



TRASY GOLD EX LIMITED

卓施金網有限公司

(Incorporated in the Cayman Islands with limited liability)

○ First Quarterly Report 2006

○ Internet Precious Metals Trading Platform



www.trasy.com

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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.

CHAIRMAN'S STATEMENT

I am pleased to present to the shareholders the First Quarterly Report 2006 in respect of Trasy Gold Ex Limited (the "Company") and its subsidiaries (collectively the "Group").

Subsequent to the takeover of the Group by ITC Corporation Limited in March last year, the board of Directors (the "Board") was reformed and much strengthened in January this year with the appointment of three executive Directors experienced in the operations of precious metals businesses, marketing of financial products and strategic business development and three well-qualified independent non-executive Directors. Improved internal controls have been put in place and corporate governance has been strengthened. The Company is now in compliance with the code provisions set out in the Code on Corporate Governance Practices in the GEM Listing Rules.

The progress made by the Group in all key aspects of its business has been most encouraging since the Board was reformed. Trading volume of gold and the amount of transaction fees recorded for the internet-based precious metals trading platform of the Group (the "Trasy System") in the 1st quarter of 2006 alone were equivalent to approximately 81% and 59% respectively of the amounts for the entire year of 2005, and achieved strong quarter-over-quarter growth rates of 65% and 20% respectively as compared to the corresponding amounts in the last quarter. On top of the significant growth in business volume, the Trasy System's user base expanded from 10 at the end of 2005 to 16 by the end of March 2006, comprising bullion houses/banks, and corporate and high net-worth clients.

The recent breakout of gold prices has boosted investor sentiments in gold trading. The thriving gold market offers very promising business prospects for the Group to further expand its clientele and the trading volume through Trasy System. Building on its strengthened business operations and management team coupled with a sustainable business plan and a solid balance sheet, the Group is well positioned to capitalize on market growth opportunities. We are confident that we will be able to achieve substantial improvements in all key aspects of our business in 2006.

CHAIRMAN'S STATEMENT *(continued)*

The Company has submitted updated information regarding its latest developments to the Stock Exchange and is continuing to seek approval from the Stock Exchange for resumption of trading in the Company's shares on GEM.

Finally, on behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted effort and hard work over the period.

FINANCIAL REVIEW

For the three months ended 31 March 2006, the Group's consolidated turnover amounted to approximately HK\$21 million (three months ended 31 March 2005: approximately HK\$0.3 million). Such remarkable growth in turnover comparing with the same period in last year was mainly contributed from the treasury investments of the Group which commenced in the 2nd quarter of 2005 in addition to the strong growth of approximately 90% on revenues from the Trasy System over the corresponding period last year. A net realized gain on treasury investments of about HK\$0.5 million was recorded for the three months ended 31 March 2006 (three months ended 31 March 2005: Nil).

The Group recorded a net loss of approximately HK\$1.3 million for the three months ended 31 March 2006 (three months ended 31 March 2005: a net loss of approximately HK\$1.6 million), representing a basic loss per share of 0.048 HK cents (three months ended 31 March 2005: a basic loss per share of 0.059 HK cents).

OPERATIONS REVIEW AND OUTLOOK

Trasy System Business

The Trasy System business achieved substantial improvement in the 1st quarter of 2006. A total volume of approximately 2.5 million ounces of gold was transacted through the Trasy System in the 1st quarter of 2006 (1st quarter of 2005: approximately 0.5 million ounces). In addition, the Group attracted 6 new Trasy System's users, giving it 16 users as at 31 March 2006. The expanded user base comprises bullion houses/banks, and corporate and high net-worth clients. The transaction fee income derived from institutional clients and high net-worth clients was split roughly on a 50/50 basis in the 1st quarter of 2006. The single largest customer accounted for just 41% of the total transaction fee income as opposed to over 95% prior to the change of controlling shareholder in March 2005. Amidst a bullish precious metals market, the Group will continue to commit resources to market the Trasy System and actively seek new users and expand its market penetration so as to enhance trading dynamics of the Trasy System.

During the 1st quarter of 2006, the Trasy's website recorded an average daily hit rate of approximately 1.8 million, which is 2.6 times the average daily hit rate in 2005. The Board is of the view that this viewer base represents tremendous untapped embedded value for the Company's future development of other internet-based businesses.

Precious Metals Contract Trading

As a vertically-integrated business development, the Group's precious metals contract trading complements the Trasy System business in providing additional liquidity for the Trasy System. A net realized trading loss of approximately HK\$499,000 and unrealized trading profit of approximately HK\$291,000 were recorded for precious metals contract trading in the 1st quarter of 2006. The Group will continue to adopt prudent risk management and internal control policies so as to monitor and minimize the Group's risk exposures.

Treasury Management

The Group continued to implement a pro-active yet prudent treasury management policy during the 1st quarter of 2006. The investment portfolio of the Group comprises marketable securities. With a view to achieving better returns on its financial resources, the Group will continue to pursue prudent treasury investment objectives.

The Board is pleased to announce the unaudited consolidated results of the Group for the three months ended 31 March 2006 together with the comparative unaudited figures for the corresponding period in 2005 as follows:

UNAUDITED CONSOLIDATED INCOME STATEMENT

For the three months ended 31 March 2006

		(Unaudited)	
		Three months ended	
		31 March	
	Notes	2006 HK\$'000	2005 HK\$'000
Turnover	2	20,795	306
Cost of sales		<u>(20,158)</u>	<u>–</u>
Gross profit		637	306
Other revenue	2	1,185	4
Staff costs		(1,567)	(274)
Depreciation		(42)	(26)
Other administrative and operating expenses		(1,286)	(834)
Unrealized gain on precious metals contract – net		–	619
Other expenses		<u>(2)</u>	<u>(1,434)</u>
Loss from operating activities		(1,075)	(1,639)
Finance costs		<u>(259)</u>	<u>–</u>
Loss before taxation		(1,334)	(1,639)
Taxation	3	<u>–</u>	<u>–</u>
Loss attributable to shareholders		<u>(1,334)</u>	<u>(1,639)</u>
Loss per share	4	<i>HK cents</i>	<i>HK cents</i>
Basic		<u>(0.048)</u>	<u>(0.059)</u>
Diluted		<u>N/A</u>	<u>N/A</u>

Notes:

1. Basis of preparation

The Group's unaudited consolidated results have been prepared under the historical cost convention and in accordance with all applicable Hong Kong Financial Reporting Standards. The accounting policies adopted in preparing the unaudited consolidated results for the 1st quarter of 2006 are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005.

2. Turnover and other revenue

	(Unaudited)	
	Three months ended	
	31 March	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Provision and operation of an internet-based electronic trading system	593	306
Precious metals contract trading	(499)	-
Treasury investments	20,701	-
	<u>20,795</u>	<u>306</u>
Other revenue		
Unrealized gain on precious metals contract trading - net	291	-
Interest income	789	4
Miscellaneous income	105	-
	<u>1,185</u>	<u>4</u>
Total revenue	<u><u>21,980</u></u>	<u><u>310</u></u>

3. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group incurred tax losses for the 1st quarter of 2006.

Notes (continued):

4. Loss per share

(a) Basic loss per share

The calculation of basic loss per share for the 1st quarter of 2006 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$1,334,000 (1st quarter of 2005: approximately HK\$1,639,000) and the weighted average number of 2,779,000,000 (2005: 2,779,000,000) ordinary shares in issue during the 1st quarter of 2006.

(b) Diluted loss per share

No diluted loss per share is shown for the 1st quarter of 2006 as there were no dilutive potential ordinary shares as at 31 March 2006.

Diluted loss per share for the 1st quarter of 2005 has not been 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 "Plan") was higher than the average market value during the period from 1 January to 31 March in 2005, no dilutive potential ordinary share under the Plan was deemed to be issued for nil consideration; accordingly, no diluted loss per share for the 1st quarter of 2005 was presented.

5. Interim dividend

The Board resolved not to declare the payment of an interim dividend for the period (2005: Nil).

6. Reserves

There were no movements in the reserves other than those reflected in the results for the 1st quarter of 2006 and 2005 respectively.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 March 2006, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporations, within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules were as follows:

Interests and short positions in shares, underlying shares and debentures of the Company

Name of Director	Capacity	Long position / Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Francis J. Chang Chu Fai	Joint owner	Long position	5,950,000	0.21%

Note: The above 5,950,000 shares were jointly held by Mr. Francis J. Chang Chu Fai and his spouse, Ms. Teo Ai Jee.

Save as disclosed above, as at 31 March 2006, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) as recorded in the register of the Company required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors as referred to in Rule 5.46 of the GEM Listing Rules.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Share Option Scheme of the Company adopted on 30 April 2002 (the "Scheme")

The Board may, at its discretion, grant share options to the Directors and eligible participants (as defined in the Scheme) pursuant to the Scheme to enable them to subscribe for shares of the Company as incentives or rewards for their contribution to the Group. No share options were granted since its adoption.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS / OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO

As at 31 March 2006, so far as is known to the Directors and chief executives of the Company, the interests or short positions of substantial shareholders /other persons in the shares and underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO were 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 ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
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 ("ITC")	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%

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS / OTHER PERSONS RECORDED IN THE REGISTER KEPT UNDER SECTION 336 OF THE SFO *(continued)*

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

Notes:

- 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 of which Galaxyway Investments Limited ("Galaxyway"), a wholly-owned subsidiary of Chinaview International Limited ("Chinaview"), holds approximately 33.5% 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. In this regard, 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.
- In addition to the information as recorded in the register of the Company required to be kept under section 336 of the SFO, the Company received a written notification from ITC indicating that Galaxyway holds approximately 34.8% of the issued ordinary share capital of ITC as at 31 March 2006.

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

Name	Capacity	Long position / Short position	Number of ordinary shares of the Company held	Approximate percentage of the issued ordinary share capital of the Company
Most Choice Limited	Beneficial owner	Long position	183,200,000	6.59%

Save as disclosed above, no other parties were recorded in the register of the Company required to be kept under section 336 of the SFO as having interests or short positions in the shares or underlying shares of the Company as at 31 March 2006.

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 Audit Committee currently comprises three independent non-executive Directors, namely Messrs. Chung Koon Yan (as Chairman), Wong Kai Tat and Yue Wai Keung, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed the unaudited consolidated results of the Group for the three months ended 31 March 2006.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company has not redeemed any of its shares during the three months ended 31 March 2006. Neither the Company nor any of its subsidiaries purchased or sold any of the Company's listed securities during the period.

On behalf of the Board
Francis J. Chang Chu Fai
Chairman

Hong Kong, 9 May 2006

As at the date of this report, the Board comprises Mr. Francis J. Chang Chu Fai as Chairman, Mr. Leung Man Pok, John as Managing Director, Ms. Cheung Wing Chi, Winnie as executive Director, and Mr. Chung Koon Yan, Mr. Wong Kai Tat and Mr. Yue Wai Keung as independent non-executive Directors.