



# **Trasy Gold Ex Limited**

*(Incorporated in the Cayman Islands with Limited Liability)*

(Stock code: 8063)

***Third Quarterly Report 2005***

## THIRD QUARTERLY REPORT 2005

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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**

The board of Directors (the “Board”) is pleased to present to the shareholders the Third Quarterly Report 2005 in respect of Trasy Gold Ex Limited (the “Company”) and its subsidiaries (collectively the “Group”).

Following the change in controlling shareholder, namely ITC Corporation Limited (“ITC”), and subsequent to a detailed review on the business operation and financial position of the Group conducted by ITC and the Board, the Group has put in place a sustainable business plan for future growth of the business of the Group. It is the objective of the Group to continue, strengthen and grow its principal business of provision and operation of an internet precious metals trading system (the “Trasy System Business”).

With the support of ITC, the Group launched its new business development initiatives and procured a portfolio of new institutional users and high net-worth private clients of the Trasy System (the “Trasy System Users”), and has demonstrated an immediate growth in trading volume on the Trasy System during the 3rd quarter of 2005. In view of the considerable progress the Group has made in strengthening its business operations and the evident growth of business achieved under the new ownership, the Board expects the Trasy System Business to continue to grow progressively. In addition, the Company has submitted information to update the Stock Exchange on the Company’s latest development and is continuing to seek approval from the Stock Exchange for resumption of trading in the shares of the Company on GEM.

## **FINANCIAL REVIEW**

For the nine months ended 30 September 2005, the Group’s consolidated turnover amounted to approximately HK\$24,357,000 (nine months ended 30 September 2004: HK\$1,536,000). Such remarkable growth in turnover upon comparing with the corresponding period of last year was mainly contributed from the treasury investment of the Group which has commenced since the 2nd quarter of 2005.

During the 3rd quarter of 2005, the Trasy System Business recorded an increase in revenue of 175% from approximately HK\$95,000 in the 2nd quarter of 2005. This increase was mainly due to a portfolio of new Trasy System Users having been successfully secured by the Group. Revenue from the Trasy System Business amounted to approximately HK\$662,000 for the nine months ended 30 September 2005 (nine months ended 30 September 2004: HK\$1,536,000).

## **FINANCIAL REVIEW** *(continued)*

The Group recorded a net loss of approximately HK\$5,307,000 for the nine months ended 30 September 2005 (nine months ended 30 September 2004: a net loss of approximately HK\$2,547,000), representing a basic loss per share of 0.191 HK cent (nine months ended 30 September 2004: a basic loss per share of 0.092 HK cent).

## **OPERATIONS REVIEW**

### ***Trasy System Business***

Revenue from the Trasy System Business has decreased during the 2nd quarter of 2005 as a result of the Group having ceased business with its major customer, namely RNA Holdings Limited, which was also the Company's previous controlling shareholder. During the 3rd quarter of 2005, the Group has launched its new business development initiatives with the support of ITC and has successfully secured a portfolio of new Trasy System Users which comprised international bullion house, regional brokerage firms as well as high net-worth private clients. These new Trasy System Users commenced trading on the Trasy System subsequent to the Company's relocation of office on 8 August 2005 and contributed to the significant growth of the Trasy System Business revenue for the 3rd quarter of 2005 as compared to the 2nd quarter of 2005.

In line with the Group's strategy of expanding the Trasy System User base, the Group has actively initiated discussions with the potential target customers and such discussions have been progressing steadily. These prospective Trasy System Users include international bullion banks, regional banks and brokerage firms, as well as local corporate and private clients, which if licensed to trade on the Trasy System will significantly increase trading volume on the Trasy System. In addition, the Group has implemented its new marketing plans such as conducting one-on-one visits and joint promotion to enhance the market awareness of the Trasy System.

The growth in trading volume and revenue of the Trasy System during the 3rd quarter of 2005 demonstrated the Group's capability of securing new Trasy System Users and the positive growth momentum of the Trasy System Business. With ITC's support and clear business and marketing strategies in place, the Group will continue to broaden its Trasy System User base and accelerate the growth of Trasy System Business revenue.

## **OPERATIONS REVIEW** *(continued)*

### ***Trading Business***

As the liquidity level offered through the Trasy System is the key driver for attracting all market participants, the Group has itself commenced trading in precious metals (the “Trading Business”) as one of the Trasy System Users. By providing market price quotations for precious metals on the Trasy System, the Group creates additional liquidity, which in turn attracts more Trasy System Users. The Board is of the view that the Trading Business principally serves to complement the Trasy System Business. Appropriate internal control measures and conservative risk management policy are in place and the Board will perform regular reviews on the progress and development of this business.

### ***Treasury Management***

Adhering to the Group’s pro-active yet prudent treasury management policy, the Group has continued to diversify its liquid resources portfolio with more varieties of liquid and marketable assets so as to enhance returns on the Group’s liquid assets. Such investments were conducted within acceptable risk levels, which are being and will continue to be evaluated and closely monitored by the Board.

The Board presents the unaudited consolidated results of the Group for the three and nine months ended 30 September 2005 together with the unaudited comparative figures for the corresponding periods in 2004 as follows:

### CONDENSED CONSOLIDATED INCOME STATEMENT

For the three and nine months ended 30 September 2005

	Note	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Turnover	2	<b>23,254</b>	437	<b>24,357</b>	1,536
Cost of sales		<b>(23,281)</b>	–	<b>(23,698)</b>	–
Gross profit/(loss)		<b>(27)</b>	437	<b>659</b>	1,536
Other revenue		<b>3,293</b>	4,011	<b>3,519</b>	516
Staff costs		<b>(723)</b>	(275)	<b>(2,260)</b>	(1,309)
Depreciation		<b>(43)</b>	(19)	<b>(96)</b>	(185)
Marketing and promotion expenses		<b>(39)</b>	–	<b>(39)</b>	(1)
Other administrative and operating expenses		<b>(1,324)</b>	(747)	<b>(3,099)</b>	(3,099)
Other expenses		<b>(2,961)</b>	(5)	<b>(3,942)</b>	(5)
Finance costs		<b>(46)</b>	–	<b>(49)</b>	–
Profit/(loss) before taxation	3	<b>(1,870)</b>	3,402	<b>(5,307)</b>	(2,547)
Taxation	4	–	–	–	–
Profit/(loss) attributable to shareholders		<b>(1,870)</b>	3,402	<b>(5,307)</b>	(2,547)
		<b>HK cent</b>	HK cent	<b>HK cent</b>	HK cent
Earnings/(loss) per share	5				
Basic		<b>(0.067)</b>	0.122	<b>(0.191)</b>	(0.092)
Diluted		<b>N/A</b>	N/A	<b>N/A</b>	N/A

Notes:

## 1. Basis of presentation

The Group's unaudited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong, accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. They are prepared under the historical cost convention as amended by the revaluation of gold bullion and financial instruments.

The HKICPA has issued a number of new Hong Kong Accounting Standards ("HKASs") and Hong Kong Financial Reporting Standards (new "HKFRSs") which are effective for accounting periods beginning on or after 1 January 2005. The adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

The accounting policies adopted in preparing the unaudited consolidated results for the nine months ended 30 September 2005 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2004, except that the Group has undertaken precious metals contract trading for the first time in March of 2005 and this has been accounted for under HKAS 32 "Financial Instruments: Disclosure and Presentation" and HKAS 39 "Financial Instruments: Recognition and Measurement".

In accordance with the provisions of HKAS 39, changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise. An unrealised loss of approximately HK\$3,455,000 was recognised for the nine months ended 30 September 2005 in respect of the Group's derivative precious metals contracts. The adoption of HKAS 32 and HKAS 39 has had no material effect on the results for prior periods.

## 2. Turnover

	<b>(Unaudited)</b> <b>Three months</b>		<b>(Unaudited)</b> <b>Nine months</b>	
	<b>ended 30 September</b>		<b>ended 30 September</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>	<b>HK\$'000</b>
Provision and operation of an internet-based electronic trading system	<b>261</b>	437	<b>662</b>	1,536
Precious metals contract trading	<b>(425)</b>	–	<b>(102)</b>	–
Treasury investment	<b>23,418</b>	–	<b>23,797</b>	–
	<b>23,254</b>	437	<b>24,357</b>	1,536

### 3. Profit/(loss) before taxation

	(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
	2005 HK\$'000	2004 HK\$'000	2005 HK\$'000	2004 HK\$'000
Profit/(loss) before taxation is arrived at after charging:				
Realized loss on gold bullion – net	66	5	351	5
Unrealized loss on precious metals contracts	3,109	–	3,455	–
Unrealized loss on securities	135	–	136	–
and after crediting:				
Unrealized gain on gold bullion	<u>3,234</u>	<u>4,011</u>	<u>2,884</u>	<u>516</u>

### 4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group incurred tax losses for the nine months ended 30 September 2005.

There were no significant unprovided deferred tax assets and liabilities as at 30 September 2005.

### 5. Earnings/(loss) per share

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

The calculation of basic loss per share for the three months and nine months ended 30 September 2005 is based on the respective unaudited consolidated loss attributable to shareholders of HK\$1,870,000 and HK\$5,307,000 respectively (2004: profit of HK\$3,402,000 and loss of HK\$2,547,000 respectively) and the weighted average number of 2,779,000,000 (2004: 2,779,000,000) ordinary shares in issue during the respective period.

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

Diluted loss per share is not presented for the three months and nine months ended 30 September 2005 as there were no dilutive potential ordinary shares in existence for the three months and nine months ended 30 September 2005.



**5. Earnings/(loss) per share** *(continued)*

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

Diluted earnings/(loss) per share for the three months and nine months ended 30 September 2004 were not presented as the exercise of share options granted by the Company would have an anti-dilutive effect. Besides, as the exercise price under the Pre-IPO Share Option Plan (the "Pre-IPO Plan") is higher than the average market value during the period from 1 January to 30 September 2004, no dilutive potential ordinary share under the Pre-IPO Plan is deemed to be issued for nil consideration; hence, no diluted earnings/(loss) per share for the three months and nine months ended 30 September 2004 were presented.

**6. Interim dividend**

The Board resolved not to declare the payment of an interim dividend for the period (nine months ended 30 September 2004: Nil).

**7. Reserves**

There were no movements in the reserves other than those reflected in the results for the three months and nine months ended 30 September respectively in 2005 and 2004.

## DIRECTORS' INTEREST IN SHARES AND UNDERLYING SHARES

At 30 September 2005, the interest and 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”)) as recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rule 5.46 of the GEM Listing Rules were as follows:

### Long position in shares

Name of Director	Capacity	Number of shares held	Approximate percentage of shareholding
Mr. Chan Kee Chee, Keith	Beneficial owner	27,991,354	1.01

Except for the above, at no time during the period was the Company or any of its subsidiaries a party or any of its holding company 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.

Save as disclosed above, none of the Directors had, as at 30 September 2005, any interests or short positions in any shares, underlying shares or debentures of the Company, or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be 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 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

## SUBSTANTIAL SHAREHOLDERS

At 30 September 2005, the persons or 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:

### (a) Interests and short positions of substantial shareholders in shares and underlying shares of the Company

Name	Capacity	Long position/ Short position	Number of shares	Approximate percentage of shareholding
Golden Hall Holdings Limited	Beneficial owner	Long position	1,568,681,139	56.45
Fullhonour Limited	Interest of a controlled corporation	Long position	1,568,681,139	56.45
ITC Investment Holdings Limited	Interest of a controlled corporation	Long position	1,568,681,139	56.45
ITC Corporation Limited	Interest of a controlled corporation	Long position	1,568,681,139	56.45
Galaxyway Investments Limited	Interest of a controlled corporation	Long position	1,568,681,139	56.45
Chinaview International Limited	Interest of a controlled corporation	Long position	1,568,681,139	56.45
Chan Kwok Keung, Charles	Interest of a controlled corporation	Long position	1,568,681,139	56.45
Ng Yuen Lan, Macy	Interest of spouse	Long position	1,568,681,139	56.45

*Note:* Golden Hall Holdings Limited is a wholly-owned subsidiary of Fullhonour Limited which in turn is wholly-owned by ITC Investment Holdings Limited (“ITCIH”). ITCIH is a wholly-owned subsidiary of ITC Corporation Limited (“ITC”) of which Galaxyway Investments Limited (“Galaxyway”), a wholly-owned subsidiary of Chinaview International Limited (“Chinaview”), holds approximately 33.55% of the issued ordinary share capital of ITC. Chinaview is wholly-owned by Dr. Chan Kwok Keung, Charles. Ms. Ng Yuen Lan, Macy (“Ms. Ng”) is the spouse of Dr. Chan Kwok Keung, Charles. Fullhonour Limited, ITCIH, ITC, Galaxyway, Chinaview, Dr. Chan Kwok Keung, Charles and Ms. Ng are deemed to be interested in 1,568,681,139 shares of the Company held by Golden Hall Holdings Limited.

**(b) Interests and short positions of other person in shares and underlying shares of the Company**

Name	Capacity	Long position/ Short position	Number of shares	Approximate percentage of shareholding
Most Choice Limited	Beneficial owner	Long position	183,200,000	6.59

Save as disclosed above, as at 30 September 2005, the Directors or chief executive of the Company were not aware of any other person (other than the directors or chief executive of the Company) who had an interest or short position 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 or, who is, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group, or any other substantial shareholders whose interests or short positions were recorded in the register required to be kept by the Company under section 336 of the SFO.

**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.

## **AUDIT COMMITTEE**

The Company established the audit committee (“Audit Committee”) on 19 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. Upon the resignation of Ms. Cheung Lai Kai, Edwina as an independent non-executive Director of the Company on 25 June 2004, the Audit Committee does not have sufficient members and therefore, the Company fails to meet the minimum number and qualification requirements set out in Rule 5.28 of the GEM Listing Rules. Thus, the Third Quarterly Report 2005 has not been reviewed by the Audit Committee but has been reviewed by the Company’s auditors, Moore Stephens.

In mid October of 2005, the Company has submitted the applications for approval of the appointment of 3 independent non-executive Directors to the Stock Exchange.

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

The Company has not redeemed any of its shares during the nine months ended 30 September 2005. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s shares during the period.

On behalf of the Board  
**Chan Kee Chee, Keith**  
*Director*

Hong Kong, 10 November 2005

*As at the date of this report, the Board comprises Mr. Chan Kee Chee, Keith as executive Director, and Ms. Chan Choi Ling as non-executive Director.*