



Trasy Gold Ex Limited

(Incorporated in the Cayman Islands with Limited Liability)



Third Quarterly Report 2003

THIRD QUARTERLY 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 (“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.

STATEMENT FROM THE DIRECTORS

We are pleased to present to the shareholders the Third Quarterly Report for 2003 of the Company and its subsidiaries (the "Group").

The Group has recorded a trading volume of 5,238,800 ounces of gold and 53,290,000 ounces of silver on Trasy's trading platform for the nine months ended 30th September 2003.

The gold market has been very active during the third quarter of 2003. From mid-July to September, spot gold rallied approximately US\$47.5 or 13.95% from US\$340.55 an ounce to US\$388.05 an ounce. There are several reasons for such gold price movement. Firstly, uncertainties about the strength of the US economic recovery hampered the stock market during the period and funds tend to flow to gold as a flight for quality. Secondly, geopolitical tensions in the Middle East and North Korea had triggered buying and gold appreciated. Furthermore, investors became more sensitive in September when the second anniversary of the September 11 terrorist attacks came. Finally, the euro started the latest rally against US dollar in early September at 1.0764 and hit 1.1529. The euro appreciation acts as a catalyst to boost gold higher as a weaker US currency makes dollar-denominated gold cheaper to foreign investors.

There are reports that more investment funds start to acquire gold as a part of their portfolio. This means investors come to recognize the investment value of gold. Furthermore, the hit rates on our Company's website www.g9999.com continue to maintain at a high level, which shows that demand from the retail sector on gold investment is still at a significant level.

The Company entered into a sale and purchase agreement (the "Agreement") on 24th April 2003 whereby the Company conditionally agreed to purchase 25% equity interest in Goffers Management Limited. The Company, however, on 27th August 2003 subsequently terminated the Agreement because certain conditions precedents have not been fulfilled on or before the longstop date as agreed by the parties to the Agreement. The Company will continue to look for investment opportunities in relation to the gold business and/or the China market.

FINANCIAL REVIEW

The Group recorded a net profit of approximately HK\$5,311,000 for the nine months ended 30th September 2003 (for the nine months ended 30th September 2002: a net loss of approximately HK\$383,000), representing a basic earnings per share of 0.191 HK cent (2002: a basic loss per share of 0.015 HK cent).

For the nine months ended 30th September 2003, the Group's consolidated turnover amounted to approximately HK\$3,064,000 (representing transaction fees from trading through TRASY of approximately 5.2 million ounces of gold and 53.3 million ounces of silver).

Upon comparing the total expenses for the nine months period ended 2002, the total expenses for the same period ended 2003 decreased by about HK\$6,106,000. This indicates that the Group is being operated in a more cost-conscious manner.

OPERATIONS REVIEW

Precious Metals Information Website – g9999.com

g9999.com has maintained its status of being a premier precious metals information website in Asia and a contributor of precious metals market information, especially the provision of live precious metals prices from the trading platform to other financial portals. The g9999.com had a daily average hit rate of approximately 760,000 for the third quarter of 2003. During the month of September 2003, because of the high volatility of the gold price, the average daily hit rate reached a significant level of approximately 980,000. The Company believes that the majority of the website's viewers are from China, because the majority of the web pages viewed were the Chinese language version. The Company will continue to seek for opportunities to develop any additional business and revenue streams via this website and its network of viewers.

The TRASY System

The Company continues to market its trading platform and services to brokers and banks as principals to the platform. The Company believes that if the global political and economical and financial markets' uncertainties continues, the level of investment interest in both the gold market and the Trasy's trading platform will increase.

However, the trading volume of gold and silver on the trading platform declined by 546,500 ounces and 4,640,000 ounces respectively during the third quarter of 2003 as compared to the previous quarter. This is mainly due to the resistance of existing users of the trading platform to enter the market because of the unusually high level of volatility in the gold price during the third quarter of 2003.

In terms of marketing activities during the third quarter of 2003, the Company sponsored the 7th RNA China Gold & Precious Metals Conference held in Shenzhen and Hong Kong during September 2003. Gold mining companies and jewellery manufacturers throughout China, as well as other international bullion banks and traders attended the conference. This provided marketing exposure for the Company's trading platform to industrial and investment traders.

UNAUDITED CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the three and nine months ended 30th September 2003

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

	Notes	Three months ended 30th September		Nine months ended 30th September	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	2	787	1,402	3,064	3,016
Unrealised gain on gold bullion – net	2	5,973	1,770	6,506	7,425
Other revenue	2	171	38	698	240
		<u>6,931</u>	<u>3,210</u>	<u>10,268</u>	<u>10,681</u>
Staff costs					
– current period		(191)	(1,821)	(3,378)	(6,276)
– over-provision/waiver of previous period		–	–	1,557	–
Depreciation		(141)	(84)	(491)	(250)
Marketing and promotion expenses		(101)	(244)	(123)	(736)
Other administrative and operating expenses		(723)	(1,435)	(2,522)	(3,801)
		<u>(1,156)</u>	<u>(3,584)</u>	<u>(4,957)</u>	<u>(11,063)</u>
Profit/(loss) before taxation		5,775	(374)	5,311	(382)
Taxation	3	–	(1)	–	(1)
Profit/(loss) attributable to shareholders		<u>5,775</u>	<u>(375)</u>	<u>5,311</u>	<u>(383)</u>
		<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>	<i>HK cent</i>
Basic earnings/(loss) per share	4	<u>0.208</u>	<u>(0.014)</u>	<u>0.191</u>	<u>(0.015)</u>
Diluted earning/(loss) per share	4	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Notes:

1. Basis of presentation

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The financial statements are prepared under the historical cost convention. The accounting policies adopted are consistent with those set out in the annual financial statements for the year ended 31st December 2002 except for the new and revised Hong Kong Statements of Standard Accounting Practice as detailed in the Group's half-year report for the six months ended 30th June 2003.

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 nine months ended 30th September 2003 together with the comparative unaudited figures for the corresponding periods in 2002 are as follows:

	Three months ended 30th September 2003		Nine months ended 30th September 2003	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover				
Transaction fees	787	1,402	3,064	3,016
Unrealised gain on gold bullion – net	5,973	1,770	6,506	7,425
Other revenue				
Realised gain on gold bullion – net	–	11	–	171
Miscellaneous income	171	27	698	69
	171	38	698	240
Total revenue	6,931	3,210	10,268	10,681

3. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits in Hong Kong for the nine months period ended 30th September 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 nine months period ended 30th September 2003 is based on the respective unaudited consolidated profit attributable to shareholders of approximately HK\$5,775,000 and HK\$5,311,000 (2002: loss of HK\$375,000 and loss of HK\$383,000) and the weighted average number of 2,779,000,000 (2002: 2,705,271,740 and 2,489,615,385 for the three months and nine months) ordinary shares in issue during the respective periods.

(b) Diluted earnings/(loss) per share

Diluted loss per share for the three and nine months ended 30th September 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 January 2003 to 30th September 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 and nine months ended 30th September 2003 was provided.

5. Interim dividend

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

6. Reserves

	Share Premium HK\$'000	Merger reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st January 2002	42,458	5,000	(27,502)	19,956
Loss for the period	—	—	(8)	(8)
At 30th June 2002	42,458	5,000	(27,510)	19,948
Premium on issue of shares	5,187	—	—	5,187
Share issue expenses	(15)	—	—	(15)
Loss for the period	—	—	(375)	(375)
At 30th September 2002	<u>47,630</u>	<u>5,000</u>	<u>(27,885)</u>	<u>24,745</u>
At 1st January 2003	47,630	5,000	(27,885)	24,745
Loss for the period	—	—	(464)	(464)
At 30th June 2003	47,630	5,000	(28,349)	24,281
Profit for the period	—	—	5,775	5,775
At 30th September 2003	<u>47,630</u>	<u>5,000</u>	<u>(22,574)</u>	<u>30,056</u>

DIRECTORS' INTEREST IN SHARES AND OPTIONS

As at 30th September 2003, the interests or short positions of the Directors 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 Rule 5.40 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(I) Long position in shares

Name of Director	Capacity	Number of shares held	Percentage of shareholding
Mr. Sit Chun Sze	Beneficial owner	27,991,354 (Note)	1.01
Mr. Chan Kee Chee, Keith	Beneficial owner	27,991,354 (Note)	1.01

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

(II) Interest in underlying shares

(a) The Company

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 September 2003	Exercise price HK\$	Exercisable 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 Holdings Limited (“RNA”) or their respective subsidiaries.

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

(b) *Associated Corporation*

RNA

Under the share option scheme adopted by RNA on 8th November 1996 and amended on 31st December 2001 (“RNA Scheme”), the board of directors of RNA may, at its discretion, grants options to employees of RNA and its subsidiaries, including RNA’s executive directors, to subscribe for shares in the capital of RNA. The maximum number of shares in respect of which options may be granted under RNA Scheme may not exceed 10% of the issued capital of RNA. The option holders are entitled to subscribe for ordinary shares of HK\$0.01 each in the capital of RNA at any time from the date of acceptance to any date prior to the tenth anniversary of such date.

Details of RNA share options granted under RNA Scheme to Director 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 September 2003	Exercise price HK\$	Exercisable period
Mr. Sit Chun Sze	22nd June 2000	10,000,000	– <i>(Note)</i>	1.218*	22nd June 2000 to 21st June 2010

* Exercise price adjusted pursuant to the shares consolidation of every ten shares of RNA into one new share of RNA effective on 23rd January 2003.

Note: These options were cancelled during the period upon the resignation of Mr. Sit as an executive director of RNA.

SUBSTANTIAL SHAREHOLDERS

As at 30th September 2003, the corporations (not being Directors or chief executive of the Company) who have interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO are as follows:

Name of shareholder	Capacity	Number of shares held	Percentage of shareholding
Golden Rabbit Enterprises Limited	Beneficial owner	1,391,435,322 <i>(Note 1)</i>	50.07
RNA	Interest of a controlled corporation	1,391,435,322 <i>(Note 2)</i>	50.07
Most Choice Limited	Beneficial owner	183,200,000 <i>(Note 3)</i>	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. By virtue of the SFO, 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.

Except for the above, as at 30th September 2003, the Directors are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company representing 5% or more of the issued share capital of the Company.

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 nine months ended 30th September 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 nine months ended 30th September 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 Third Quarterly Report 2003 has been reviewed by the audit committee which comprises two independent non-executive Directors.

On behalf of the Board
Chan Kee Chee, Keith
Director

Hong Kong, 7th November 2003