Research and Development

	<b>Business objectives as stated in the Prospectus for the period from 1st January 2002 to 30th June 2002</b>	<b>Actual business progress for the period from 1st January 2002 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 services 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>

## Progress When Compared Against Business Objectives

(Continued)

	<b>Business objectives as stated in the Prospectus for the period from 1st July 2002 to 31st December 2002</b>	<b>Actual business progress for the period from 1st July 2002 to 31st December 2002</b>
1.	Continue development of matching server for heterogeneous products	<ul style="list-style-type: none"> <li>• The dealer mode matching system is continuously being refined and upgrade, more useful features is added. In order for heterogeneous product support, not only the matching server has to be upgraded. The peripheral trading servers have to be upgraded in the meantime. The price server is currently under upgrade.</li> </ul>
2.	Continue development of wireless trading on third generation wireless devices	<ul style="list-style-type: none"> <li>• The development team will continue research on the third generation wireless devices application's strength and weakness for TRASY's trading platform. No development can be performed at this stage because the third generation wireless devices and technology has not been launched in the market.</li> </ul>
3.	Explore the feasibility of warehouse management system for physical settlement of products	<ul style="list-style-type: none"> <li>• There is no demand for a warehouse management system for physical settlement of products, therefore no feasibility studies was done.</li> </ul>
4.	Continue client software enhancement	<ul style="list-style-type: none"> <li>• The development team will continuously assess users' recommendations, in order to enhance the functions and features of TRASY's trading platform.</li> </ul>

## Progress When Compared Against Business Objectives

(Continued)

### Operation and Development

	<b>Business objectives as stated in the Prospectus for the period from 1st January 2002 to 30th June 2002</b>	<b>Actual business progress for the progress from 1st January 2002 to 30th June 2002</b>
1.	Liaise with North and South American regional data centers to provide IT infrastructure for local principals	<ul style="list-style-type: none"> <li>• The actual business development of the Group has been focused on the Asian region including India, therefore the development of a trading backbone with regional data centres in North and South America 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's trading platform.</li> </ul>
2.	Develop trading backbone for European regions	<ul style="list-style-type: none"> <li>• The actual business development of the Group has been focused on the Asian region including India, therefore the development of a trading backbone with regional data centres 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>
3.	Continue to develop and strengthen trading backbone for Middle-East regions	<ul style="list-style-type: none"> <li>• The actual business development of the Group has been focused on the Asian region including India, therefore the development of a trading backbone with regional data centres 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>
4.	Review the necessity of implementing additional security measures on the system and network infrastructure	<ul style="list-style-type: none"> <li>• All Web, Database and Mail systems has 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>

## Progress When Compared Against Business Objectives

(Continued)

	<b>Business objectives as stated in the Prospectus for the period from 1st July 2002 to 31 December 2002</b>	<b>Actual business progress for the progress from 1st July 2002 to 31 December 2002</b>
1.	Develop trading backbone for North and South American regions	<ul style="list-style-type: none"> <li>• The actual business development of the Company has been focused in the Asian region including India, therefore the development of a trading backbone with regional data centres in North and South America is pending. For end-users of TRASY, an internet connection with a local ISP is sufficient to trade on TRASY's Trading Platform.</li> </ul>
2.	Continue to develop and strengthen the trading backbone for European regions	<ul style="list-style-type: none"> <li>• The actual business development of the Company has been focused in the Asian region including India, therefore the development of a trading backbone with regional data centres in European is pending. For end-users of TRASY, an internet connection with a local ISP is sufficient to trade on TRASY's Trading Platform.</li> </ul>

In view of the economic environment during the year 2002 the Group has tightened its expenditure control and incurred about HK\$13.9 million expenditures (including working capital) during the year to achieve the business objectives as above mentioned as compared to HK\$21 million as stated in the Prospectus.

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## Directors and Senior Management Profile

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### EXECUTIVE DIRECTORS

**Mr. Sit Chun Sze** (Age: 51)

**Chairman**

Mr. Sit joined Hing Fung Goldsmith And Refinery Limited, a wholly-owned subsidiary of RNA Holdings Limited (“RNA”), in January 1997 as managing director responsible for its bullion trade and finance operation. He was appointed an executive director of RNA in February 1999. He joined the Company and its subsidiaries (collectively 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 25 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 and President of the Hong Kong Bullion Dealers Club.

**Mr. Chan Kee Chee, Keith** (Age: 27)

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 an Internet technology company carrying out research and development for e-business solutions, specializing in electronic trading. Mr. Chan is one of the founders of TRASY and has participated in the Group’s business development since September 1998. 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 for a corporate finance and trade finance company. He is currently serving as an Executive Committee member of The Chinese Gold & Silver Exchange Society.

### NON-EXECUTIVE DIRECTORS

**Mr. Ip Tak Chuen, Edmond** (Age: 50)

Mr. Ip holds a Bachelor of Arts degree in Economics and a Master of Science degree in Business Administration. Mr. Ip is also an executive director of Cheung Kong (Holdings) Limited and CK Life Sciences Int’l., (Holdings) Inc., Deputy Chairman of Cheung Kong Infrastructure Holdings Limited and a non-executive director of TOM.COM LIMITED.

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## Directors and Senior Management Profile

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(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: 41)**

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 specialties 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: 41)**

Ms. Cheung is a practicing 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. Chan Choi Ling (Age: 28)**

Ms. Chan was appointed as an Independent Non-executive Director of the Company on 2nd May 2002. She is a practicing solicitor in Hong Kong. Ms. Chan is an assistant solicitor of Louis K. Y. Pau & Company, Solicitors.

### SENIOR MANAGEMENT

**Mr. Tse Kam Fai (Age: 39)**  
**Company Secretary**

He is an Associate of The Institute of Chartered Secretaries and Administrators in the United Kingdom and an Associate of The Hong Kong Institute of Company Secretaries. He is also the Company Secretary of RNA.

**Ms. Cheng Chor Miu (Age: 34)**  
**Finance Manager**

Ms. Cheng joined the Group in November 2002 and is responsible for finance and accounting matters. She is an associate member of Hong Kong Society of Accountants, The Association of Chartered Certified Accountants, The Hong Kong Institute of Company Secretaries and The Institute of Chartered Secretaries and Administrators. She has more than 10 years experience in the field of auditing, accounting and finance.

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## Report of the Directors

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The Board of Directors (“Board”) is pleased to submit their report together with the audited financial statements of the Group for the year ended 31st December 2002.

### 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 2002 are presented as more than 90% of the Group’s turnover and loss before taxation relate to transaction fees earned in Hong Kong.

### MAJOR CUSTOMERS

For the year ended 31st December 2002, the five largest customers of the Group accounted for about 99.87% of the turnover of the Group and the largest customer, being Hing Fung Goldsmith And Refinery Limited (“HFGR”), contributed about 95.38% of the Group’s turnover.

Mr. Sit Chun Sze, one of the Directors of the Group, is also a Director of RNA Holdings Limited (“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 2002 are set out in the consolidated profit and loss account on page 38.

No interim dividend has been paid by the Company during the year and the Directors do not recommend the payment of a final dividend in respect of the year ended 31st December 2002.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in Note 18 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 17 to the financial statements.

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## Report of the Directors

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*(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 2002, in the opinion of the Directors, the Company's reserves available for distribution to shareholders, represents the share premium less accumulated losses, amounted to HK\$46,883,431.

### **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 2002 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

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

Mr. Ip Tak Chuen, Edmond  
Dr. Leung Ping Hung, Karl Richard

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

Ms. Ma Lee Yee *(Resigned on 30th April 2002)*  
Ms. Cheung Lai Kai, Edwina  
Ms. Chan Choi Ling *(Appointed on 2nd May 2002)*

In accordance with Article 86(3) of the Articles of Association of the Company ("Articles"), Ms. Chan Choi Ling, being the Director appointed after the 2002 annual general meeting, shall retire at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.



## Report of the Directors

(Continued)

In accordance with Article 87(1) of the Articles, the Non-executive Directors as with the Executive Directors (except the Chairman) are subject to retirement by rotation at the annual general meeting, Dr. Leung Ping Hung, Karl Richard will retire by rotation at the forthcoming Annual General Meeting and he has indicated that he will not offer himself for re-election. All other remaining Directors continue in office.

### 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 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 (Note 1)	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.

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

- (i) Under a new share option scheme ("New Scheme") adopted at the annual general meeting of the Company held on 30th April 2002, 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 year under review. Details of the New Scheme are set out in the circular of the Company dated 28th March 2002.

## Report of the Directors

(Continued)

- (ii) 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 which are 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 of the Company dated 30th November 2000.

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

Name of Director	Date of grant	No. of options outstanding as at 1st January 2002	No. of options outstanding as at 31st December 2002	Exercise price HK\$	Exercise period
Mr. Sit Chun Sze	29th November 2000	44,152,000	44,152,000	0.21	7th June 2001 to 28th November 2010
Mr. Chan Kee Chee, Keith	29th November 2000	44,152,000	44,152,000	0.21	7th June 2001 to 28th November 2010

The pre-IPO share options are exercisable in the following stages during the period commencing from 7th June 2001 and expiring on 28th November 2010:

	<b>Percentage of the pre-IPO share options that can be exercised</b>
from 7th June 2001 to 6th December 2001	25%
from 7th December 2001 to 6th December 2002	50%
from 7th December 2002 to 28th November 2010	all the remaining outstanding options

All of these 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.

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 to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## Report of the Directors

(Continued)

### 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 the Directors have 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 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	Note	Number of Shares	Percentage of Shareholding
Golden Rabbit Enterprises Limited	1	1,391,435,322	50.07
RNA	2	1,391,435,322	50.07

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 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 paid a fee as agreed between the Company and BOCI Asia for its provision of services in respect of the year ended 31st December 2002.

## Report of the Directors

(Continued)

### CONNECTED TRANSACTIONS

For the year ended 31st December 2002, the Group has the following connected transactions:

#### Exempt Continuing Connected Transaction

Pursuant to rental agreements entered into with RNA Investments Limited (formerly known as Tem Fat Hing Fung Investments (Holdings) Limited) (“RNA Investments”), a wholly-owned subsidiary of RNA, in Years 2000 and 2002, the Group made rental payments of HK\$1,040,000 to RNA Investments for the year ended 31st December 2002.

#### Non-exempt Continuing Connected Transactions

- (1) As HFGR, a wholly-owned subsidiary of RNA, is one of our principals, the total amount of transaction fees charged to HFGR amounts to HK\$4,130,100, which is equivalent to the sum of transaction fees for trading 7,281,550 ounces of gold, 66,125,000 ounces of silver, 900 ounces of platinum and 200 ounces of palladium for the year ended 31st December 2002.
- (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 2002, 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-exempt continuing connected transactions and in their opinion, were entered into by the Group:

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

### 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 audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises two members, Ms. Cheung Lai Kai, Edwina and Ms. Chan Choi Ling who are Independent Non-executive Directors.

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

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## Report of the Directors

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*(Continued)*

### 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.

### 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, 21st March 2003

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## Report of the Auditors

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

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

We have audited the financial statements on pages 38 to 60 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 2002 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  
21st March 2003

## Consolidated Profit and Loss Account

*For the year ended 31st December 2002*

	<i>Note</i>	<b>2002</b> <i>HK\$</i>	<b>2001</b> <i>HK\$</i>
<b>TURNOVER</b>	3	<b>4,330,365</b>	5,369,803
Unrealised gain on gold bullion – net	3	<b>10,602,929</b>	2,039,548
Other revenue	3	<b>320,817</b>	618,797
Staff costs		<b>(8,238,028)</b>	(10,810,438)
Depreciation		<b>(829,137)</b>	(330,323)
Marketing and promotion expenses		<b>(1,377,530)</b>	(1,315,621)
Other administrative and operating expenses		<b>(4,257,207)</b>	(6,144,101)
Impairment loss on other assets	14	<b>(930,000)</b>	–
<b>LOSS FROM OPERATIONS</b>	5	<b>(377,791)</b>	(10,572,335)
Finance costs		<b>(5,074)</b>	(5,417)
<b>LOSS BEFORE TAXATION</b>		<b>(382,865)</b>	(10,577,752)
Taxation	8	–	(3,274)
<b>LOSS ATTRIBUTABLE TO SHAREHOLDERS</b>	9	<b><u>(382,865)</u></b>	<b><u>(10,581,026)</u></b>
		<i>HK cents</i>	<i>HK cents</i>
<b>LOSS PER SHARE</b>	11	<b><u>(0.015)</u></b>	<b><u>(0.445)</u></b>

## Consolidated Balance Sheet

*As at 31st December 2002*

	<i>Note</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Fixed assets	12	804,522	1,601,319
Other assets	14	<u>250,000</u>	<u>1,180,000</u>
		<u>1,054,522</u>	<u>2,781,319</u>
<b>CURRENT ASSETS</b>			
Amount due from ultimate holding company	15	1,526,611	–
Accounts receivable, prepayments and deposits	16	106,028	1,165,539
Gold bullion	2 (g)	53,372,510	45,968,171
Tax recoverable		–	1,600
Cash and bank balances		<u>66,845</u>	<u>122,088</u>
		<u>55,071,994</u>	<u>47,257,398</u>
<b>CURRENT LIABILITIES</b>			
Amount due to ultimate holding company	15	–	1,246,400
Other payables and accrued expenses		<u>3,591,725</u>	<u>5,036,061</u>
		<u>3,591,725</u>	<u>6,282,461</u>
<b>NET CURRENT ASSETS</b>		<u>51,480,269</u>	<u>40,974,937</u>
		<u>52,534,791</u>	<u>43,756,256</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	27,790,000	23,800,000
Reserves	18	<u>24,744,791</u>	<u>19,956,256</u>
		<u>52,534,791</u>	<u>43,756,256</u>

**Sit Chun Sze**  
*Director*

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



## Consolidated Statement of Changes in Equity

*For the year ended 31st December 2002*

	Note	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Accumulated losses HK\$	Total HK\$
31st December 2000 – originally stated		23,800,000	42,457,918	4,999,986	(16,540,622)	54,717,282
Prior year adjustment	19	–	–	–	(380,000)	(380,000)
31st December 2000 – restated		<u>23,800,000</u>	<u>42,457,918</u>	<u>4,999,986</u>	<u>(16,920,622)</u>	<u>54,337,282</u>
Loss for the year – originally stated		–	–	–	(10,411,026)	(10,411,026)
Prior year adjustment	19	–	–	–	(170,000)	(170,000)
Loss for the year – restated		<u>–</u>	<u>–</u>	<u>–</u>	<u>(10,581,026)</u>	<u>(10,581,026)</u>
31st December 2001 – restated		23,800,000	42,457,918	4,999,986	(27,501,648)	43,756,256
Issue of share capital		3,990,000	–	–	–	3,990,000
Premium on issue of shares		–	5,187,000	–	–	5,187,000
Share issue expenses		–	(15,600)	–	–	(15,600)
Loss for the year		–	–	–	(382,865)	(382,865)
<b>31st December 2002</b>		<b><u>27,790,000</u></b>	<b><u>47,629,318</u></b>	<b><u>4,999,986</u></b>	<b><u>(27,884,513)</u></b>	<b><u>52,534,791</u></b>

## Consolidated Cash Flow Statement

For the year ended 31st December 2002

	2002 HK\$	2001 HK\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(382,865)	(10,577,752)
Adjustments for:		
Depreciation	829,137	330,323
Impairment loss on other assets	930,000	–
Interest income	(753)	(66,783)
Provision for bad debts	60,000	–
Unrealised gain on gold bullion – net	(10,602,929)	(2,039,548)
Realised (gain)/loss on disposal of gold bullion – net	(189,101)	270,223
	<hr/>	<hr/>
Operating loss before working capital changes	(9,356,511)	(12,083,537)
(Decrease)/Increase in amount due to/from ultimate holding company	(2,773,011)	1,246,400
Decrease in deposit with ultimate holding company	–	3,584,775
Decrease in accounts receivable, prepayments and deposits	999,511	4,143,252
(Decrease)/Increase in other payables and accrued expenses	(1,444,336)	1,976,251
	<hr/>	<hr/>
Cash used in operations	(12,574,347)	(1,132,859)
Interest received	753	66,783
Hong Kong profits tax refunded/(paid)	1,600	(4,874)
	<hr/>	<hr/>
Net cash used in operating activities	(12,571,994)	(1,070,950)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Deposits with business partners	–	15,094,340
Purchase of fixed assets	(32,340)	(78,509)
Purchase of gold bullion	(10,724,917)	(48,612,571)
Proceeds from disposal of gold bullion	14,112,608	25,974,125
	<hr/>	<hr/>
Net cash from/(used in) investing activities	3,355,351	(7,622,615)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Issue of ordinary shares	9,177,000	–
Share issue expenses	(15,600)	–
	<hr/>	<hr/>
Net cash from financing activities	9,161,400	–
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(55,243)</b>	<b>(8,693,565)</b>
<b>CASH AND CASH EQUIVALENTS AT 1ST JANUARY</b>	<b>122,088</b>	<b>8,815,653</b>
	<hr/>	<hr/>
<b>CASH AND CASH EQUIVALENTS AT 31ST DECEMBER</b>	<b>66,845</b>	<b>122,088</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	66,845	122,088
	<hr/> <hr/>	<hr/> <hr/>

## Company Balance Sheet

*As at 31st December 2002*

	<i>Note</i>	2002 <i>HK\$</i>	2001 <i>HK\$</i>
<b>NON-CURRENT ASSETS</b>			
Interests in subsidiaries	13	<u>73,127,421</u>	<u>67,012,453</u>
<b>CURRENT ASSETS</b>			
Amount due from ultimate holding company	15	1,526,611	–
Prepayments		18,960	922
Cash and bank balances		<u>439</u>	<u>537</u>
		<u>1,546,010</u>	<u>1,459</u>
<b>CURRENT LIABILITIES</b>			
Amount due to ultimate holding company	15	<u>–</u>	<u>1,246,400</u>
<b>NET CURRENT ASSETS/(LIABILITIES)</b>		<u>1,546,010</u>	<u>(1,244,941)</u>
		<u>74,673,431</u>	<u>65,767,512</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	17	27,790,000	23,800,000
Reserves	18	<u>46,883,431</u>	<u>41,967,512</u>
		<u>74,673,431</u>	<u>65,767,512</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 set out below. The accounting policies and methods of computation used in the preparation of these financial statements are consistent with those adopted in the financial statements for the year ended 31st December 2001 except for the changes, if any, as explained below.

#### (a) Adoption of Statements of Standard Accounting Practice

During the current year, the Group has adopted the following SSAPs issued by HKSA which are effective for accounting periods commencing on or after 1st January 2002:

SSAP 1 (revised)	Presentation of financial statements
SSAP 11 (revised)	Foreign currency translation
SSAP 15 (revised)	Cash flow statements
SSAP 34	Employee benefits

The main revision to SSAP 1 is to change the requirements from presenting a statement of recognised gains and losses to a statement of changes in equity. The statement of changes in equity for the current year and the comparative balances have been presented in accordance with this revised SSAP.

SSAP 11 (revised) prescribes the basis for the translation of foreign currency transactions and financial statements. This revised SSAP has had no major impact on these financial statements.

The main revision to SSAP 15 is to classify cash flows during the year into operating, investing and financing activities. The cash flow statement for the current year and the comparative balances have been presented in accordance with the revised SSAP.

SSAP 34 prescribes the accounting treatment and disclosure requirements for employee benefits. Adoption of the SSAP results in a prior year adjustment. Details are disclosed in note 19 to the financial statements.

## 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 impairment loss, 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 and any impairment loss. Details are set out in note 12 to the financial statements. 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	over individual lease terms
Furniture, fixtures and equipment	15%
Computer equipment	30%

In prior years, depreciation on computer equipment was calculated on the straight-line method at 15% per annum. The change of depreciation rate is adopted so as to better reflect the estimated economic useful life of computer equipment and this results in an increase of depreciation by approximately HK\$495,000.

#### (e) Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

#### (f) 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.

## Notes to the Financial Statements

(Continued)

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

#### (g) Gold bullion

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

#### (h) 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:

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

#### (i) 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.

#### (j) 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.

#### (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.

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## Notes to the Financial Statements

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*(Continued)*

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

#### **(l) Foreign currency translation**

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. All foreign currency transactions during the year are converted at the exchange rates existing on the respective transaction dates. All exchange differences are credited or charged, respectively, to the consolidated profit and loss account.

The exchange differences arising from the translation of the balance sheets of foreign subsidiaries using the closing rates of exchange prevailing on the balance sheet date are taken directly to reserve. Profit and loss accounts of foreign subsidiaries accounted for under the net investment method is translated into Hong Kong dollars using average rate for the year. The differences between the profit and loss account translated at average rate and at closing rate are taken directly to the reserve.

#### **(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.

#### **(n) Cash equivalents**

For the purpose of the consolidated cash flow statement, cash equivalents represent cash at bank and in hand, demand deposits with banks and other financial institutions, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value having been within three months of maturity when acquired.



## Notes to the Financial Statements

(Continued)

### 3. REVENUE AND TURNOVER

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

	2002 HK\$	2001 HK\$
Turnover		
Transaction fees	<u>4,330,365</u>	<u>5,369,803</u>
Unrealised gain on gold bullion – net	<u>10,602,929</u>	<u>2,039,548</u>
Other revenue		
Interest income	753	66,783
Miscellaneous income	<u>320,064</u>	<u>552,014</u>
	<u>320,817</u>	<u>618,797</u>
Total revenue	<u><u>15,254,111</u></u>	<u><u>8,028,148</u></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 2002 and 2001 are presented as more than 90% of the Group's turnover and loss before taxation relate to the provision and operation of an Internet-based electronic trading system to facilitate the trading of precious metals in Hong Kong.

### 5. LOSS FROM OPERATIONS

	2002 HK\$	2001 HK\$
Loss from operations is stated after charging the following:		
Auditors' remuneration	471,324	526,500
Operating leases relating to land and buildings	1,080,460	1,435,720
Provision for bad debts	<u>60,000</u>	<u>–</u>

## Notes to the Financial Statements

(Continued)

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

#### (a) Directors' emoluments

	2002 HK\$	2001 HK\$
Fees	–	–
Basic salaries and allowances	3,483,333	4,012,673
Contributions to retirement scheme	148,300	179,770
	3,631,633	4,192,443
	3,631,633	4,192,443

All of the above were paid to the two executive Directors during the year. In the previous year, the amounts were paid to four executive directors, including two who resigned as Directors and become part-time employees of the Group during the year. Of the two executive Directors who resigned last 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 2002 and 2001.

On 6th December 2000, 106,367,145 ordinary shares of HK\$0.01 each in the Company were issued to certain executive Directors at par for cash of approximately HK\$1,064,000 under a bonus share scheme. 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. As at 31st December 2002, a total of 88,304,000 unexpired share option were granted to the executive Directors. These options are exercisable in stages in accordance with the terms of the Plan commencing on 7th June 2001. Details of the Plan are set out in pages from 197 to 202 of the Prospectus.

Emoluments of the Directors fell within the following bands:

	Group Number of Directors	
	2002	2001
HK\$Nil – HK\$1,000,000	5	6
HK\$1,000,001 – HK\$2,000,000	2	2
	7	8
	7	8

## Notes to the Financial Statements

(Continued)

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

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

In the year ended 31st December 2002, an executive Director received and/or was to receive emoluments of approximately HK\$1,951,000 and the other executive Directors received and/or was to receive emoluments of approximately HK\$1,680,000. In the previous year, the four executive Directors, including two who 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, respectively.

There were no arrangements under which a Director waived or agreed to waive any emolument for either of the years ended 31st December 2002 or 2001.

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

The five highest paid individuals include two executive Directors whose emoluments are detailed above. The emoluments of the remaining highest paid individuals are analysed below:

	2002 HK\$	2001 HK\$
Basic salaries and allowances	1,459,396	1,731,221
Contributions to retirement scheme	61,357	82,278
	<u>1,520,753</u>	<u>1,813,499</u>

One individual who was one of the five highest paid individuals has been granted 1,586,000 options under the Plan and these options lapsed on 28th December 2002.

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

	Number of individuals	
	2002	2001
HK\$Nil – HK\$1,000,000	<u>3</u>	<u>3</u>

## Notes to the Financial Statements

(Continued)

### 7. RETIREMENT BENEFIT COSTS

The retirement benefit costs charged to the profit and loss account represent contributions by the Group to a mandatory provident fund scheme of HK\$145,228 (2001: HK\$451,065). The amount is net of forfeited contributions of HK\$201,408 (2001:HK\$6,348) relating to unvested benefits for employees who resigned from the Group during the year. In addition to the employer's mandatory contributions, the employer contributes additional voluntary contributions 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\$36,776 (2001: HK\$58,703) were payable to the scheme at the year end and are included in other payables.

### 8. TAXATION

No provision for Hong Kong profits tax has been made as the Company and its subsidiaries either incurred losses for the year or utilised tax losses brought forward from previous years to offset the estimated assessable profit for the year.

The amount of taxation charged to the consolidated profit and loss account represents:

	2002 HK\$	2001 HK\$
Hong Kong profits tax	-	-
Underprovision in respect of prior years	-	3,274
	<u>-</u>	<u>3,274</u>

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

	2002 HK\$	2001 HK\$
Excess of tax allowances over depreciation	68,000	195,000
Tax losses	(3,019,000)	(3,482,000)
	<u>(2,951,000)</u>	<u>(3,287,000)</u>

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## Notes to the Financial Statements

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*(Continued)*

### 9. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company amounted to HK\$255,481 (2001: HK\$188,460).

### 10. DIVIDEND

No dividend has been declared or paid by the Company in respect of the current year (2001: Nil).

### 11. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders of HK\$382,865 (2001: HK\$10,581,026) and the weighted average of 2,561,463,014 (2001: 2,380,000,000) ordinary shares in issue during the year. In restating the financial statements for 2001 on adoption of SSAP 34 "Employee Benefits", other administrative and operating expenses have been increased by HK\$170,000 and loss for the year then ended has also been increased by an equivalent amount. As a result, loss per share for Year 2001 was increased by 0.008 HK cents.

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 respective years ended 31st December 2002 and 2001.

## Notes to the Financial Statements

(Continued)

### 12. FIXED ASSETS

Group	Leasehold improvements <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Computer equipment <i>HK\$</i>	Total <i>HK\$</i>
Cost				
1st January 2002	472,423	158,058	1,587,762	2,218,243
Additions	—	1,900	30,440	32,340
	<u>472,423</u>	<u>159,958</u>	<u>1,618,202</u>	<u>2,250,583</u>
31st December 2002	<u>472,423</u>	<u>159,958</u>	<u>1,618,202</u>	<u>2,250,583</u>
Accumulated depreciation				
1st January 2002	131,883	44,515	440,526	616,924
Charge for the year	272,412	23,743	532,982	829,137
	<u>404,295</u>	<u>68,258</u>	<u>973,508</u>	<u>1,446,061</u>
31st December 2002	<u>404,295</u>	<u>68,258</u>	<u>973,508</u>	<u>1,446,061</u>
Net book value				
31st December 2002	<u>68,128</u>	<u>91,700</u>	<u>644,694</u>	<u>804,522</u>
31st December 2001	<u>340,540</u>	<u>113,543</u>	<u>1,147,236</u>	<u>1,601,319</u>

### 13. INTERESTS IN SUBSIDIARIES

	Company	
	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Unlisted shares, at cost	8	8
Amounts due from subsidiaries	<u>73,127,413</u>	<u>67,012,445</u>
	<u>73,127,421</u>	<u>67,012,453</u>

The amounts due from subsidiaries are unsecured, interest-free and they are not repayable within the next 12 months.

## Notes to the Financial Statements

(Continued)

### 13. INTERESTS IN SUBSIDIARIES (Continued)

The following is a list of the subsidiaries of the Company as at 31st December 2002:

Company	Place of incorporation	Issued and fully paid up capital	Principal activities
* Durable Gold Investments Limited	British Virgin Islands	Ordinary US\$1	Investment holding
The Gold On-Line Trading Limited	Hong Kong	Ordinary HK\$2	Operation of an Internet-based electronic trading system
G9999.Com Limited	Hong Kong	Ordinary HK\$2	Internet content provider
Wing Shing Loong Goldsmith & Refinery Co. Limited	Hong Kong	Ordinary HK\$9,000,000	Gold bullion licence holding
Trasy Technology Limited	British Virgin Islands	Ordinary US\$1	Dormant
Trasy Holdings Limited	Hong Kong	Ordinary HK\$2	Dormant
United Goldnet Limited	Hong Kong	Ordinary HK\$2	Dormant

\* A wholly-owned subsidiary held directly by the Company.

All subsidiaries are 100% held through Durable Gold Investments Limited.

All subsidiaries operate in Hong Kong except for Durable Gold Investments Limited which operates in the British Virgin Islands.

## Notes to the Financial Statements

(Continued)

### 14. OTHER ASSETS

	Group	
	2002	2001
	HK\$	HK\$
Membership licences, at cost	1,180,000	1,180,000
Less: Impairment loss	<u>(930,000)</u>	<u>–</u>
	<u><u>250,000</u></u>	<u><u>1,180,000</u></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. AMOUNT DUE FROM/TO ULTIMATE HOLDING COMPANY

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

### 16. ACCOUNTS RECEIVABLE AND PREPAYMENTS

Accounts receivable and prepayments comprise:

	2002	2001
	HK\$	HK\$
Accounts receivable	41,142	85,662
Prepayments and deposits	<u>64,886</u>	<u>1,079,877</u>
	<u><u>106,028</u></u>	<u><u>1,165,539</u></u>

An ageing analysis of accounts receivable is set out below:

	2002	2001
	HK\$	HK\$
0 – 30 days	11,045	24,492
31 – 60 days	5,000	1,170
61 – 90 days	429	–
Over 90 days	<u>24,668</u>	<u>60,000</u>
	<u><u>41,142</u></u>	<u><u>85,662</u></u>

The Group generally grants a credit period of 30 days to 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, on a monthly basis, on the ageing of accounts receivable. Appropriate action is taken against those debtors whose amount has been overdue for more than 30 days.



## Notes to the Financial Statements

(Continued)

### 17. SHARE CAPITAL

	2002 HK\$	2001 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>		
2,779,000,000 ordinary shares (2001: 2,380,000,000 ordinary shares)	<u>27,790,000</u>	<u>23,800,000</u>

On 18th July 2002, 399,000,000 shares of HK\$0.01 each were issued and allotted for cash at a premium of HK\$0.013 each to provide additional working capital for the Company.

- (i) The Company adopted a share option scheme on 6th November 2000 (the "Scheme") pursuant to which options to subscribe for shares could be granted by the board of directors, at their discretion, to any eligible employees or executives of the Group. 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. Under the New Scheme, the Board may, at its discretion, grant options to any eligible participants which enable 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 allotted and issued pursuant to any other share option scheme). No share options were granted by the Company under the New Scheme during the year. Details of the New Scheme are set out in the circular of the Company dated 28th March 2002.

## Notes to the Financial Statements

(Continued)

### 17. SHARE CAPITAL (Continued)

- (ii) Under the Plan, the board of directors could, 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 would 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 and only 118,798,000 share options are still valid at 31st December 2002. 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:

Grantees	Exercise price HK\$	Balance at 1.1.2002	Exercised during the year	Lapsed during the year	Balance at 31.12.2002
Directors of the Company	0.21	88,304,000	-	-	88,304,000
Employees of the Group	0.21	<u>8,156,000</u>	<u>-</u>	<u>2,380,000</u>	<u>5,776,000</u>
Sub-total		96,460,000	-	2,380,000	94,080,000
Employees of the RNA Group	0.21	<u>30,580,000</u>	<u>-</u>	<u>5,862,000</u>	<u>24,718,000</u>
Total		<u><u>127,040,000</u></u>	<u><u>-</u></u>	<u><u>8,242,000</u></u>	<u><u>118,798,000</u></u>

All of the above options have a duration of ten years from the date of grant, but lapse one month after the grantee ceases to be employed on a full-time basis by the Group or by the RNA Group. Details of the Plan are set out in pages 197 to 202 of the Prospectus.

## Notes to the Financial Statements

(Continued)

### 18. RESERVES

<b>Group</b>	<b>Share premium HK\$</b>	<b>Merger reserve HK\$</b>	<b>Accumulated losses HK\$</b>	<b>Total HK\$</b>
31st December 2000				
– originally stated	42,457,918	4,999,986	(16,540,622)	30,917,282
Prior year adjustment ( <i>Note 19</i> )	–	–	(380,000)	(380,000)
	42,457,918	4,999,986	(16,920,622)	30,537,282
31st December 2000 – restated	42,457,918	4,999,986	(16,920,622)	30,537,282
Loss for the year				
– originally stated	–	–	(10,411,026)	(10,411,026)
Prior year adjustment ( <i>Note 19</i> )	–	–	(170,000)	(170,000)
	–	–	(10,581,026)	(10,581,026)
Loss for the year – restated	–	–	(10,581,026)	(10,581,026)
31st December 2001 – restated	42,457,918	4,999,986	(27,501,648)	19,956,256
Premium on issue of shares	5,187,000	–	–	5,187,000
Share issue expenses	(15,600)	–	–	(15,600)
Loss for the year	–	–	(382,865)	(382,865)
	–	–	(382,865)	(382,865)
<b>31st December 2002</b>	<b>47,629,318</b>	<b>4,999,986</b>	<b>(27,884,513)</b>	<b>24,744,791</b>
		<b>Share</b>	<b>Accumulated</b>	
<b>Company</b>		<b>premium</b>	<b>losses</b>	<b>Total</b>
		<b>HK\$</b>	<b>HK\$</b>	<b>HK\$</b>
31st December 2000		42,457,918	(301,946)	42,155,972
Loss for the year		–	(188,460)	(188,460)
		–	(188,460)	(188,460)
31st December 2001		42,457,918	(490,406)	41,967,512
Premium on issue of shares		5,187,000	–	5,187,000
Share issue expenses		(15,600)	–	(15,600)
Loss for the year		–	(255,481)	(255,481)
		–	(255,481)	(255,481)
<b>31st December 2002</b>		<b>47,629,318</b>	<b>(745,887)</b>	<b>46,883,431</b>

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.
- (b) Pursuant to Section 34 of the Companies Law (Revised) of the Cayman Islands and the Articles of Association of the Company, share premium 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 2002, in the opinion of the Directors, the Company's reserves available for distribution to shareholders, represents the share premium less accumulated losses, amounted to HK\$46,883,431 (2001: HK\$41,967,512).

## Notes to the Financial Statements

(Continued)

### 19. PRIOR YEAR ADJUSTMENT

Pursuant to the adoption of SSAP 34 "Employee Benefits", an enterprise is required to recognise as a liability services provided by an employee in exchange for employee benefits to be paid in future, and as an expense when the enterprise consumes the economic benefit arising from services provided by an employee in exchange for employee benefits. This applies retrospectively to staff benefits not accounted for previously and this amounts to a change in accounting policy. In restating the financial statements for 2001 on the basis of the new policy, other administrative and operating expenses have been increased by HK\$170,000 and loss for the year then ended has also been increased by an equivalent amount. The accumulated effect of the adjustment on prior years is to increase the accumulated losses brought forward at 1st January 2001 and 1st January 2002 by HK\$380,000 and HK\$550,000, respectively.

### 20. COMMITMENTS UNDER OPERATING LEASES

At 31st December 2002, the Group had minimum outstanding commitments under non-cancellable operating leases in respect of office facilities which fall due as follows:

	Group	
	2002	2001
	HK\$	HK\$
Within one year	<u>228,000</u>	<u>396,000</u>

### 21. 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\$4,130,100 (2001: HK\$5,018,296) were earned from Hing Fung Goldsmith And Refinery Limited ("HFGR");
- (b) Sales proceeds in the amount of HK\$14,112,608 (2001: Nil) for disposal of gold bullion were received from HFGR, and purchase considerations in the amount of HK\$5,905,417 (2001: Nil) for acquisition of gold bullion were paid to HFGR;
- (c) Pursuant to tenancy agreements entered into between the Group and RNA Investments Limited (formerly known as Tem Fat Hing Fung Investments (Holdings) Limited) ("RNA Investments"), a fellow subsidiary, in Years 2000 and 2002, the Group made rental payments of HK\$1,040,000 (2001: HK\$1,296,000) to RNA Investments;
- (d) Sponsor fees of HK\$100,000 (2001: Nil) were paid to RNA Holdings Limited, the ultimate holding company for sponsorship of trade exhibitions; and

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## Notes to the Financial Statements

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*(Continued)*

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

- (e) 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 precious metals trading business for a fee based on the lower of cost plus 20% and HK\$1,000,000 per project; however, no fee was payable by the Group under these agreements in the years ended 31st December 2002 and 2001.

All of the above transactions were entered into between the parties under normal commercial terms.

### 22. CONTINGENT LIABILITIES

The Company has given an undertaking to provide continuing financial support to enable certain subsidiaries to meet their liabilities as and when they fall due for at least the next 12 months from the balance sheet date.

### 23. ULTIMATE HOLDING COMPANY

The Directors consider the Company's 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.

### 24. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 21st March 2003.