

REVIEW OF OPERATIONS

HONG KONG: Trasy Gold Ex Limited (“Trasy”) is principally engaged in the provision of services to facilitate the trading of precious metals, including gold, silver, platinum and palladium through a proprietary internet-based real time electronic trading system. Trasy is actively promoting its business in Hong Kong, the PRC and the Asian region through (1) continual recruitment of major international precious metals market makers to become principals of the trading platform and (2) formation of business alliances with financial content providers and internet portals to license its real time precious metals prices and to broadcast market information.

The subscription by the relevant group/related companies of Cheung Kong (Holdings) Limited for 322,000,000 ordinary shares of the Company at HK\$0.10 per share and 67,800,000 redeemable convertible preference shares of par value of HK\$1.00 each was completed in November 2001.

CHINA: The Group has been appointed as a consultant to the Shenzhen Gold Jewellery Building, which is owned by the Shenzhen ART Jewellery Company Limited (“ART”). ART is a comprehensive corporation with the approved licenses for manufacturing, processing, wholesaling of gold ornaments and processing of raw materials and semi-finished products supplied by overseas customers. The scope of service includes consultancy for design, construction, project management and operation management pertaining to the gold and jewellery industry. The establishment and operation of the Shenzhen Gold Jewellery Building is based on the “vertical integration concept” which the Group has successfully implemented in Penang, Malaysia. As Shenzhen is the jewellery manufacturing and trading hub in China and captures over 60% of the national industrial output, the development target of the Shenzhen Gold Jewellery Building is to become the logistic centre for gold and jewellery industry in China.

In September 2001, the Company worked in collaboration with Gold Fields Mineral Services Limited, London and the Gold Economic Centre, Beijing to publish the Chinese edition of “Gold 2001”. This survey is widely acknowledged as the most authoritative analysis of world gold supply and demand and is being used as an important source of reference information by local gold miners, jewellery manufacturers, bankers, economists and government officials in China. In association with Shenzhen Yantian District Government, The Administration of Shatoujiao Free Trade Zone, Shenzhen Gold Jewellery Association and Shenzhen Gold Jewellery Building, the Company also organized the Fifth RNA China Gold and Precious Metals Conference in Shenzhen. The events held in the previous four years and the publication of the gold market survey greatly helped accelerate the process of internationalization of the Chinese gold market.

REVIEW OF OPERATIONS (Continued)

MALAYSIA: Sales activities were subdued in Malaysia. In view of recovering economy and expansion plan to cover other Asian regions, the Board is confident that contribution from the Malaysian operations will improve in the future.

After the PRC joined the World Trade Organization, it is anticipated that the gold market in the PRC will be liberalized. This will create ample business opportunities in the gold and jewellery industry especially for foreign companies and stimulate trade volume. In view of this, the Group will further reinforce the co-operation and relationship with ART, and explore opportunities to expand in the manufacturing and retail sectors of gold and jewellery industry in the PRC. With the increase in the volatility of international gold prices and trading activities and the Group's continual efforts in seeking new business opportunities in the PRC and Asian region, the Board is confident that the Group's results will be improved in the coming years.

REMUNERATION POLICY AND SHARE OPTION SCHEME

During the period under review, an additional of 24,000,000 and 88,000,000 share options have been granted on 10th May 2001 and 9th July 2001 respectively to certain Directors and employees of the Group, which have been fully exercised, pursuant to the share option scheme of the Company which was adopted on 8th November 1996 and amended at the special general meeting of the Company held on 31st December 2001. The Group has 180 employees and the total staff cost was HK\$29,776,000 for the six months ended 31st October 2001.