



# Trasy Gold Ex Limited

(Incorporated in the Cayman Islands with Limited Liability)



*Half-year Report 2003*

## HALF-YEAR REPORT 2003

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

## CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the Half-year Report for 2003 of Trasy Gold Ex Limited (the "Company") and its subsidiaries (collectively the "Group").

The Group has recorded trading volume of 3,919,700 ounces of gold and 39,315,000 ounces of silver on Trasy's trading platform for the six months ended 30th June 2003.

During the second quarter of 2003, the outbreak of SARS has a negative effect on the business environment and the whole economy in Hong Kong. This had affected investors' trading activities on Trasy's trading platform. The trading volume on Trasy's trading platform in the second quarter of 2003 had declined by approximately 9% on gold and 10% on silver as compared to the first quarter of 2003.

However, the Company believed that the demand for gold investment especially from the retail sector is still significant. This can be shown by the maintenance of a high level of hit rates on the Company's precious metals information website, [g9999.com](http://g9999.com).

Furthermore, on 24th April 2003, the Company entered into a sale and purchase agreement whereby the Company conditionally agreed to purchase 25% equity interest in Goffers Management Limited, a company which is the owner of 49% of the equity interest in 新疆天目礦業資源開發有限公司 (the "Joint Venture Company"). The Joint Venture Company is principally engaged in gold mining and ore processing, gold refinery and sales business in Xinjiang area in the PRC, and is the holder of several mining rights. The Company considers that the Acquisition provides an opportunity for the Company to widen its asset and earning base and to diversify its business portfolio by capturing a suitable investment opportunity in the gold mining industry. Please refer to the Company's announcement dated 16th May 2003 for more information.

## FINANCIAL REVIEW

The Group recorded a net loss of approximately HK\$464,000 for the six months ended 30th June 2003 (for the six months ended 30th June 2002: a net loss of approximately HK\$8,000), representing a basic loss per share of 0.0167 HK cent (2002: a basic loss per share of 0.0003 HK cent). Upon comparing the total expenses for the six months period ended 2002, the total expenses for the same period ended 2003 decreased by about HK\$3,678,000. This indicates that the Group is being operated in a more cost-conscious manner.

### Liquidity and financial resources

The liquidity of the Group remained healthy as the total amount of current assets was about 15.55 times more than that of current liabilities (as at 31st December 2002: 14.33 times more); no long-term liabilities were carried by the Group as at 30th June 2003 (as at

31st December 2002: Nil). The Directors considered that the healthy financial position of the Group can be sustained, and 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 30th June 2003 (as at 31st December 2002: 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**

There were no changes in the capital structure of the Group during the period ended 30th June 2003 (In 2002, the Company has increased its 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).

### **Significant investments**

There were no significant investments held by the Group as at 30th June 2003.

### **Material acquisitions and disposals during the period and future plans for investments**

There was no material acquisitions or disposals during the period under review. The Group has entered into an agreement for the acquisition of an interest in a gold mine in Xinjiang in the PRC and the consideration is to be financed by internal resources.

### **New products and services**

During the period under review, there was no new products or services launched by the Company.

### **Employee information**

The total number of employees (including the Directors) was 3 as at 30th June 2003 (30th June 2002: 23), and the total remuneration for the six months period ended 30th June 2003 was about HK\$1.6 million (30th June 2002: HK\$4.2 million). The decrease in staff costs is mainly due to a decrease in staff numbers.

### **Charges on Group assets**

During the six months period ended 30th June 2003 and year ended 31st December 2002, 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 three months and six months period ended 30th June 2003 and 2002 are presented as more than 90% of the Group's turnover and loss before taxation related to provision and operation of an Internet-based electronic trading system to facilitate the trading of precious metals in Hong Kong.

## **OPERATIONS REVIEW**

### **Precious Metals Information Website – g9999.com**

The business of the Company was slightly affected by the negative business environment in Hong Kong due to the outbreak of SARS and an unstable political environment during the second quarter of 2003. However, there is still a significant level of interest from retail investors demanding for gold investment. The Company's precious metals information website, g9999.com has been maintaining an average daily page hits of approximately 900,000 hits. The g9999.com website provides in both English and Chinese languages, daily market news and commentary. Furthermore, the website provides a free live and dealable precious metals quotations and charts, which are valuable information for retail investors in the market. With such a network of customers, the Company has been reviewing any business opportunities with additional products and services to develop through the website, and to seek for the viability of any additional revenue streams. Furthermore, the Company is continuing to discuss with other global gold related websites to form any business alliance opportunities.

### **The TRASY System**

The Company continues to market its trading platform and services to any brokers and banks as principals on the platform to offer to the retail investors an easy access and an efficient trading solution in the precious metals market.

**UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT**

For the three and six months ended 30th June 2003

The Board of Directors (the “Board”) of the Company announces the unaudited consolidated results of the Group for the three and six months ended 30th June 2003 together with the comparative unaudited figures for the corresponding periods in 2002 as follows:

	Note	Three months ended 30th June		Six months ended 30th June	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	<b>1,072</b>	746	<b>2,277</b>	1,614
Unrealised gain on gold bullion – net	2	<b>1,763</b>	1,389	<b>533</b>	5,655
Other revenue	2	<b>504</b>	85	<b>527</b>	202
		<u><b>3,339</b></u>	<u>2,220</u>	<u><b>3,337</b></u>	<u>7,471</u>
Staff costs					
– current period		<b>(1,491)</b>	(2,171)	<b>(3,187)</b>	(4,455)
– over-provision/waiver of previous period		<b>1,557</b>	–	<b>1,557</b>	–
Depreciation		<b>(141)</b>	(83)	<b>(350)</b>	(166)
Marketing and promotion expenses		<b>(15)</b>	(268)	<b>(22)</b>	(492)
Other administrative and operating expenses		<b>(866)</b>	(1,160)	<b>(1,799)</b>	(2,366)
		<u><b>(956)</b></u>	<u>(3,682)</u>	<u><b>(3,801)</b></u>	<u>(7,479)</u>
Profit/(Loss) before taxation		<b>2,383</b>	(1,462)	<b>(464)</b>	(8)
Taxation	3	–	–	–	–
Profit/(Loss) attributable to shareholders		<u><b>2,383</b></u>	<u>(1,462)</u>	<u><b>(464)</b></u>	<u>(8)</u>
		<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
Basic earnings/(loss) per share	4	<u><b>0.0858</b></u>	<u>(0.0614)</u>	<u><b>(0.0167)</b></u>	<u>(0.0003)</u>
Diluted earnings/(loss) per share	4	<u><b>N/A</b></u>	<u>N/A</u>	<u><b>N/A</b></u>	<u>N/A</u>

**UNAUDITED CONSOLIDATED BALANCE SHEET**

As at 30th June 2003

		(Unaudited) 30th June 2003 HK\$'000	(Audited) 31st December 2002 HK\$'000
	<i>Note</i>		
<b>NON-CURRENT ASSETS</b>			
Fixed assets	6	455	805
Other assets	7	<u>250</u>	<u>250</u>
		<u>705</u>	<u>1,055</u>
<b>CURRENT ASSETS</b>			
Amount due from ultimate holding company		–	1,527
Accounts receivable, prepayments and deposits	8	1,302	106
Gold bullion		53,318	53,373
Cash and bank balances		<u>49</u>	<u>66</u>
		<u>54,669</u>	<u>55,072</u>
<b>CURRENT LIABILITIES</b>			
Amount due to ultimate holding company		984	–
Other payables and accrued expenses		<u>2,319</u>	<u>3,592</u>
		<u>3,303</u>	<u>3,592</u>
<b>NET CURRENT ASSETS</b>			
		<u>51,366</u>	<u>51,480</u>
		<u>52,071</u>	<u>52,535</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	9	27,790	27,790
Reserves	10	<u>24,281</u>	<u>24,745</u>
		<u>52,071</u>	<u>52,535</u>

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the six months ended 30th June 2003*

	Share Capital <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Balance at 31st December 2001</b>					
– restated*	23,800	42,458	5,000	(27,502)	43,756
Loss for the period	–	–	–	(8)	(8)
<b>Balance at 30th June 2002</b>	23,800	42,458	5,000	(27,510)	43,748
Issue of share capital	3,990	–	–	–	3,990
Premium on issue of shares	–	5,187	–	–	5,187
Share issue expenses	–	(15)	–	–	(15)
Loss for the period	–	–	–	(375)	(375)
<b>Balance at 31st December 2002</b>	27,790	47,630	5,000	(27,885)	52,535
Loss for the period	–	–	–	(464)	(464)
<b>Balance at 30th June 2003</b>	<u>27,790</u>	<u>47,630</u>	<u>5,000</u>	<u>(28,349)</u>	<u>52,071</u>

\* Please refer to 2002 Annual Report for details of re-statement.



**UNAUDITED CONSOLIDATED CASHFLOW STATEMENT**

*For the six months period ended 30th June 2003*

	<i>Note</i>	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
<b>Net cash used in operating activities</b>	11	<u>(603)</u>	<u>(6,133)</u>
<b>Investing activities</b>			
Proceeds from disposal of gold bullion		<u>586</u>	<u>7,097</u>
<b>Net cash from investing activities</b>		<u>586</u>	<u>7,097</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(17)</b>	964
<b>Cash and cash equivalents at 1st January</b>		<u>66</u>	<u>122</u>
<b>Cash and cash equivalents at 30th June</b>		<u><b>49</b></u>	<u><b>1,086</b></u>
<b>Analysis of the balances of cash and cash equivalents</b>			
Cash and bank balances		<u><b>49</b></u>	<u><b>1,086</b></u>

Notes:

### 1. Basis of presentation

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Chapter 18 of the GEM Listing Rules and with the Statement of Standard Accounting Practice (“SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (“HKSA”).

The condensed consolidated financial statements are prepared under the historical cost convention as modified by the revaluation of gold bullion. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st December 2002 except for the adoption of revised SSAP12 “Income Taxes” issued by the HKSA which became effective for accounting periods commencing on or after 1st January 2003. The adoption of revised SSAP12 has no material impact on these financial statements.

### 2. Revenue and turnover

Turnover represents transaction fees derived from the provision of an Internet-based electronic trading system and transaction fees are recognised when a transaction is duly executed on the trade date. Revenue recognised during the three months and six months ended 30th June 2003 together with the comparative unaudited figures for the corresponding periods in 2002 are as follows:

	Three months ended 30th June		Six months ended 30th June	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover				
Transaction fees	<u>1,072</u>	<u>746</u>	<u>2,277</u>	<u>1,614</u>
Unrealised gain on gold bullion – net	<u>1,763</u>	<u>1,389</u>	<u>533</u>	<u>5,655</u>
Other revenue				
Realised gain on gold bullion – net	<u>–</u>	<u>80</u>	<u>–</u>	<u>160</u>
Miscellaneous income	<u>504</u>	<u>5</u>	<u>527</u>	<u>42</u>
	<u>504</u>	<u>85</u>	<u>527</u>	<u>202</u>
Total revenue	<u><u>3,339</u></u>	<u><u>2,220</u></u>	<u><u>3,337</u></u>	<u><u>7,471</u></u>

### 3. Taxation

No provision for Hong Kong profits tax has been made in the accounts as the Group had no assessable profits in Hong Kong for the six months period ended 30th June 2003.

No provision has been made for deferred tax as, in the opinion of the directors, it is not appropriate to carry forward a deferred tax asset.

**4. Earnings/(Loss) per share**

*(a) Basic earnings/(loss) per share*

The calculation of basic earnings/(loss) per share for the three months and six months period ended 30th June 2003 is based on the respective unaudited consolidated profit/(loss) attributable to shareholders of HK\$2,383,000 and (HK\$464,000) (2002: loss of HK\$1,462,000 and loss of HK\$8,000) and the weighted average number of 2,779,000,000 (2002: 2,380,000,000) ordinary shares in issue during the respective periods.

*(b) Diluted earnings/(loss) per share*

Diluted loss per share for the three months ended 30th June 2002 and six months ended 30th June respectively in 2003 and 2002 were not presented as the exercise of share options granted by the Company would have an anti-dilutive effect. Besides, as the exercise price of the share options under the Pre-IPO Share Option Plan (the "Pre-IPO Plan") is higher than the average market value during the period from 1st April 2003 to 30th June 2003, no potential ordinary share under the Pre-IPO Plan is deemed to be issued for nil consideration; hence, no diluted earnings per share for the three months ended 30th June 2003 was provided.

**5. Interim dividend**

The Board resolved not to declare the payment of an interim dividend for the period (2002: Nil).

6. Fixed assets

	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Group</b>				
Cost				
1st January 2003	472	160	1,618	<b>2,250</b>
Additions	18	–	645	<b>663</b>
Disposals	(119)	–	(1,618)	<b>(1,737)</b>
At 30th June 2003	<u>371</u>	<u>160</u>	<u>645</u>	<u><b>1,176</b></u>
Accumulated depreciation				
1st January 2003	404	68	973	<b>1,445</b>
Charge for the period	68	12	270	<b>350</b>
Disposals	(101)	–	(973)	<b>(1,074)</b>
30th June 2003	<u>371</u>	<u>80</u>	<u>270</u>	<u><b>721</b></u>
Net book value				
30th June 2003	<u><u>–</u></u>	<u><u>80</u></u>	<u><u>375</u></u>	<u><u><b>455</b></u></u>
31st December 2002	<u><u>68</u></u>	<u><u>92</u></u>	<u><u>645</u></u>	<u><u><b>805</b></u></u>

7. Other assets

	(Unaudited) 30th June 2003 <i>HK\$'000</i>	(Audited) 31st December 2002 <i>HK\$'000</i>
Membership licences, at cost	<b>1,180</b>	1,180
Less: Impairment loss	<b>(930)</b>	(930)
	<u><u><b>250</b></u></u>	<u><u>250</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.

**8. Accounts receivable and prepayments**

Accounts receivable and prepayments comprised of:

	(Unaudited) 30th June 2003 <i>HK\$'000</i>	(Audited) 31st December 2002 <i>HK\$'000</i>
Accounts receivable	5	41
Prepayments and deposits	1,297	65
	<u>1,302</u>	<u>106</u>

An ageing analysis of accounts receivable is set out below:

	(Unaudited) 30th June 2003 <i>HK\$'000</i>	(Audited) 31st December 2002 <i>HK\$'000</i>
0 – 30 days	1	11
31 – 60 days	–	5
61 – 90 days	–	–
Over 90 days	4	25
	<u>5</u>	<u>41</u>

The Group generally grants a credit period of 30 days to the Principals who have agreed to contribute tradable prices and/or customer business to Trasy's trading platform. The management of the Group performs a regular review, usually on a monthly basis, on the ageing of accounts receivable. Appropriate actions is taken against those debtors whose amount has been overdue for more than 30 days.

**9. Share capital**

	(Unaudited) 30th June 2003 <i>HK\$'000</i>	(Audited) 31st December 2002 <i>HK\$'000</i>
Authorised:		
180,000,000,000 ordinary shares of HK\$0.01 each	<u>1,800,000</u>	<u>1,800,000</u>
Issued and fully paid:		
2,779,000,000 ordinary shares (2002: 2,779,000,000 ordinary shares)	<u>27,790</u>	<u>27,790</u>

- (i) The Company adopted a new share option scheme (“Scheme”) at the annual general meeting of the Company held on 30th April 2002. Under the 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 Scheme during the period. Details of the Scheme are set out in the circular of the Company dated 28th March 2002.
- (ii) Under the Pre-IPO Plan, the Board could, at its discretion, grant options to any full-time employees or executives of the Company and RNA Holdings Limited (“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 Pre-IPO Plan and only 110,472,000 share options are still valid at 30th June 2003. These options are exercisable in stages in accordance with the terms of the Pre-IPO Plan commencing on 7th June 2001. Details of the grantees under the Pre-IPO Plan are as follows:

Grantees	Exercise price HK\$	Balance at 1st Jan 2003	Exercised during the period	Lapsed during the period	Balance at 30th June 2003
Directors of the Company	0.21	88,304,000	–	–	88,304,000
Employees of the Group	0.21	5,776,000	–	5,776,000	–
Sub-total		94,080,000	–	5,776,000	88,304,000
Employees of the RNA Group	0.21	24,718,000	–	2,550,000	22,168,000
<b>Total</b>		<b>118,798,000</b>	<b>–</b>	<b>8,326,000</b>	<b>110,472,000</b>

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 Pre-IPO Plan are set out in pages 197 to 202 of the prospectus of the Company dated 30th November 2000.

## 10. Reserves

There were no movements in reserves other than profit and loss for the six months ended 30th June respectively in 2003 and 2002.

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

	Six months ended 30th June	
	2003	2002
	HK\$'000	HK\$'000
Loss before taxation	(464)	(8)
Adjustments for:		
Depreciation	350	166
Unrealised gain on gold bullion – net	(533)	(5,655)
Realised loss/(gain) on gold bullion – net	2	(160)
	<hr/>	<hr/>
Operating loss before working capital changes	(645)	(5,657)
(Increase)/Decrease in accounts receivable and prepayments	(1,197)	418
Increase/(Decrease) in amount due to ultimate holding company	2,511	(1,154)
(Decrease)/Increase in other payables and accrued expenses	(1,272)	263
	<hr/>	<hr/>
Cash used in operations	(603)	(6,130)
Hong Kong profits tax paid	–	(3)
	<hr/>	<hr/>
Net cash used in operating activities	<b>(603)</b>	<b>(6,133)</b>

## DIRECTORS' INTEREST IN SHARES AND OPTIONS

### (I) Shares

As at 30th June 2003, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.58 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

<b>Name of Director</b>	<b>Personal interests</b>	<b>Family interests</b>	<b>Corporate interests</b>
Mr. Sit Chun Sze	27,991,354 <i>(Note)</i>	–	–
Mr. Chan Kee Chee, Keith	27,991,354 <i>(Note)</i>	–	–

*Note:* These ordinary shares were obtained under bonus share scheme pursuant to a written resolution of the Company dated 6th November 2000.



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

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 Pre-IPO Plan commencing on 7th June 2001.

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

Name of Director	Date of grant	No. of options outstanding as at 1st January 2003	No. of options outstanding as at 30th June 2003	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:

**Percentage of the pre-IPO share options that can be exercised**

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 a 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 period was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS

As at 30th June 2003, the companies (not being Directors or chief executive of the Company) who have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO are as follows:

Name of shareholder	Notes	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
Most Choice Limited	3	183,200,000	6.59

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.
3. Most Choice Limited, an independent third party which is not connected with the Company, Golden Rabbit, RNA or each of their respective associates.

## COMPETING INTERESTS

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

## PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the six months period ended 30th June 2003. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s shares during the period.

## COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

The Company has complied with the board practices and procedures as set out in Rules 5.28 to 5.39 of the GEM Listing Rules during the six months ended 30th June 2003.

**AUDIT COMMITTEE**

The Company established an audit committee on 19th October 2000 with written terms of reference for the purpose of reviewing and providing supervision over the financial reporting process and internal control of the Group. The 2003 half-year report has been reviewed by the audit committee which comprises two Independent Non-executive Directors.

On behalf of the Board

**Sit Chun Sze**

*Chairman*

Hong Kong, 8th August 2003