

WorldMetal Holdings Limited

金屬電子交易所集團有限公司
(Incorporated in Bermuda with Limited Liability)



Annual Report

2002

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This report, for which the directors (the “Directors”) of WorldMetal Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited 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:- (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) 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.

Contents

Corporate Information	2
Financial Summary	3
Chairman's Statement	5
Management Discussion and Analysis	7
Comparison of Business Objectives with Actual Business Progress	13
Biographies of Directors and Senior Management	18
Report of the Directors	23
Report of the Auditors	34
Consolidated Income Statement	36
Consolidated Statement of Recognised Gains and Losses	37
Balance Sheets	38
Consolidated Cash Flow Statement	40
Notes to the Financial Statements	42
Notice of Annual General Meeting	74

Corporate Information

DIRECTORS

LAU Ting, *Chairman*
YU Wing Keung, Dicky, *Deputy Chairman and
Chief Executive Officer*
WU Ziqiang, *Executive Director and
Co-Chief Executive Officer*
CHOW Kin Wa, *Executive Director*
CHEN Aizheng, *Executive Director*
LEUNG Hong Tai, *Executive Director*
KING Roger, *Independent Non-Executive Director*
SIK Siu Kwan, *Independent Non-Executive Director*
LU Zhi Fang, *Independent Non-Executive Director*

SOLICITORS

Appleby Spurling & Kempe
Baker & McKenzie
Haiwen & Partners

AUDITORS

Arthur Andersen & Co

COMPANY SECRETARY

NG Lai Ping, Grace

QUALIFIED ACCOUNTANT

TAN Yung Kai, Richard

COMPLIANCE OFFICER

YU Wing Keung, Dicky

AUTHORISED REPRESENTATIVES

YU Wing Keung, Dicky
NG Lai Ping, Grace

AUDIT COMMITTEE

SIK Siu Kwan
LU Zhi Fang

REGISTERED OFFICE

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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WEBSITE

www.worldmetal.com

PRINCIPAL SHARE REGISTRARS

Butterfield Corporate Services Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

BRANCH SHARE REGISTRARS IN HONG KONG

Computershare Hong Kong
Investor Services Limited
Rooms 1901-05, 19th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS

Bank of China (Hong Kong)
Standard Chartered Bank
The Hongkong and Shanghai Banking
Corporation Limited

Financial Summary

A summary of results and the assets and liabilities of WorldMetal Holdings Limited and its subsidiaries (collectively the “Group”) are as follows:–

RESULTS

	Year ended 31 March			
	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	48,156	43,626	373	–
Profit (Loss) before taxation	6,133	6,160	(4,417)	(934)
Taxation	822	(1,864)	–	–
Net profit (loss) before minority interests	6,955	4,296	(4,417)	(934)
Minority interests	(719)	188	–	–
Net profit (loss) attributable to shareholders	6,236	4,484	(4,417)	(934)

Note:

The results of the Group for the years ended 31 March 1999, 2000 and 2001 were prepared on the assumption that the current structure of the Group had been in existence throughout those years.

Financial Summary

ASSETS AND LIABILITIES

	As at 31 March	
	2002 HK\$'000	2001 HK\$'000
Furniture and equipment	5,573	7,593
Long-term investment	390	–
Portal development costs	2,359	4,071
Intangible assets	1,920	2,024
Pledged bank deposits	118	–
Current assets	64,340	59,469
Current liabilities	(5,098)	(31,770)
Non-current liabilities	(580)	(1,189)
Minority interests	(19,311)	(18,740)
	<hr/>	<hr/>
Net assets	49,711	21,458
	<hr/>	<hr/>
Capital and reserves:		
Share capital	10,000	19,500
Reserves	34,342	2,825
Retained profit (Accumulated deficit)	5,369	(867)
	<hr/>	<hr/>
Shareholders' equity	49,711	21,458
	<hr/>	<hr/>

Note:

The assets and liabilities of the Group as at 31 March 2001 were prepared on the assumption that the current structure of the Group had been in existence throughout that year.

Chairman's Statement

FOREWORD

WorldMetal Holdings Limited (together with its subsidiaries, the "Group") was successfully spun off from its parent company, WellNet Holdings Limited and its shares were listed on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 26 October 2001.

I am pleased to present the first annual report of the Group for the year ended 31 March 2002, the results of which in terms of profitability and business achievement were encouraging.

RESULTS

The year under review saw a slowdown in the global economy. Despite adverse sentiments in the operating environment and the customers' confidence, the Group had achieved stable and remarkable results by virtue of its solid foundation and successful strategies.

For the year ended 31 March 2002, turnover for the Group was HK\$48,156,000, an increase of over 10% over the previous year. Profits attributable to shareholders increased by 39%, reaching HK\$6,236,000.

MAJOR ACHIEVEMENTS

With its online metal trading business, together with its ancillary value chain services in legal, shipping, insurance, inspection and trade finance, the Group has established itself successfully as the leading portal in the global business arena with outstanding competitive advantages.

The Group employed appropriate marketing and promotion strategies to build up and expand its trading members among quality enterprises. As at the end of March 2002, there were 4,110 corporate members, spreading across more than 60 countries and regions.

On the front of developing business in IT consultancy and software applications, the Group focuses on services to its members to provide comprehensive e-business solutions such as ERP for the metal trading industry. Satisfactory progress has been made in this respect.

THE WAY FORWARD

There are signs of recovery in the global economy. During the year, global trading in metal, especially steel, continued to be active and the industry is surging up from the trough. China is the biggest market for steel production as well as consumption. Subsequent to its entry into the WTO, factors such as lower import tariffs, less stringent import controls and engineering projects related to the development of the Northwest region will spearhead the sustained growth of steel consumption. The Group is well positioned to leverage this growth through its Internet metal trading portal.

Chairman's Statement

Our vision in the synergy in integrating the metal trading supply chain management with Internet technology has enabled the Group to provide value-added services to our customers. Our outstanding performance was based on our rich experience in the industry as well as our profound understanding of the value of and the appropriate utilization of the supply chain service for the metal industry. The Group will continue to uphold the principle of "Customers Always Come First" and employ the most cost-effective means to render the best services to our customers.

We will maintain our focus on our core business of Internet metal trading and the ancillary services. At the same time, we will endeavour to explore and develop new businesses that can capitalize on the existing business to create synergy, so as to expand the Group and to bring greater returns to our shareholders.

APPRECIATION

On behalf of the Board of Directors, I would like to extend our sincere thanks to our shareholders, business partners, trading members and the management and staff of the Group.

LAU Ting

Chairman

24 June 2002, Hong Kong

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the business of providing Internet-based vertical portals for metal trading and ancillary value-chain services, provision of consultancy services and application software development services. In the year under review, operations of all these activities ran smoothly and had achieved remarkable results.

1. Internet Metal Trading and Related Ancillary Services

Internet Metal Trading

In the global commodities trading market, the value of transaction of metal ranks high. International trading in this field remains most active and has brought about great business opportunities as well as development potential for online trading utilizing Internet technology. 2001 was a year of turbulence for world politics and economy. Both the operating environment and consumer confidence were adversely affected. Despite this, the Group still recorded a commission income of HK\$27,521,000 for the year (2001: HK\$42,954,000).

Since last year, steel trading in Europe and Asia remained very active. The demand for steel in China's market is the highest in the world and this demand continues to grow rapidly. In the period of January to April 2002, steel consumption in China had increased by 19% as compared with the same period last year. Moreover, the economy in South Korea and Japan started to recover gradually. All these factors provide assurance to the Group's business strategies of establishing a foothold in Eurasia while targeting expansion globally. Furthermore, the Group has formed a strong strategic alliance with extensive quality enterprises as trading members and possess the enterprising spirit of internationalisation and professionalism that will enable the Group to emerge as a leader in the global metal trading industry and enhance our competitive edge. We deeply believe that there will be further enhancement in the development potential of the Group's online metal trading services. This will provide a sustained steady growth in profitability and thus ensuring the long-term development of the Group.

Ancillary Value-chain Services

The Group endeavours to provide a "one-stop" ancillary value-chain service to online metal trading. After consolidation of the system, our trading platforms implemented an integrated trading system with ancillary value-chain services to offer a seamless suite of e-commerce supply chain management services specific to the metal trading industry. This enables our members to have immediate access to ancillary value-chain services in shipping, insurance, inspection, legal advisory services and trade finance once the online trading negotiation is concluded.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK *(Cont'd)*

1. Internet Metal Trading and Related Ancillary Services *(Cont'd)*

Membership and Marketing

Achievements in servicing existing members and recruiting new members have been satisfactory. As the Group has adopted appropriate marketing promotion strategies, the membership base has been expanded substantially. As at 31 March 2002, there were 4,110 corporate members, spreading across 60 countries and regions. They are primarily major steel mills, raw material and energy suppliers, traders, processing centers, transportation companies and end-users.

2. IT Business

The IT business of the Group has achieved significant results during the year under review, both in the maintenance and building of trading and information platforms and consultancy services in the provision of comprehensive e-business solutions and application software development services.

Reliable and Secure Platforms

To ensure the security and smooth operation of its trading platforms, the Group attaches great importance to the upgrading and perfection of its platform functionality, with particular emphasis on strengthening system response and safeguarding system security. The Group is constantly improving the monitoring function of its platforms as well as implementing risk management measures. During the year, the Group had successfully introduced the second-generation trading platform that utilised the multiple routing advanced search functions which is to be the first amongst similar trading platforms in the world to realise automatic matching of transactions. To cater for the prominent features of international metal trading which incorporate a multitude of products, specifications, shipping schedules, contract terms and conditions and amendable terms and conditions, the new platform supports custom-tailored functionalities such as split of multiple-items quotation into several single-item quotations or addition of product items and quantities to the quotation. Furthermore, the online trading system is so highly personalised and user friendly that it can be linked to mobile phones for the members to obtain the latest price quotes through mobile phones even when they have no access to the Internet.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK (Cont'd)

2. IT Business (Cont'd)

IT Consultancy and Application Software Development (ASD) Services

Leveraging on its extensive corporate membership, the Group provides comprehensive e-commerce solution consultancy services and application software development services to its members. Encouraging progress has been made in this respect. The service is rendered to metal trading customers as the principal target. At the same time, the Group also provides application software development services to various trades and industries in Hong Kong and China, with a number of projects either completed or in progress during the year. A number of projects are under negotiation, pending formal contract execution.

3. Information Services

As regards our information services, in addition to the online real-time news on metals and steel and Asian business news in English provided by Reuters, the service has been extended to include real-time news on international metals and steel in Chinese provided by Xinhua News Agency and China National Material and Equipment Information Centre as well as the electronic periodical "Metal Flash". Feature reports had been published on more than ten well-known steel enterprises in China. Furthermore, the interface and subject categorization had been updated, with addition of multi-lingual options in Traditional Chinese characters, German and Japanese.

4. Country-specific Portals

The Group spearheaded the setting up of country-specific trading portals by forming joint ventures with leading enterprises in various countries to provide online metal trading platforms targeted on its domestic markets. In the year under review, trading on SteelnMetal.com of South Korea was active and had achieved satisfactory growth. Through this joint venture, the Group has successfully penetrated the metal market in South Korea and established a solid business base in the country. Chinasteel.com.cn, a trading portal for which the Group had provided professional assistance in its construction, has upgraded its trading system. In response to China's relaxation in policy on the inflow of foreign capital, it is planned that the Group will participate in the reorganisation of Chinasteel.com.cn. To coordinate with the reorganisation, the contracts for marketing consultancy and technology services had been terminated during the year.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK (Cont'd)

5. Staff

During the year, the Group had implemented measures on stringent operating cost control as well as effective utilization of resources and had achieved satisfactory results. As at 31 March 2002, the Group employed 35 staff members. The total employees' remuneration, including that of the Executive Directors, for the year ended 31 March 2002 amounted to approximately HK\$12,965,000 (2001: HK\$15,637,000). The Group remunerates its staff based on their performance and work experience. In addition to the basic salary, benefits for employees include performance-related bonus, contributory provident fund and medical insurance. Training programmes for staff are provided as and when required.

6. Outlook

The Group will strive to pursue development in online metal trading and ancillary value-chain services. It will continue to expand its membership base by recruiting quality enterprises in major metal production and consumption countries. It will further expand its services in e-commerce solution consultancy and application software development for its members and customers in the industry.

The Group will uphold the principle of "Control of operating cost and maximization of resources" to anchor itself in a corporate direction for stable development. While safeguarding the steady operation of existing businesses, the Group will formulate a number of revenue-generating business models to increase its profit base substantially.

FINANCIAL REVIEW

For the year ended 31 March 2002, the Group achieved a consolidated turnover of approximately HK\$48,156,000 (2001: HK\$43,626,000) representing an increase of over 10% from the year 2001. Turnover comprises income from the metal transactions, consultancy service fees and application software development (ASD) service fees, representing 90%, 8% and 2% (2001: 98%, 2% and 0%) of the total turnover respectively. The audited consolidated profit attributable to shareholders amounted to approximately HK\$6,236,000 (2001: HK\$4,484,000).

Management Discussion and Analysis

FINANCIAL REVIEW *(Cont'd)*

During the year under review, in addition to the income from the metal transactions, the Group has recorded an income from ASD services amounted to approximately HK\$751,000 (2001: Nil). ASD services are provided to the Group's corporate members and metal trading customers as the principal targets and also to clients in various trades and industries in Hong Kong and the PRC. In light of the keen demand of ASD services by different business sectors, we have expanded our business in ASD services to tap the profit from this industry. Further developing and diversifying our business into ASD services have provided an extra stable stream of profit contribution to the Group.

The general and administrative expenses amounted to approximately HK\$9,187,000 (2001: HK\$13,309,000), a sharp reduction of 31% as compared to the year 2001. This is a result of our successful effort in increasing efficiency and effectiveness of deploying the internal resources of the Group. Our Group believed in the importance of differentiating our business from competitors by effective use of resources under the current fierce market competition.

The shares of the Company were listed on the GEM of the Stock Exchange on 26 October 2001 and a net proceeds of approximately HK\$22,165,000 was raised. During the year under review, net proceeds was applied in accordance with the purposes as stated in the prospectus for placing and the remaining proceeds have been deposited in Hong Kong licensed banks.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2002, the Group had audited net current assets of approximately HK\$59,242,000 (2001: HK\$27,699,000), including cash and bank balances of approximately HK\$40,554,000 (2001: HK\$36,047,000). The consolidated total liabilities amounted to approximately HK\$5,678,000 (2001: HK\$32,959,000). The Group did not have any bank borrowings nor any banking facilities during the year ended 31 March 2002.

The gearing ratio (defined as total liabilities over total assets) of the Group on 31 March 2002 was approximately 8% (2001: 45%).

MATERIAL ACQUISITIONS AND DISPOSALS OF INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS

Apart from a long-term investment amounting to approximately HK\$390,000 in a principal guaranteed fund, the Group has no material acquisitions and disposals of investments during the year under review and no significant investments were held by the Group as at 31 March 2002. The Group has no present plans for material investments and acquisition of capital assets in the coming year.

Management Discussion and Analysis

CAPITAL STRUCTURE

The Directors believe that the Group has sufficient working capital for the future planned development of the Group's businesses. Working capital will be sufficiently generated from operations and funded by the net proceeds from the placing of shares in 2001.

EXPOSURE TO EXCHANGE RATES FLUCTUATION

Majority of the revenue-generating operations of the Group are transacted in USD and Korean WON, both of which are freely convertible currencies. Historical exchange rates of these two currencies have been stable. The Group is in the view that exposure to exchange rate risks is considered very minimal. The Group did not enter into any foreign forward contracts to hedge against exchange rates fluctuations.

SEGMENT INFORMATION

The Group's business segments consist operations in metal exchange portals, metal trading, consultancy services, application software development services and others. Details of the business segments are set out in note 24 to the financial statements on page 69.

PLEDGE OF ASSET

Other than a bank deposit of the Group amounting to approximately HK\$118,000 (2001: Nil) was used as security to secure an operating lease for a motor vehicle by a subsidiary in Korea, as at 31 March 2002, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets.

CONTINGENT LIABILITIES

As at 31 March 2002, the Group did not have any material contingent liabilities (2001: Nil).

Comparison of Business Objectives and Actual Business Progress

The following is a summary of the comparison of the business objectives as stated in the Company's prospectus for placing of shares dated 19 October 2001 (the "Prospectus") for the period from the Latest Practicable Date as defined in the Prospectus to 31 March 2002 with the actual business progress:

Business Objectives

Market research

- Continue to engage international consulting firm(s) to assist with the formulation of overall business strategy
- Conduct feasibility studies and market research for setting up national or regional portals in countries such as Japan and India
- Continue to research and set up fee structure to facilitate the introduction of other revenue sources such as advertising and value-chain services
- Continue to study online trading platform for non-ferrous metal products
- Conduct feasibility study for strategic alliances, for example, allying with metals-related websites or technology information providers
- Sharing of technology, platform and data with the existing country-specific portals
- Monitor Internet legal development in order to protect the legal rights of the Group's websites and members

Actual Progress

- Internal management meetings are held on regular basis and continue to maintain contacts with international consulting firm(s) for assistance in formulating overall business strategies
- Continue to assess the feasibility of and conduct market research for setting up portals in Asian countries or regions. In view of market factors, the Group adopts a more prudent approach to resource deployment and setting up of new portals
- Remain offering ancillary value-chain services to members free of charge to enhance the service function of the portals
- Continue to study the technicality and feasibility of online trading platform for non-ferrous metal products
- Continue with feasibility study for building strategic alliances
- Continue to integrate technology, platform and data with the existing country-specific portals to offer members an international service
- Continue to monitor Internet legal development with legal advisors to protect the legal rights of the Group's websites and members

Comparison of Business Objectives and Actual Business Progress

Business Objectives

Market research *(Cont'd)*

- Investigate and research the ASP market potential for our members

Marketing activities

- Expand product categories and stabilize and increase trading volume
- Focus on further expanding activity in the major markets including China, South Korea and CIS countries
- Continue to form strategic alliances with value-chain services providers
- Perform studies for setting up branch and representative offices in major cities such as Guangzhou and London in strategic markets to strengthen sales and marketing and customer support
- Intend to establish offices or a local presence in different country-specific markets
- Conduct training for members
- Conduct joint marketing and promotion activities with existing subsidiary portals
- Continue to search for expansion opportunities in market coverage

Actual Progress

- Professional team set up to provide various related services to members
- Actively studying to expand product categories
- Continue to focus on further expanding activity in the major markets including China, South Korea and CIS countries
- Continue to form strategic alliances with value-chain services providers and actively deploy resources for marketing of related business
- Continue the studies on setting up branch and representative offices in strategic markets whilst remain prudent in setting up branches and representative offices
- In view of market conditions, the Group has been prudent in considering the setting up of offices or a local presence in different country-specific markets
- Continue to dispatch professional teams to offer training for members
- Actively coordinating with existing subsidiary portals in joint marketing and promotion activities
- Continue to search for expansion opportunities in market coverage with a view of opening up more revenue generating channels while minimizing expenses

Comparison of Business Objectives and Actual Business Progress

Business Objectives

Marketing activities (Cont'd)

- Liaison with international and Chinese metals-related websites
- Continue to expand membership for ferrous metal trading and recruit members for non-ferrous metals trading
- Continue to recruit Founding Members (up to 25 - 30)
- Continue to recruit Consultative Members (up to 25 - 30)

Development of services

- Launch customer relationship management system
- Continue to improve trading system based on user needs, redesigning and upgrading the whole system
- Conduct feasibility study for electronic authentication and further improve security
- Expand value-chain services by introducing inspection, legal and banking services
- Continue to introduce online banking services with international financial institutions
- Add German and Traditional Chinese interfaces to websites

Actual Progress

- Continue discussion on cooperation with international and Chinese metals-related websites
- Continue to expand membership base. As at 31 March 2002, the number of corporate members was 4,110
- Continue discussions with potential organisations
- Continue discussions with potential organisations
- Launched real-time online customer support service and established customer relationship management
- Launched the second-generation trading platform and upgraded the whole system
- In respect of electronic authentication, conducted feasibility and technology study on RSA KEON Digital Certification System
- Continue to upgrade the ancillary value-chain services
- Ready to introduce online banking services with international financial institutions
- German, Traditional Chinese and Japanese interfaces have been added to information platform

Comparison of Business Objectives and Actual Business Progress

Business Objectives

Actual Progress

Resources deployment (Cont'd)

- Strengthen training for R&D staff
- Continue to strengthen training for R&D staff. Staff are encouraged to participate in activities and training organised by authoritative organisations such as the Professional Information Security Association to enhance their capabilities

USE OF NET PROCEEDS

The net proceeds from the placing of shares in October 2001 amounted to approximately HK\$22,165,000.

During the period up to 31 March 2002, the Group has applied approximately HK\$3,046,000 in accordance with the statement of the business objectives as set out in the Prospectus:

	Originally planned up to 31 March 2002* HK\$'000	Amount utilised up to 31 March 2002 HK\$'000
Market research and marketing activities – Establish and strengthen the brand name of the WorldMetal.com and the membership bases	1,000	950
Development of services – Enhancement of technological support and adoption of State-of-the art technology in the portals of the Group	2,000	2,000
Resources deployment – Recruitment of high calibre personnel and strengthen training for R&D staff	1,500	96
	4,500	3,046

* Amounts are extracted from the Company's prospectus dated 19 October 2001 issued in relation to the Company's placing and proposed listing of shares on GEM.

Actual application of the net proceeds was lower as compared to the planned application. This is due to the uncertainty of the pace of global economic recovery. After careful study on the recent development in high technology industry, our Group adopted a more prudent approach in managing our resources in order to apply fund in a more effective and efficient way. The remaining net proceeds have been deposited in licensed banks in Hong Kong.

Biographies of Directors and Senior Management

Ms. LAU Ting, aged 45

Chairman

Ms. Lau is the Chairman of the Company and a co-founder of the Group. Ms. Lau is responsible for the business planning and overall development of the Group. She is also in charge of the treasury and the financial, human resources, and strategic planning of the Group. She has over 10 years of experience in business development, merger and acquisition, property investment and financial management. At present, she is also an executive director of WellNet Holdings Limited.

Mr. YU Wing Keung, Dicky, aged 39

Deputy Chairman and Chief Executive Officer

Mr. Yu is the Deputy Chairman, the Chief Executive Officer and the Compliance Officer of the Company. Mr. Yu is a co-founder of the Group. He is responsible for the business planning and overall development of the Group. He is also responsible for setting out the marketing and promotion policies for the Group as well as supervising its online trading activities. He has over 15 years' experience in international metal trading business and has established extensive global business networks. At present, he is an executive director of WellNet Holdings Limited. He holds a master's degree in Business Administration from Brunel University, United Kingdom and is a full member of the Chartered Institute of Marketing in the United Kingdom.

Mr. WU Ziqiang, aged 40

Executive Director and Co-Chief Executive Officer

Mr. Wu joined the Group in June 2000 and is an Executive Director and the Co-Chief Executive Officer of the Company. Mr. Wu is in charge of the information technology development and content management service of the Group. He has over 17 years' experience in the development and setup of major information system and online trading platform for metal products. Prior to joining the Group, he served as general manager, China, for UNI-Tech Software Engineering (Shenzhen) Co., Ltd. and took charge of its business development activities as well as the development of e-commerce application solutions and business development planning. He held senior positions in Shenzhen Mercantile Exchange and was responsible for the setup of Shenzhen Metal Trading Network. He holds a master's degree in Computer and Telecommunication Engineering from the National University of Defence Technology, China.

Biographies of Directors and Senior Management

Mr. CHOW Kin Wa, aged 35

Executive Director

Mr. Chow joined the Group in March 2000 and is an Executive Director and the Chief Exchange Management Officer of the Company. He is responsible for the daily operation of metal trading and the monitoring system of WorldMetal's trade mechanism and risk management related operations. He graduated from the University of Hong Kong with a bachelor's degree of Science in Mathematics and from the Hawaii Pacific University with a master's degree of Science in Information System. He has 10 years' experience in multinational steel trading and manufacturing business.

Dr. CHEN Aizheng, aged 44

Executive Director

Dr. Chen joined the Group in June 2000 and is an Executive Director and the Chief Information Officer overseeing ICP division. Prior to joining the Group, he worked in the area of international trading and also as an investment consultant in Canada. He holds a BA degree and MA degree from Nanjing University, the PRC. He is also a graduate from Goettingen University, Germany with a Ph.D in Germanic linguistics and literature. He is the brother-in-law of Ms. Lau Ting.

Mr. LEUNG Hong Tai, aged 46

Executive Director

Mr. Leung joined the Group in March 2000 and is an Executive Director and the Chief Technology Officer of the Company. Mr. Leung is in charge of the overall operation of the Company's computer and Internet systems. He has over 15 years' experience in information technology, in particular, the setup and development of computer networking and communication system. He also specializes in Internet, Intranet and Wide Area Networking. Prior to joining the Group, he served as the Information System Manager of Scott Wilson, Hong Kong, a renowned integrated solution provider, and as a specialist engineer for Hong Kong Telecom. He holds a bachelor's degree of Science and a master's degree in digital communication from the University of Kent, United Kingdom. He is also a full member of the Hong Kong Computer Society and the Australian Computer Society.

Biographies of Directors and Senior Management

Mr. KING Roger, aged 61

Independent Non-Executive Director

Mr. King joined the Group in December 2000 and is an Independent Non-Executive Director. Mr. King has extensive experience in the areas of corporate management, computing engineering and management consultancy. He was the chief executive officer and an executive director of SaSa International Holdings Limited, a Hong Kong listed company offering beauty and health products and services in Asia, during the period from 1999 to April 2002. He is a non-executive director of Orient Overseas International Ltd, a Hong Kong listed company and a director of Arrow Electronics Inc., a US listed company. Mr. King also served as the executive chairman of System-Pro Computers Ltd., a major Hong Kong personal computer retailer. He holds a Bachelor Degree in Electrical Engineering from the University of Michigan and a Master Degree in Electrical Engineering from New York University. He is also a graduate of the Harvard Business School.

Mr. SIK Siu Kwan, aged 34

Independent Non-Executive Director

Mr. Sik joined the Group in December 2000 and is an Independent Non-Executive Director. Mr. Sik has experience of over 10 years in investment banking and finance. He worked for an international investment bank as a corporate finance director and head of its Greater China Region, responsible for business development and regional business operations. He has completed several listings on the Hong Kong Stock Exchange, and has engaged in such corporate financial activities including China B stock listing, and convertible debenture issuance. He achieved first class honours in his Bachelor Degree in Engineering from Oxford University.

Mr. LU Zhi Fang, aged 48

Independent Non-Executive Director

Mr. Lu joined the Group in December 2000 and is an Independent Non-Executive Director. Mr. Lu is a practising Chinese lawyer, specialising in international trading and corporate matters, involving foreign enterprises. He obtained his qualification to practise law in 1985. He had been the Associate Dean of the Faculty of Law University of International Business and Economics in Beijing, the PRC from 1986 to 1994. In 1994, he joined Haiwen & Partners as the senior partner of the firm. He also currently serves as an arbitrator for the China International Economics and Trade Arbitration Committee and the Beijing Arbitration Commission. Mr. Lu holds a Master Degree in Law from the University of California at Berkeley.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT

Mr. YIN Mark, aged 44

Mr. Yin is the Vice Chairman of Strategic Alliance Committee of the Company. Mr. Yin is responsible for forging strategic alliance with worldwide business partners for the Company. He has over 20 years' experience in international metal trading and has established extensive business networks. At present, he is an executive director of WellNet. Prior to joining the Group in 2000, he served as the director and general manager of Klockner East Asia Ltd., a subsidiary of the renowned German metal trader, Klockner Group. Prior to joining Klockner, he held senior positions with the China Minmetals Company in Beijing for 10 years. He graduated from the Guangzhou Foreign Language University.

Ms. NG Lai Ping, Grace, aged 32

Ms. Ng is the Company Secretary of the Group, responsible for the Group's company secretarial, compliance and legal affairs. She is an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom. Prior to joining the Group in May 2000, she worked for an international accounting firm and for listed companies with extensive experience in company secretarial work for private and listed companies.

Mr. NG Man Fai, Matthew, aged 34

Mr. Ng joined the Group in June 2000 and is the Financial Controller of the Group. He is responsible for the financial planning of the Group and the supervision of its accounting and financial activities. Prior to joining the Group, Mr. Ng had over 10 years' experience in the fields of auditing, finance and accounting in international certified public accounting firms, financial institutions and listed companies in Hong Kong. Mr. Ng holds a bachelor's degree in Business Administration from the University of East Asia in Macau and a master's degree in Accountancy from the Charles Sturt University in Australia. At present he is a Certified Public Accountant and is an associate member of Hong Kong Society of Accountants, the Association of Chartered Certified Accountants and the Taxation Institute of Hong Kong.

Mr. MA Yiu Ming, aged 40

Mr. Ma joined the Group in 2000 and is the Deputy Chief Project Management Officer. Mr. Ma is responsible for the Group's business coordination and functional development and reaching agreements with consultative members as well as integrating supply chain platform. Mr. Ma holds a bachelor's degree in Business Administration and a master's degree in Business Administration from The Open University of Hong Kong. He is a fellow member of the Institute of Chartered Shipbrokers. He has over 18 years of experience in international traffic and logistics business, particularly in back-office management. He has established extensive business networks in shipping, insurance, inspection, arbitration and legal consulting. Prior to joining the Group, he worked for a major multi-national trading company, responsible for the formulation and implementation of the logistics system.

Biographies of Directors and Senior Management

SENIOR MANAGEMENT *(Cont'd)*

Mr. CHUI Chi Yik, Jackie, aged 34

Mr. Chui is the Managing Director of ChinaSteel.com Corporation Limited, heading up the integrated operations and strategic planning of WorldMetal.com's China-based joint venture partner. He has extensive experience in customer service and market promotion. Prior to joining the Group in 2000, he held several positions with several multi-national companies and was in charge of the group's business development and operations, as well as production strategies, promotion and customer services management. He graduated from the department of computer engineering of Tian Jin University.

Dr. QIU Zhenhai, aged 39

Dr. Qiu is the Deputy Chief Public Relations Officer of the Company. Dr. Qiu is in charge of the public relations activities of the Group. He has extensive experience for the media sector. Prior to joining the Group in May 2000, he was a senior reporter for diplomatic and international news of a major local newspaper. He also served as correspondent of a major Hong Kong newspaper in Germany, correspondent of Deutsche Welle in Hong Kong and diplomatic commentator of Wen Hui Bao Daily in Shanghai. He holds a Bachelor of Arts degree from the Eastchinese Normal University in Shanghai, China and a Master of Arts degree from Tongji University in Shanghai, China. He also holds a Doctor of Philosophy in mass communication from Eberhard-Karls-University Tuebingen, Germany.

Mr. WANG Jiyuan, aged 36

Mr. Wang is the General Manager, Marketing – Greater China of the Company. Mr. Wang is responsible for the marketing and promotion activities of the Company in the Greater China Region. He has 12 years of experience in international metal trading, particularly in the Mainland China area. Prior to joining the Group in 2000, Mr. Wang worked for China Minmetals Group and was in charge of the Group's export of steel raw materials and finished products. During his time with Minmetals, he has stationed in Minmetals Korea Co. Ltd. in South Korea as director and vice president. Upon leaving China Minmetals, he joined CMC Group of the US and took charge of its Asian steel trading business operated through CMC (Southeast Asia) Ltd in Singapore. He graduated from the Guangzhou Foreign Language Institute.

Mr. TAN Yung Kai, Richard, aged 30

Mr. Tan is the Qualified Accountant of the Company. He is responsible for the overall financial accounting of the Company. He has over 5 years of experience in the audit and the accounting fields. Prior to joining the Group in July 2000, he worked for Deloitte Touche Tohmatsu, an international accounting firm involved in the various auditing and due diligence activities. He holds a Bachelor Degree in Commerce from McGill University, Canada. He is an associate member of the Hong Kong Society of Accountants and a member of American Institution of Certified Public Accountants.

Report of the Directors

The Directors have pleasure in presenting to the shareholders their report together with the audited financial statements of WorldMetal Holdings Limited (the “Company”) and its subsidiaries (collectively known as the “Group”) for the year ended 31 March 2002.

GROUP REORGANISATION AND BASIS OF PRESENTATION

The Company was incorporated in Bermuda on 13 September 2000 as an exempted company with limited liability under the Companies Act 1981 of Bermuda (as amended). Pursuant to a group reorganisation which included exchanges of shares in preparation for the listing of the Company’s shares on The Growth Enterprise Market (the “GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), the Company became the holding company of the other companies comprising the Group on 6 September 2001. The Company’s shares were listed on the GEM of the Stock Exchange on 26 October 2001.

Details of the group reorganisation and the basis of presentation of the financial statements are set out in note 1 to the financial statements on page 42.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding.

The Group is principally engaged in the business of providing metal exchange portals for metal trading and ancillary value-chain services, provision of consultancy services, application software development services and advertising services.

Analysis of the Group’s turnover by business segments and by geographical locations, together with their respective operating results for the years ended 31 March 2001 and 2002 are set out in note 24 to the financial statements on page 69.

MAJOR SUPPLIERS AND CUSTOMERS

The Group’s five largest customers accounted for about 57% of its turnover for the year. For the year ended 31 March 2002, Burwill Resources Limited, a subsidiary of WellNet Holdings Limited which is a substantial shareholder and an initial management shareholder of the Company, was the largest customer of the Group and accounted for about 20% of the Group’s turnover.

The Group’s five largest suppliers accounted for about 100% of its purchases for the year. In addition, the largest supplier of the Group accounted for about 64% of the Group’s purchases.

Report of the Directors

MAJOR SUPPLIERS AND CUSTOMERS *(Cont'd)*

Save as disclosed above, none of the Directors, their respective associates nor shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had any interest in the above customers and suppliers at any time during the year.

FINANCIAL RESULTS

Details of the Group's results for the year ended 31 March 2002 are set out in the consolidated income statement on page 36.

The respective state of affairs of the Group and the Company as at 31 March 2002 are set out in the balance sheets on pages 38 and 39.

The Group's cash flows are set out in the consolidated cash flow statement on pages 40 and 41.

DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2002 (2001: Nil).

FURNITURE AND EQUIPMENT

Details of movements in furniture and equipment during the year are set out in note 10 to the financial statements on pages 57 and 58.

SUBSIDIARIES

The particulars of the Company's principal subsidiaries as at 31 March 2002 are set out in note 11 to the financial statements on pages 58 to 60.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 20 to the financial statements on pages 65 and 66.

RESERVES

Details of movements in reserves during the year are set out in note 22 to the financial statements on page 67.

Report of the Directors

DISTRIBUTABLE RESERVES

As at 31 March 2002, the Company's reserves available for distribution to shareholders calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$16,209,000.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no statutory restriction against the granting of such rights under the laws of Bermuda.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2002.

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Scheme") on 15 October 2001, which became effective on 26 October 2001, under which the committee authorised by the Board of Directors of the Company (the "Committee") shall be entitled to offer to grant to any executive director or full-time employee of the Company or its subsidiaries options to subscribe for shares in the Company (the "Shares") subject to the terms and conditions stipulated therein.

Details of the Scheme are as follows:

(i) Purpose of the Scheme

The purpose of the Scheme is to give executive directors and employees of the Company or any of its subsidiaries an opportunity to acquire an equity interest in the Company and will assist in the recruitment and retention of employees of the Group.

(ii) Participants

Any executive director of the Company or its subsidiaries or any full-time employee of the Company or its subsidiaries who satisfies the following requirements: (i) spends not less than 25 hours per week in providing services to the Company or any of its subsidiaries, such number of hours being determined by averaging out the total number of hours so spent since the employee commences working for the Company or any of its subsidiaries and up to the date of the proposed grant of any option; and (ii) has been in continuous employment with the Company or any of its subsidiaries for a period of six months.

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

(iii) Maximum number of Shares

The total number of Shares subject to the Scheme and any other schemes must not, in aggregate, exceed 10% of the Shares in issue from time to time (excluding (i) any Shares issued upon the exercise of options granted pursuant to the Scheme and any other schemes; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i)) during a period of ten consecutive years commencing on the date of adoption of the Scheme. The total number of Shares available for issue under the Scheme as at the date of this report is 100,000,000 Shares, representing 10% of the issued share capital of the Company as of that date.

No qualifying participant shall be granted an option which, if exercised in full, would result in such person's maximum entitlement exceeding 25% of the aggregate number of Shares for the time being issued and are issuable under the Scheme.

(iv) Option period

An option may be exercised in accordance with the terms of the Scheme at any time during the period the Committee may in its absolute discretion determine, such period of time commencing 90 days after the Offer Date but shall not be less than 3 years nor more than 10 years from the date on which an option is granted.

(v) Amount payable on application or acceptance

An offer of the grant of an option shall remain open for acceptance for a period of 28 days from the date on which an option is offered to the grantee (the "Offer Date"). An option shall be deemed to have been granted and accepted when the duplicate of the offer letter comprising acceptance of the option duly signed by the grantee together with a remittance in favour of the Company of HK\$1 by way of consideration of the grant thereof is received by the Company.

(vi) Exercise price

The exercise price in respect of any particular option shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Offer Date, which must be a business day, (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date and (iii) the nominal value of a Share.

(vii) The remaining life of the Scheme

The Committee shall be entitled at any time during the period of 10 years commencing on 15 October 2001 to offer the grant of an option to any qualifying participants.

Report of the Directors

SHARE OPTION SCHEME (Cont'd)

No option for Shares had been granted under the Scheme since its adoption on 15 October 2001.

The Stock Exchange has amended the requirements for share option schemes under Chapter 23 of the Rules Governing the Listing of Securities on GEM (the "GEM Listing Rules") which came into effect on 1 October 2001. These new requirements make some of the provisions of the Scheme no longer applicable. The Directors proposed for the adoption of a new share option scheme and termination of the Scheme at its forthcoming Annual General Meeting of the Company. During the transitional period, the Company must nevertheless comply with the new requirements of the GEM Listing Rules.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Ms. LAU Ting	
Mr. YU Wing Keung, Dicky	
Mr. WU Ziqiang	
Mr. CHEN Aizheng	– appointed on 12 July 2001
Mr. CHOW Kin Wa	– appointed on 12 July 2001
Mr. LEUNG Hong Tai	– appointed on 23 July 2001
Mr. CHAN Shing	– resigned on 12 July 2001
Mr. SUN Ho	– resigned on 1 November 2001

Independent Non-Executive Directors:

Mr. KING Roger
 Mr. SIK Siu Kwan
 Mr. LU Zhi Fang

In accordance with bye-law 99 of the Bye-laws of the Company, Mr. YU Wing Keung, Dicky, Mr. WU Ziqiang and Mr. KING Roger retire from office at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Biographical details of the Directors of the Company are set out on pages 18 to 20.

SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on pages 21 to 22.

Report of the Directors

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 March 2002, the interests of the Directors and chief executive of the Company (including those interests which were deemed or taken to have interests under the provisions of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) in the issued share capital of the Company and any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

(1) Interests in Shares

(A) The Company

Name of director	Number of shares			Total
	Personal interests	Family interests	Corporate interests	
LAU Ting	50,288,803	72,951,773 (Note 1)	535,646,308 (Note 2)	658,886,884 (Note 3)
YU Wing Keung, Dicky	28,100,000	–	–	28,100,000
WU Ziqiang	5,000,000	–	–	5,000,000
CHOW Kin Wa	3,000,000	–	–	3,000,000
CHEN Aizheng	2,010,000	330,000	–	2,340,000
LEUNG Hong Tai	2,010,000	–	–	2,010,000

Notes:

- These shares were held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 11,320,192 shares were held by Hang Sing Overseas Limited ("Hang Sing"), 10,595,042 shares were owned by Strong Purpose Corporation ("Strong Purpose"), where Ms. LAU Ting, together with Mr. CHAN Shing, own a 51% indirect interest in Hang Sing and a 100% direct interest in Strong Purpose. 513,731,074 shares were held by WellNet Holdings Limited ("WellNet"), in which Ms. LAU Ting, Mr. CHAN Shing, Hang Sing and Strong Purpose together hold the controlling interests.
- The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

Report of the Directors

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS (Cont'd)

(1) Interests in Shares (Cont'd)

(B) Associated Corporation - WellNet Holdings Limited

Name of director	Personal interests	Number of shares		Total
		Family interests	Corporate interests	
LAU Ting	21,776,072	239,439,325 (Note 1)	211,900,848 (Note 2)	473,116,245 (Note 3)
WU Ziqiang	400,000	–	–	400,000

Notes:

- 13,035,472 shares were held by Mr. CHAN Shing and the balance of 226,403,853 shares were held by Hang Sing.
- These shares were owned by Strong Purpose.
- The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

Save as otherwise disclosed above, as at 31 March 2002, none of the Directors or chief executive had, or were deemed under the SDI Ordinance to have, any personal, family, corporate or other interests in the equity of the Company or any of its associated corporations within the meaning of the SDI Ordinance, or which were required to notify the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the listed issuer as referred to in Rule 5.40 of the GEM Listing Rules.

(2) Rights to Acquire Shares

The Company has adopted a share option scheme on 15 October 2001 under which a committee of the Board of Directors of the Company, at their discretion, are authorised to grant options for new ordinary shares of the Company to employees, including executive directors, of the Company or its subsidiaries. Details of the share option scheme are as disclosed in the previous section headed "Share Option Scheme" of this report.

Since the date of its adoption, no option has been granted under the above scheme.

Report of the Directors

DIRECTORS' INTERESTS IN SHARE CAPITAL OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS *(Cont'd)*

(2) Rights to Acquire Shares *(Cont'd)*

Save as disclosed above, and other than in connection with the group reorganisation upon the Company's listing of shares, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Save as disclosed above, as at 31 March 2002, none of the Directors, chief executive, nor their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for the securities of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the financial statements, there was no contracts of significance (as defined in Rule 18.25 of the GEM Listing Rules) in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's Directors or members of its management had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2002, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders (other than the Directors and chief executive of the Company) were directly or indirectly interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares in the Company	Percentage of holding in the issued share capital
CHAN Shing	658,886,884 <i>(Note)</i>	65.889%
WellNet	513,731,074 <i>(Note)</i>	51.373%

Note: The interests of Mr. CHAN Shing, Ms. LAU Ting and WellNet were duplicated.

As at 31 March 2002, save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company.

Report of the Directors

SERVICE CONTRACTS WITH DIRECTORS

Each of the Executive Directors of the Company has entered into a service contract with the Company, with an initial term of two years unless terminated earlier by not less than three to six (subject to individual contract) months notice in writing served by either party on the other. The Non-Executive Directors are not appointed for a specific term but are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Bye-laws of the Company.

Save as disclosed above, none of the Directors offering themselves for re-election at the forthcoming Annual General Meeting has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

CONNECTED TRANSACTIONS

Provision of B2B platforms

During the year ended 31 March 2002, the Group has provided WellNet Holdings Limited, a substantial shareholder of the Company, and some of its subsidiaries within WellNet Group (each of which had entered a membership agreement and had become trading member of the portals operated by the Group) with access to the trading platforms operated by the Group for online trading of metal products. Under the membership agreements, these members of the WellNet Group will pay to the Group a commission fee of 0.5% to 1.5% on the value of the transaction, depending on the types of products traded, they have completed on the B2B platforms. The total value of the commission paid and payable to the Group by WellNet Group for the year ended 31 March 2002 amounted to approximately HK\$11,590,000.

In accordance with the requirements of the waiver granted by the Stock Exchange to the Company from strict compliance with Rules 20.35 and 20.36 of the GEM Listing Rules (the "Waiver"), the Independent Non-Executive Directors have reviewed the above continuing connected transactions and confirmed that the transactions had been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms; and
- (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

Report of the Directors

CONNECTED TRANSACTIONS *(Cont'd)*

Provision of B2B platforms *(Cont'd)*

The auditors of the Company had also reviewed the above continuing connected transactions and confirmed in writing to the Directors stating that:

- (a) the transactions had received the approval of the Company's Board of Directors;
- (b) the transactions were in accordance with the pricing policies of the Group as applied to third party members in respect of the commission received from WellNet Group;
- (c) the transactions have been entered into in accordance with the terms of the agreements governing such transactions; and
- (d) the transactions had not exceeded the limits agreed with the Stock Exchange as stated in the Waiver, being HK\$15,000,000.

FINANCIAL SUMMARY

A summary of results and the assets and liabilities of the Group is set out on pages 3 and 4.

EMPLOYEES RETIREMENT BENEFIT

Details of the retirement benefit schemes of the Group and the employee's retirement benefit costs charged to the consolidated income statement for the year are set out in note 26 to the financial statements on pages 72 and 73.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the Directors, the Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures since the listing of the Company's shares on GEM of the Stock Exchange on 26 October 2001.

COMPETING INTERESTS

The Directors believe that none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) had an interest, directly or indirectly, in a business which competes or may compete with the business of the Group.

Report of the Directors

INTEREST OF SPONSOR

As at 31 March 2002, BOCI Asia Limited ("BOCI Asia"), its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) did not have any interests in the shares of the Company or any rights to subscribe for or to nominate persons to subscribe for the shares of the Company.

Pursuant to the sponsor agreement dated 24 October 2001 entered into between the Company and BOCI Asia, the Company shall pay an agreed fee to BOCI Asia for its provision of services.

AUDIT COMMITTEE

The Company established an Audit Committee in October 2001 in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The Audit Committee comprises the two Independent Non-Executive Directors of the Company, Mr. SIK Siu Kwan and Mr. LU Zhi Fang. Its principal duties include the review and supervision of the Company's financial reporting process and internal controls. The audited consolidated financial results for the year ended 31 March 2002 have been reviewed by the Audit Committee.

The Audit Committee has met twice since the listing of the Company's shares on 26 October 2001 to discuss and review the Company's quarterly report and annual report, and provide advices and recommendations to the Board of Directors.

AUDITORS

Following the combining of the practice of Arthur Andersen & Co with PricewaterhouseCoopers, a notice had been served on the Company from Arthur Andersen & Co that they will not seek re-appointment as auditors at the forthcoming Annual General Meeting of the Company. It is proposed that PricewaterhouseCoopers be appointed as auditors of the Company at the Annual General Meeting to succeed Arthur Andersen & Co.

On behalf of the Board

LAU Ting

Chairman

Hong Kong, 24 June 2002

Report of the Auditors



Arthur Andersen & Co

21st Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

**Auditors' Report to the Shareholders of
WORLDMETAL HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

We have audited the financial statements on pages 36 to 73 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company and the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Report of the Auditors



OPINION

In our opinion, the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2002 and of the profit and cash flows of the group for the year then ended and have been properly prepared in accordance with the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

ARTHUR ANDERSEN & CO

Certified Public Accountants

Hong Kong,
24 June 2002.

Consolidated Income Statement

For the year ended 31 March 2002

	Note	2002 HK\$'000	2001 HK\$'000
Turnover	4	48,156	43,626
Cost of merchandise sold		(15,438)	–
Staff costs		(13,685)	(15,637)
Amortisation of portal development costs and intangible assets		(1,788)	(1,409)
Depreciation of furniture and equipment		(2,156)	(1,888)
Advertising and promotion expenses		(464)	(3,650)
Provision for bad and doubtful debts		(13)	(1,655)
General and administrative expenses		(9,187)	(13,309)
Profit from operations		5,425	6,078
Other revenue	4	513	253
Interest income	4	389	178
Interest expense		(194)	(349)
Profit before taxation	5	6,133	6,160
Taxation	7	822	(1,864)
Profit after taxation but before minority interests		6,955	4,296
Minority interests		(719)	188
Profit attributable to shareholders	8	6,236	4,484
Accumulated deficit, beginning of year		(867)	(5,351)
Retained profit (Accumulated deficit), end of year		5,369	(867)
Earnings per share – Basic	9	0.72 cent	0.58 cent

Consolidated Statement of Recognised Gains and Losses

For the year ended 31 March 2002

	<i>Note</i>	2002 HK\$'000	2001 HK\$'000
Net loss not recognised in the consolidated income statement			
– Exchange difference on translation of the financial statements of foreign subsidiaries	22	(148)	(533)
Profit attributable to shareholders		6,236	4,484
Total recognised gains		6,088	3,951

Balance Sheets

As at 31 March 2002

	Note	Consolidated		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
NON-CURRENT ASSETS					
Furniture and equipment	10	5,573	7,593	–	–
Investments in subsidiaries	11	–	–	28,323	–
Long-term investment	12	390	–	–	–
Portal development costs	13	2,359	4,071	–	–
Intangible assets	14	1,920	2,024	–	–
Pledged bank deposits	15	118	–	–	–
Total non-current assets		10,360	13,688	28,323	–
CURRENT ASSETS					
Accounts receivable	3 & 16	22,462	16,288	–	–
Prepayments, deposits and other receivables		1,324	7,134	–	–
Cash and bank deposits		40,554	36,047	16,649	–
Total current assets		64,340	59,469	16,649	–
CURRENT LIABILITIES					
Accounts payable	3 & 17	(887)	–	–	–
Accruals and other payables		(1,033)	(1,050)	(380)	–
Due to related companies	3	(1,094)	(25,774)	–	–
Loans from shareholders	3	(1,390)	(1,390)	–	–
Obligations under finance leases – current portion	18	(66)	(2,591)	–	–
Taxation payable		(628)	(965)	–	–
Total current liabilities		(5,098)	(31,770)	(380)	–
Net current assets		59,242	27,699	16,269	–
Total assets less current liabilities		69,602	41,387	44,592	–

Balance Sheets

As at 31 March 2002

	Note	Consolidated		Company	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
NON-CURRENT LIABILITIES					
Obligations under finance leases	18	(259)	(290)	–	–
Deferred taxation	19	(321)	(899)	–	–
Total non-current liabilities		(580)	(1,189)	–	–
MINORITY INTERESTS					
		(19,311)	(18,740)	–	–
Net assets		49,711	21,458	44,592	–
Representing –					
SHARE CAPITAL					
	20	10,000	19,500	10,000	–
RESERVES					
	22	34,342	2,825	36,074	–
RETAINED PROFIT (ACCUMULATED DEFICIT)					
		5,369	(867)	(1,482)	–
Total shareholders' equity		49,711	21,458	44,592	–

Approved by the Board of Directors on 24 June 2002 and signed on behalf of the Board by:

LAU TING
Chairman

YU WING KEUNG, DICKY
Director

Consolidated Cash Flow Statement

For the year ended 31 March 2002

	Note	2002 HK\$'000	2001 HK\$'000
OPERATING ACTIVITIES			
Profit before taxation		6,133	6,160
Interest income		(389)	(178)
Interest expense		194	349
Depreciation of furniture and equipment		2,156	1,888
Loss on disposal of furniture and equipment		622	–
Amortisation of portal development costs		1,684	1,358
Amortisation of intangible assets		104	51
Increase in accounts receivable		(6,174)	(16,060)
Decrease (Increase) in prepayments, deposits and other receivables		5,810	(5,729)
Increase in accounts payable		887	–
Decrease in accruals and other payables		(17)	(1,005)
		<hr/>	<hr/>
Net cash inflow (outflow) from operating activities		11,010	(13,166)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		389	178
Interest paid		(194)	(349)
		<hr/>	<hr/>
Net cash inflow (outflow) from returns on investments and servicing of finance		195	(171)
TAXATION			
Overseas tax paid		(93)	–
		<hr/>	<hr/>
INVESTING ACTIVITIES			
Acquisition of furniture and equipment		(593)	(3,687)
Proceeds from disposal of furniture and equipment		17	–
Acquisition of long-term investment		(390)	–
Increase in portal development costs		–	(3,652)
Increase in intangible assets		–	(2,075)
Increase in pledged bank deposits		(118)	–
		<hr/>	<hr/>
Net cash outflow from investing activities		(1,084)	(9,414)
		<hr/>	<hr/>
Net cash inflow (outflow) before financing activities		10,028	(22,751)

Consolidated Cash Flow Statement

For the year ended 31 March 2002

	Note	2002 HK\$'000	2001 HK\$'000
FINANCING ACTIVITIES	23.a		
Issue of shares		33,700	–
Issue of shares by a subsidiary		–	19,492
Share issue expense		(11,535)	–
Decrease in due from a related company		–	6
(Decrease) Increase in due to related companies		(24,680)	22,735
Increase in loans from shareholders		–	1,390
Repayment of capital element of finance leases		(2,751)	(3,247)
Capital contribution by minority shareholders of subsidiaries		–	19,342
Net cash (outflow) inflow from financing activities		(5,266)	59,718
Effect of foreign exchange rate changes		(255)	(947)
INCREASE IN CASH AND CASH EQUIVALENTS		4,507	36,020
CASH AND CASH EQUIVALENTS, beginning of year		36,047	27
CASH AND CASH EQUIVALENTS, end of year		40,554	36,047

Notes to the Financial Statements

31 March 2002

1. GROUP REORGANISATION AND BASIS OF PRESENTATION

WorldMetal Holdings Limited (the "Company") was incorporated in Bermuda on 13 September 2000 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on The Growth Enterprise Market (the "GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 October 2001.

On 6 September 2001, the Company became the holding company of the other companies comprising the group pursuant to a group reorganisation (the "Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting, under which the consolidated financial statements have been prepared as if the Company had been the holding company of the other companies comprising the group throughout the year ended 31 March 2002, rather than from the date on which the Reorganisation was completed. The comparative figures as at and for the year ended 31 March 2001 are presented on the same basis.

2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules"). Principal accounting policies are summarised below:

a. Basis of measurement

The financial statements have been prepared on the historical cost basis.

Notes to the Financial Statements

31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

b. Adoption of new/revised Statements of Standard Accounting Practice

During the year ended 31 March 2002, the Company and its subsidiaries (together the "Group") adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

In addition to the adoption of the above standards, the Group has adopted the consequential changes made to SSAP 17 – Property, plant and equipment, SSAP 18 – Revenue and SSAP 21 – Accounting for interests in joint ventures.

The Directors consider that the changes made to the above new/revised SSAPs do not have material effect on the financial statements of the Group.

c. Basis of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year (other than those included in the Reorganisation described in Note 1 above) are consolidated from or to their effective dates of acquisition or disposal. Significant intra-group transactions and balances have been eliminated on consolidation.

d. Subsidiaries

A subsidiary is an enterprise that the Group controls which is normally evidenced when the Group has the power to govern its financial and operating policies so as to benefit from its activities. In the Company's balance sheet, investments in subsidiaries are carried at cost less impairment loss while income from subsidiaries is accounted for to the extent of dividends received and receivable.

Notes to the Financial Statements

31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

e. Turnover and revenue recognition

Turnover comprises (i) commission income from the provision of online steel trading services from the metal exchange portals; (ii) the net invoiced value of merchandise sold after allowances for returns and discounts; (iii) consultancy fees; (iv) fees for provision of application software development services; and (v) fees for provision of advertising services.

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following bases:

- (i) Commission income is recognised when the related services are rendered.
- (ii) Income from sale of merchandise is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.
- (iii) Consultancy fees, net of Mainland China business tax, are recognised upon the provision of services.
- (iv) Income from application software development services, net of Mainland China business tax, is recognised by reference to the stage of completion of the related development work. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed. No work-in-progress was recognised as at 31 March 2002 as there were no material direct costs attributable to these services.
- (v) Advertising income are recognised when the advertisements are published.
- (vi) Service income is recognised upon provision of the services.
- (vii) Interest income is recognised on a time proportion basis on the principal outstanding and at the rates applicable.

f. Taxation

Individual companies within the Group provide for profits tax on the basis of their profits for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for profits tax purposes.

Notes to the Financial Statements

31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

f. Taxation (Cont'd)

Deferred taxation is provided under the liability method, at the current tax rate, in respect of significant timing differences between profit as computed for taxation purposes and profit as stated in the financial statements to the extent that it is probable that a liability or an asset will crystallise.

g. Advertising and promotion expenses

Costs of advertising and promotion are recognised as an expense as incurred.

h. Employee retirement benefits

Costs of employee retirement benefits are recognised as an expense in the period in which the employees' services are rendered.

i. Furniture and equipment and depreciation

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after furniture and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally recognised in the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of furniture and equipment, the expenditure is capitalised as an additional cost of furniture and equipment.

Depreciation is provided on the straight-line basis to write off the cost of each asset over its expected useful life. The annual rates of depreciation are as follows:

Leasehold improvements	10% – 50% (Over the period of leases)
Computer equipment and software	20 – 25%
Office equipment and furniture	10 – 25%
Motor vehicles	10%

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

Notes to the Financial Statements

31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

i. Furniture and equipment and depreciation *(Cont'd)*

The depreciation method and useful life are reviewed periodically to ensure that the method and rates of depreciation are consistent with the expected pattern of economic benefits from furniture and equipment.

When assets are sold or retired, their cost and accumulated depreciation and accumulated impairment losses are eliminated from the financial statements and any gain or loss resulting from their disposals is included in the income statement.

j. Investment in securities

Investments in debt and equity securities (other than held-to-maturity securities) which are intended to be held for an identified long-term purpose on a continuing basis, are classified as investment securities and are included in the balance sheet at cost less impairment loss.

The carrying amounts of investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amounts are reduced and the reduction is recognised as an expense in the income statement unless there is evidence that the decline is temporary. Provisions against the carrying value of investment securities are reversed to the income statement when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

k. Portal development costs

Costs directly associated with the development of internal-use portals, which include the external direct cost of materials and services consumed in developing or obtaining portals, are capitalised. The capitalisation of such costs ceases no later than the point at which the portals are substantially completed and ready for their intended purpose. Portal development costs are amortised on a straight-line basis over a period of three years, which represents the expected useful lives of the portals. The Company's Directors and management review and evaluate the recoverability of the carrying value of the portal development costs periodically and a write-down will be made if the recoverable amount of the costs is below the carrying value.

Research and other portal maintenance costs are expensed as incurred.

Notes to the Financial Statements

31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

i. Intangible assets

Intangible assets, representing acquisition costs of domain names and legal costs related to the registration of trademarks, are stated at cost and amortised on a straight-line basis over a period of twenty years. The Company's Directors and management review and evaluate, taking into consideration current results and future prospects, the carrying value of intangible assets periodically and provision is made for impairment loss where appropriate.

m. Cash and cash equivalents

Cash represents cash on hand and deposits with banks which are repayable on demand. Cash equivalents represent short-term, highly liquid investments which are readily convertible into known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

n. Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to bring to its intended use or sale are capitalised as part of the cost of that asset at rates based on the actual cost of specific borrowings. All other borrowing costs are recognised in the income statement in the period in which they are incurred.

o. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of one of these assets may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss representing the difference between the carrying amount and the recoverable amount is recognised in the income statement. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction less the costs of the disposal, while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Reversal of an impairment loss of an asset recognised in prior years is recorded when there is an indication that the impairment loss recognised for the asset no longer exist or has decreased. The reversal is recorded in the income statement.

Notes to the Financial Statements

31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

p. Provisions, contingent liabilities and contingent assets

A provision is recognised when there is a present obligation, legal or constructive, as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligations, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognised in the financial statements but disclosed when an inflow of economic benefits is probable.

q. Leases

(i) Finance leases

A finance lease is a lease that transfers substantially all the risks and rewards incident to ownership of an asset. Title may or may not eventually be transferred.

The Group recognises finance leases as assets and liabilities in the balance sheet at amounts equal at the inception of the lease to the fair value of the leased property or, if lower, at the present value of minimum lease payments. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it can be determined. Otherwise, the Group's incremental borrowing rate is used. Initial direct costs incurred are included as part of the asset. Lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to periods during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

A finance lease gives rise to depreciation expense for the asset as well as a finance cost for each accounting period. The depreciation policy for leased assets is the same as that for depreciable assets that are owned.

Notes to the Financial Statements

31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

q. Leases (Cont'd)

(ii) Operating leases

An operating lease is a lease other than a finance lease.

Leases of assets under which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

r. Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective countries (the "functional currencies"). In the financial statements of the individual companies, transactions in other currencies during the year are translated into the respective functional currencies at rates of exchange in effect at the time of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated into the respective functional currencies at rates of exchange in effect at the balance sheet date. Exchange differences are dealt with in the income statement of the individual companies.

The Group prepares consolidated financial statements in Hong Kong dollars. For the purpose of consolidation, the assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at applicable exchange rates in effect at the balance sheet date; income and expense items are translated into Hong Kong dollars at the applicable average exchange rates during the year. Exchange differences arising on such translation are dealt with as movements in the cumulative translation reserve.

s. Segments

Business segments: for management purposes the Group is organised into four operating businesses. The divisions are the basis upon which the Group reports its primary segment information. Financial information on business and geographical segments is presented in Note 24.

Intersegment transactions: segment revenue, segment expenses and segment performance include transfers between business segments and between geographical segments. These transfers are eliminated upon consolidation.

Notes to the Financial Statements

31 March 2002

2. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

t. Subsequent events

Post-year-end events that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate (adjusting events) are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

u. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in Hong Kong requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

3. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

a. The Group had the following transactions with related parties:

Name of related party	Nature of transaction	2002 HK\$'000	2001 HK\$'000
Hyundai Corporation (i)	Commission earned by the Group	<u>8,833</u>	23,291
	Inventories purchased by the Group	<u>9,925</u>	–
Burwill Resources Limited (ii)	Commission earned by the Group	<u>9,708</u>	5,951
	Service income earned by the Group	<u>513</u>	253
Burwill Warehousing (Shanghai) Limited (ii)	Commission earned by the Group	<u>1,882</u>	–
北京金博潤科技有限公司 (iii)	Consultancy fees earned by the Group	<u>3,995</u>	666

Notes to the Financial Statements

31 March 2002

3. RELATED PARTY TRANSACTIONS (Cont'd)

Notes–

- (i) Hyundai Corporation holds a 50% equity interest in SteelnMetal.com Limited in Korea, a subsidiary of the Group.
- (ii) Burwill Resources Limited and Burwill Warehousing (Shanghai) Limited are wholly owned by WellNet Holdings Limited, the ultimate holding company of the Company.
- (iii) 北京金博潤科技有限公司 is 50% owned by Minmetals Townlord Technology Co., Limited, which holds a 50% interest in 北京威銘商網資訊技術有限公司 in Mainland China, a subsidiary of the Group.

- b. As at 31 March 2002, the Group had the following amounts due from (to) related parties included in accounts receivable and accounts payable:

	2002	2001
	HK\$'000	HK\$'000
<i>Included in accounts receivable</i>		
Burwill Resources Limited	5,514	775
Burwill Warehousing (Shanghai) Limited	1,882	–
Hyundai Corporation	4,348	11,036
北京金博潤科技有限公司	4,906	701
	16,650	12,512
<i>Included in accounts payable</i>		
Hyundai Corporation	(887)	–

All outstanding balances with related companies are unsecured and non-interest bearing.

Notes to the Financial Statements

31 March 2002

3. RELATED PARTY TRANSACTIONS (Cont'd)

c. Details of amounts due to related companies are as follows:

	2002	2001
	HK\$'000	HK\$'000
Burwill Resources Limited	–	8,202
WellNet Holdings Limited	5	5
Burwill Properties Limited (i)	898	17,376
Minmetals Townlord Technology Co., Limited	191	191
	1,094	25,774

Note–

(i) Burwill Properties Limited is wholly owned by WellNet Holdings Limited, the ultimate holding company of the Company.

All outstanding balances with related companies are unsecured, non-interest bearing and without pre-determined repayment terms.

d. Details of loans from shareholders are as follows:

	2002	2001
	HK\$'000	HK\$'000
Mr. Chan Shing	695	695
Ms. Lau Ting (i)	463	463
Mr. Yu Wing Keung, Dicky (i)	232	232
	1,390	1,390

Note–

(i) Ms. Lau Ting and Mr. Yu Wing Keung, Dicky are directors of the Company.

All outstanding balances with shareholders are unsecured, non-interest bearing and without pre-determined repayment terms.

e. During the year, certain shareholders of the Company had undertaken to indemnify the Group the costs of settlement of a damage claim raised against a subsidiary of the Group.

Notes to the Financial Statements

31 March 2002

4. TURNOVER AND REVENUE

An analysis of turnover and revenue is as follows:

	2002	2001
	HK\$'000	HK\$'000
Commission income	27,521	42,954
Sales of merchandise	15,882	–
Consultancy fees (Note 3.a)	3,995	666
Application software development service fees	751	–
Advertising income	7	6
	<hr/>	<hr/>
Total turnover	48,156	43,626
Service income (Note 3.a)	513	253
Interest income	389	178
	<hr/>	<hr/>
Total turnover and revenue	49,058	44,057

The Group's five largest customers accounted for approximately 57% (2001 – 96%) of its turnover for the year ended 31 March 2002.

Notes to the Financial Statements

31 March 2002

5. PROFIT BEFORE TAXATION

Profit before taxation is determined after charging and crediting the following items:

	2002	2001
	HK\$'000	HK\$'000
<i>After charging–</i>		
Depreciation of furniture and equipment		
– owned assets	2,133	877
– assets held under finance leases	23	1,011
Loss on disposal of furniture and equipment	622	–
Amortisation of portal development costs	1,684	1,358
Amortisation of intangible assets	104	51
Advertising and promotion expenses	464	3,650
Staff costs (including directors' emoluments)	13,685	15,637
Provision for bad and doubtful debts	13	1,655
Operating lease rentals for		
– land and building	3,021	3,355
– equipment	–	240
Interest expense on		
– bank overdrafts	–	1
– obligations under finance leases	194	348
Auditors' remuneration	380	696
<i>After crediting–</i>		
Net exchange gain	10	25
Interest income from bank deposits	389	178

Notes to the Financial Statements

31 March 2002

6. EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES

- a. Details of emoluments paid/payable to the Directors of the Company are as follows:

	2002 HK\$'000	2001 HK\$'000
Fees for non-executive directors	720	–
Other emoluments to executive directors		
– basic salaries, allowances and other benefits-in-kind	3,319	1,633
– discretionary bonuses *	240	132
– contribution to retirement scheme	116	33
	4,395	1,798

* The executive directors of the Company are entitled to discretionary bonuses.

No director waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year.

An analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	2002	2001
Nil to HK\$1,000,000	10	9
HK\$1,000,001 to HK\$1,500,000	1	–
	11	9

For the year ended 31 March 2002, three non-executive directors each received HK\$240,000 (2001 – Nil), whereas other directors individually received approximately HK\$1,155,000, HK\$617,000, HK\$592,000, HK\$569,000, HK\$483,000, HK\$259,000, HK\$12 and HK\$3 (2001 – Nil, HK\$660,000, Nil, HK\$371,000, Nil, HK\$505,000, HK\$12 and HK\$12).

- b. All the five highest paid individuals (2001 – one) are directors of the Company, whose emoluments are disclosed in the analysis presented in Note 6.a.

During the year, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

Notes to the Financial Statements

31 March 2002

7. TAXATION

Taxation comprises:

	2002	2001
	HK\$'000	HK\$'000
Hong Kong profits tax		
– Current taxation	(505)	(965)
– Write-back of over-provision in prior year	850	–
	345	(965)
Overseas taxation	(101)	–
Write-back of (Provision for) deferred taxation	578	(899)
	822	(1,864)

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from the payment of British Virgin Islands income taxes. Hong Kong profits tax has been provided at a rate of 16% on the estimated assessable profits for the year.

SteelMetal.com Limited, an equity joint venture established and operating in Korea, is subject to Korean corporation income tax at a rate of 16%. Corporation income tax has been provided on the estimated assessable profits for the year.

北京威銘商網資訊技術有限公司 (“北京威銘”), a sino-foreign equity joint venture established and operating in Mainland China, is subject to Mainland China enterprise income tax. As 北京威銘 is qualified as “high technology enterprise” in Mainland China, it is allowed to apply exemption from Mainland China enterprise income tax for three years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next two years. 北京威銘 is in the process of applying such exemption as at the date of this report.

金屬在綫科技(深圳)有限公司 (“金屬在綫”), a wholly foreign owned enterprise established and operating in Mainland China, is subject to Mainland China enterprise income tax at a rate of 15%. However, no enterprise income tax has been provided as 金屬在綫 was in loss position as at 31 March 2002.

Notes to the Financial Statements

31 March 2002

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately HK\$1,482,000 (2001 – Nil) dealt with in the financial statements of the Company.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of approximately HK\$6,236,000 (2001 – HK\$4,484,000) and the weighted average number of approximately 870,192,000 shares (2001 – 770,000,000 shares) deemed to be issued during the year, on the basis of the presentation relating to the Reorganisation as described in Note 1.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31 March 2001 and 2002.

10. FURNITURE AND EQUIPMENT

Movements in furniture and equipment (consolidated) are as follows:

	Leasehold improvements HK\$'000	Computer equipment and software HK\$'000	2002 Office equipment and furniture HK\$'000	Motor vehicles HK\$'000	Total HK\$'000	2001 Total HK\$'000
Cost						
Beginning of year	2,190	6,337	729	292	9,548	4,951
Additions	126	447	214	1	788	4,597
Disposals	(997)	–	–	–	(997)	–
Translation adjustments	–	(23)	–	–	(23)	–
End of year	1,319	6,761	943	293	9,316	9,548
Accumulated depreciation						
Beginning of year	465	1,423	63	4	1,955	67
Provision for the year	424	1,594	86	52	2,156	1,888
Disposals	(358)	–	–	–	(358)	–
Translation adjustments	–	(10)	–	–	(10)	–
End of year	531	3,007	149	56	3,743	1,955
Net book value						
End of year	788	3,754	794	237	5,573	7,593
Beginning of year	1,725	4,914	666	288	7,593	4,884

Notes to the Financial Statements

31 March 2002

10. FURNITURE AND EQUIPMENT (Cont'd)

Certain office equipment was purchased under finance leases. Details of these assets are as follows:

	2002 HK\$'000	2001 HK\$'000
Cost	408	4,083
Less: Accumulated depreciation	(44)	(1,011)
Net book value	<u>364</u>	<u>3,072</u>

11. OPERATIONS AND SUBSIDIARIES

a. Operations

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) operation of metal exchange portals for the provision of online steel trading services, (ii) metal trading, (iii) provision of consultancy services, (iv) provision of application software development services and (v) provision of advertising services. The internet-based vertical portal business is characterised by rapid technological changes, new service development and evolving industry standards. Inherent in the Group's internet-based vertical portal business are various risks and uncertainties, including limited operating history, uncertain profitability, history of losses and risks associated with the internet and e-commerce business, and the ability to raise additional capital and financing.

b. Investments in subsidiaries

In the Company's balance sheet, investments in subsidiaries comprises:

	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	23,909	–
Due from subsidiaries	4,414	–
	<u>28,323</u>	<u>–</u>

The underlying value of investments in subsidiaries is, in the opinion of the Directors of the Company, not less than the carrying value as at 31 March 2002.

Notes to the Financial Statements

31 March 2002

11. OPERATIONS AND SUBSIDIARIES (Cont'd)

b. Investments in subsidiaries (Cont'd)

The outstanding balances with subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

Details of the principal subsidiaries as at 31 March 2002 are as follows:

Name of company	Place of incorporation/ operations	Issued and fully paid share capital/registered capital	Percentage of equity interest attributable to the Group	Principal activities
<i>Held directly –</i>				
Harrogate Group Limited	British Virgin Islands	US\$2,500,000	100%	Investment holding
<i>Held indirectly –</i>				
Flynn Technology Limited	British Virgin Islands	US\$1,000	100%	Investment holding
WorldMetal.com Limited	Hong Kong	US\$500,000	100%	Operation of a metal exchange portal
Everfame Technologies Limited	Hong Kong	HK\$2	100%	Provision of application software development services
China Top Consultants Limited	British Virgin Islands	US\$1,000	100%	Investment holding
Eastern Dragon Technologies Limited	British Virgin Islands	US\$1,000	100%	Investment holding
金屬在綫科技(深圳)有限公司 (i)	Mainland China	HK\$1,000,000	100%	Provision of technological support for an internet-based portal and application software development services

Notes to the Financial Statements

31 March 2002

11. OPERATIONS AND SUBSIDIARIES (Cont'd)

b. Investments in subsidiaries (Cont'd)

Name of company	Place of incorporation/ operations	Issued and fully paid share capital/registered capital	Percentage of equity interest attributable to the Group	Principal activities
Golden Field Technologies Ltd.	British Virgin Islands	US\$100	50% (iv)	Investment holding
Rusmet.com Limited	Hong Kong	US\$2	50% (iv)	Operation of a metal exchange portal
SteelMetal.com Limited (ii)	Korea	Won1,000,000,000	50% (iv)	Operation of a metal exchange portal
北京威銘商網資訊技術有限公司 (iii)	Mainland China	US\$4,080,000	50% (iv)	Provision of consultancy service for e-commerce technology

Notes–

- (i) 金屬在綫科技(深圳)有限公司 is a wholly foreign owned enterprise established in Mainland China to be operated for a period of 20 years up to June 2020.
- (ii) SteelMetal.com Limited is an equity joint venture established in Korea.
- (iii) 北京威銘商網資訊技術有限公司 is a sino-foreign equity joint venture established in Mainland China to be operated for a period of 30 years up to October 2030.
- (iv) The Company has the power to control the composition of the respective boards of directors and govern the financial and operating policies of these companies. Accordingly, these companies are considered as subsidiaries.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2002.

Notes to the Financial Statements

31 March 2002

12. LONG-TERM INVESTMENT

Long-term investment (consolidated) comprises:

	2002 HK\$'000	2001 HK\$'000
Unlisted guarantee fund, at cost	390	–

The underlying value of long-term investment is, in the opinion of the Directors of the Company, not less than the carrying value of the investment as at 31 March 2002.

13. PORTAL DEVELOPMENT COSTS

Movements in portal development costs (consolidated) are as follows:

	2002 HK\$'000	2001 HK\$'000
Cost		
Beginning of year	5,457	955
Additions	–	4,502
Translation adjustments	(44)	–
End of year	5,413	5,457
Accumulated amortisation		
Beginning of year	1,386	28
Provision for the year	1,684	1,358
Translation adjustments	(16)	–
End of year	3,054	1,386
Net book value		
End of year	2,359	4,071
Beginning of year	4,071	927

Notes to the Financial Statements

31 March 2002

14. INTANGIBLE ASSETS

Movements in intangible assets (consolidated) are as follows:

	2002			2001
	Domain names HK\$'000	Trademarks HK\$'000	Total HK\$'000	Total HK\$'000
Cost				
Beginning of year	1,740	335	2,075	–
Additions	–	–	–	2,075
End of year	1,740	335	2,075	2,075
Accumulated amortisation				
Beginning of year	43	8	51	–
Provision for the year	87	17	104	51
End of year	130	25	155	51
Net book value				
End of year	1,610	310	1,920	2,024
Beginning of year	1,697	327	2,024	–

15. PLEDGED BANK DEPOSITS

As at 31 March 2002, the Group's bank deposits of approximately HK\$118,000 (2001 – Nil) were pledged to secure an operating lease for a motor vehicle of the Group.

Notes to the Financial Statements

31 March 2002

16. ACCOUNTS RECEIVABLE

An aging analysis of accounts receivable (consolidated) is as follows:

	2002	2001
	HK\$'000	HK\$'000
Within three months	4,471	12,254
Over three months but within six months	7,430	5,689
Over six months but within twelve months	10,084	–
Over one year	2,145	–
	<hr/> 24,130	17,943
Less: Provision for bad and doubtful debts	(1,668)	(1,655)
	<hr/> 22,462	16,288

Management of the Group performs ongoing credit and collectibility evaluations of each customer. Provisions for potential credit losses are maintained and such losses in aggregate have not exceeded management's estimates. The Group offers an average credit period ranging from one month to three months to its trade customers who have good payment records and well-established relationships with the Group.

17. ACCOUNTS PAYABLE

The entire balance of accounts payable (consolidated) was aged within three months as at 31 March 2002.

Notes to the Financial Statements

31 March 2002

18. OBLIGATIONS UNDER FINANCE LEASES

Obligations under finance leases (consolidated) are analysed as follows:

	2002	2001
	HK\$'000	HK\$'000
Repayable within		
– one year	66	2,591
– two to five years	259	290
	325	2,881
Less: Amount due within one year included under current liabilities	(66)	(2,591)
	259	290

19. DEFERRED TAXATION

Movements in deferred taxation (consolidated) is as follows:

	2002	2001
	HK\$'000	HK\$'000
Beginning of year	899	–
(Write-back of) Provision for net timing differences	(578)	899
End of year	321	899

Deferred taxation represents the taxation effect of accelerated depreciation allowances.

As at 31 March 2002, the taxation effect of deferred taxation had not been provided in respect of tax losses of approximately HK\$458,000 (2001 – HK\$292,000).

Notes to the Financial Statements

31 March 2002

20. SHARE CAPITAL

Movements in share capital are as follows:

	Number of shares	Nominal value
	'000	HK\$'000
Authorised – ordinary shares of HK\$0.01 each		
Upon incorporation of the Company (a)	1,000	100
Increase in authorised share capital (b)	199,000	19,900
Sub-division of shares (c)	1,800,000	–
	<hr/>	<hr/>
As at 31 March 2002	2,000,000	20,000
<hr/>		
Issued and fully paid – ordinary shares of HK\$0.01 each		
Issue of shares (a and d)	1,000	100
Sub-division of shares (c)	9,000	–
Issue of shares pursuant to the Reorganisation (d)	760,000	7,600
Issue of shares (e)	230,000	2,300
	<hr/>	<hr/>
As at 31 March 2002	1,000,000	10,000
<hr/>		

As at 31 March 2001, the share capital shown on the balance sheet represented the share capital of Harrogate Group Limited, the then holding company of the Group prior to the Reorganisation (see Note 1).

Notes–

- a. Upon incorporation on 13 September 2000, the Company had an authorised share capital of HK\$100,000, divided into 1,000,000 shares of HK\$0.10 each. On 14 September 2000, the Company allotted and issued 1,000,000 new shares of HK\$0.10 each, credited as nil paid.
- b. On 2 February 2001, the Company's authorised share capital was increased from HK\$100,000 to HK\$20,000,000, by the creation of an additional 199,000,000 shares of HK\$0.10 each.
- c. On 2 February 2001, each share in the authorised and issued share capital with a par value of HK\$0.10 per share was sub-divided into ten shares of HK\$0.01 each.

Notes to the Financial Statements

31 March 2002

20. SHARE CAPITAL (Cont'd)

Notes- (Cont'd)

- d. On 6 September 2001, the Company allotted and issued 760,000,000 new shares at HK\$0.01 each, credited as fully paid, and also credited as fully paid at par of HK\$0.01 each the 10,000,000 shares (equivalent to 1,000,000 shares of HK\$0.10 each before share sub-division) issued as nil paid on 14 September 2000 in exchange for the acquisition of the entire issued share capital of certain subsidiaries by the Company pursuant to the Reorganisation (see Note 1).
- e. On 24 October 2001, the Company issued 100,000,000 new shares at HK\$0.025 each to various directors, senior management and employees of the Group and WellNet Holdings Limited, the ultimate holding company of the Company and its subsidiaries.

On 24 October 2001, the Company issued 130,000,000 new shares at HK\$0.24 each through a placing.

21. SHARE OPTIONS

On 15 October 2001, the Company approved a share option scheme under which its Board of Directors (or a committee thereof) may, at its discretion, invite any employees of the Company or any of its subsidiaries, including any executive directors, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the shares; (ii) the quoted closing price of the Company's shares on the date of offer of the options (which must be a business day); and (iii) the average of the quoted closing prices of the Company's shares on the five trading days immediately preceding the date of offer of the options.

No share options were granted during the year ended 31 March 2002.

Notes to the Financial Statements

31 March 2002

22. RESERVES

Movements in reserves are as follows:

	2002				Total
	Share premium HK\$'000	Capital reserve (a) HK\$'000	Contributed surplus (b) HK\$'000	Cumulative translation reserve HK\$'000	HK\$'000
Consolidated					
Beginning of year	-	3,358	-	(533)	2,825
Effect of the Reorganisation (Note 1)	-	11,800	-	-	11,800
Premium on issue of new shares	31,400	-	-	-	31,400
Share issue expense	(11,535)	-	-	-	(11,535)
Translation adjustments	-	-	-	(148)	(148)
End of year	19,865	15,158	-	(681)	34,342
Company					
Beginning of year	-	-	-	-	-
Effect of the Reorganisation (Note 1)	-	-	16,209	-	16,209
Premium on issue of new shares	31,400	-	-	-	31,400
Share issue expense	(11,535)	-	-	-	(11,535)
End of year	19,865	-	16,209	-	36,074

Notes-

- The effect of the Reorganisation credited to capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation (see Note 1).
- The effect of the Reorganisation credited to contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net assets value of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation (see Note 1).

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium account.

As at 31 March 2002, the Company's reserves available for distribution to shareholders is represented by the contributed surplus of approximately HK\$16,209,000 (2001 - Nil).

Notes to the Financial Statements

31 March 2002

23. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a. Analysis of changes in financing during the year is as follows:

	Share capital and share premium HK\$'000	Due to related companies HK\$'000	Loans from shareholders HK\$'000	Obligations under finance leases HK\$'000	Minority interests HK\$'000
As at 1 April 2000	8	3,039	–	4,368	–
Issue of shares by a subsidiary	19,492	–	–	–	–
Increase in due to related companies	–	22,735	–	–	–
Increase in loans from shareholders	–	–	1,390	–	–
Inception of finance leases	–	–	–	1,760	–
Repayment of capital element of finance leases	–	–	–	(3,247)	–
Capital contribution from minority shareholders of subsidiaries	–	–	–	–	19,342
Share of loss	–	–	–	–	(188)
Translation adjustments	–	–	–	–	(414)
As at 31 March 2001	19,500	25,774	1,390	2,881	18,740
Effect of the Reorganisation (Note 1)	(11,800)	–	–	–	–
Issue of new shares	33,700	–	–	–	–
Share issue expense	(11,535)	–	–	–	–
Decrease in due to related companies	–	(24,680)	–	–	–
Inception of finance leases	–	–	–	195	–
Repayment of capital element of finance leases	–	–	–	(2,751)	–
Share of profit	–	–	–	–	719
Translation adjustments	–	–	–	–	(148)
As at 31 March 2002	29,865	1,094	1,390	325	19,311

b. Non-cash transaction:

During the year, the Group entered into finance lease arrangements of approximately HK\$195,000 (2001 – HK\$1,760,000) in respect of new office equipment acquired.

Notes to the Financial Statements

31 March 2002

24. SEGMENT INFORMATION

a. Primary segment

The Group is organised into four operating units: (i) operation of metal exchange portals for metal trading, (ii) metal trading, (iii) provision of consultancy services and (iv) provision of application software development services and others.

	2002					
	Metal exchange portals HK\$'000	Metal trading HK\$'000	Consultancy services HK\$'000	Application software development services and others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Turnover	27,521	15,882	3,995	758	-	48,156
Operating results						
Segment results	5,417	444	2,543	(972)		7,432
Unallocated corporate expenses						(2,007)
Other revenue						513
Interest income						389
Interest expense						(194)
Taxation						822
Profit after taxation but before minority interests						6,955
Other information						
Assets-						
Segment assets	29,074	5,718	22,795	464		58,051
Unallocated assets						16,649
						74,700
Liabilities-						
Segment liabilities	2,650	822	238	198		3,908
Unallocated liabilities						1,770
						5,678
Capital expenditures	531	8	234	15		788
Depreciation and amortisation	3,659	98	110	77		3,944

Notes to the Financial Statements

31 March 2002

24. SEGMENT INFORMATION (Cont'd)

a. Primary segment (Cont'd)

	Metal exchange portals HK\$'000	Metal trading HK\$'000	Consultancy services HK\$'000	2001 Application software development services and others HK\$'000	Eliminations HK\$'000	Total HK\$'000
Turnover	42,954	–	666	6	–	43,626
Operating results						
Segment results	6,968	–	(94)	(100)		6,774
Unallocated corporate expenses						(696)
Other revenue						253
Interest income						178
Interest expense						(349)
Taxation						(1,864)
Profit after taxation but before minority interests						4,296
Other information						
Assets–						
Segment assets	41,204	–	31,946	7		73,157
Unallocated assets						–
						73,157
Liabilities–						
Segment liabilities	30,673	–	200	–		30,873
Unallocated liabilities						2,086
						32,959
Capital expenditures	10,652	–	522	–		11,174
Depreciation and amortisation	3,280	–	17	–		3,297

Notes to the Financial Statements

31 March 2002

24. SEGMENT INFORMATION (Cont'd)

b. Secondary segment

The Group has business operations in Korea, Hong Kong and Mainland China. An analysis by geographical location is as follows:

	2002			Total HK\$'000
	Korea HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	
Turnover*	18,380	25,255	4,521	48,156
Operating results	387	3,414	1,624	5,425
Assets	7,105	44,363	23,232	74,700
Capital expenditures	9	530	249	788
	2001			
	Korea HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Turnover*	2,316	40,644	666	43,626
Operating results	(146)	8,258	(2,034)	6,078
Assets	6,110	34,399	32,648	73,157
Capital expenditures	1,377	8,861	936	11,174

* Turnover by geographical location is determined mainly on the basis of destination of delivery of merchandise or where services are delivered.

Notes to the Financial Statements

31 March 2002

25. COMMITMENTS

a. Capital commitments

	Consolidated	
	2002	2001
	HK\$'000	HK\$'000
Contracted but not provided for acquisition of equipment	45	–

b. Operating lease commitments

As at 31 March 2002, total commitments payable under various non-cancellable operating lease agreements in respect of rented premises and a motor vehicle extending to March 2005 are as follows:

	Consolidated	
	2002	2001
	HK\$'000	HK\$'000
Amounts payable		
– within one year	2,707	4,033
– in the second year	1,985	555
– in the third to fifth year	31	–
	4,723	4,588

26. EMPLOYEE RETIREMENT BENEFITS

The Group has arranged for its Hong Kong employees to participate in a defined contribution retirement scheme (the "Original Scheme"), which is managed by independently administered funds. The Group's monthly contributions are based on 5% of employees' monthly salaries. The employees are entitled to receive 100% of the Group's employer contribution and the accrued interest thereon upon retirement or leaving the Group after completing ten years of services or at a reduced scale of 30% to 90% after completing three to nine years of services.

Notes to the Financial Statements

31 March 2002

26. EMPLOYEE RETIREMENT BENEFITS (Cont'd)

For the Hong Kong employees employed after 1 December 2000, the Group has arranged for these employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. Both the employer's and the employees' contributions are subject to a maximum of HK\$1,000 per month per employee.

As stipulated by the rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to retirement plans at rates of approximately 8% to 19% of the basic salaries of its employees in Mainland China, and has no further obligations for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

As stipulated by Korean labor law, employees with more than one year of service are entitled to receive a lump sum payment upon voluntary or involuntary termination of their employment. The amount of the benefit is based on the terminated employee's length of employment and rate of pay prior to termination. The Group records the vested benefit obligation assuming all employees were to terminate their employment as at balance sheet date.

During the year, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately HK\$559,000 (2001 – HK\$562,000), with no (2001 – Nil) deduction of forfeited contributions of the Original Scheme. As at 31 March 2002, there was no material forfeited contribution available to reduce the Group's employer contribution payable in future periods.

27. ULTIMATE HOLDING COMPANY

The Directors consider WellNet Holdings Limited ("WellNet"), a company incorporated in Bermuda and whose shares are listed on The Stock Exchange of Hong Kong Limited and Singapore Exchange Securities Trading Limited, to be the ultimate holding company as at 31 March 2002. On 12 June 2002, WellNet transferred 49,900,000 ordinary shares of the Company to Hyundai Corporation ("Hyundai") at zero consideration pursuant to the option agreement with Hyundai dated 5 July 2001. As a result, WellNet ceased to be the Company's ultimate holding company since then.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of WorldMetal Holdings Limited (the “Company”) will be held at Meeting Room 606, Hong Kong Convention and Exhibition Centre, 1 Harbour Road, Wanchai, Hong Kong on Tuesday, 30 July 2002 at 10:00 a.m. for the following purposes:

1. To receive and consider the Audited Financial Statements of the Company and the Reports of the Directors and Auditors for the year ended 31 March 2002.
2. To re-elect retiring Directors.
3. To fix the remuneration of Directors.
4. To consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** Messrs. PricewaterhouseCoopers be hereby appointed as Auditors of the Company in place of the retiring auditors to hold office until the conclusion of the next Annual General Meeting at a fee to be determined by the Directors.”

5. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** the maximum number of Directors be fixed at fifteen and that the Directors be authorised to appoint Directors up to such maximum number in addition to those in office at the close of the 2002 Annual General Meeting.”

6. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** conditional upon: (a) the Listing Sub-Committee of The Stock Exchange of Hong Kong Limited with responsibility for The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, any new ordinary shares of HK\$0.01 each in the capital of the Company (or of such other nominal amount as shall result from a sub-division, consolidation or reduction of the share capital of the Company from time to time) (the “Shares”), which may fall to be issued pursuant to the exercise of options that may be granted under the share option scheme of the Company (the “Share Option Scheme”) (a copy of which

Notice of Annual General Meeting

marked “A” is produced to this Meeting and signed for the purpose of identification by the Chairman of this Meeting); and (b) the Bermuda Monetary Authority granting consent in respect of the issue of options under the Share Option Scheme (if required):

- (a) the Share Option Scheme be and is hereby approved and adopted;
 - (b) the Directors be and are hereby authorised to grant options to subscribe for Shares under the Share Option Scheme, to allot, issue and deal with Shares pursuant to the exercise of options that may be granted under the Share Option Scheme provided that the total number of Shares that may be issued upon exercise of the options to be granted under the Share Option Scheme and any other share option schemes of the Company and/or its subsidiaries shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and to do all such acts and things as they consider necessary or expedient to give effect to the Share Option Scheme; and
 - (c) the existing share option scheme of the Company adopted on 15 October 2001 be and is hereby terminated in accordance with its terms.”
7. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“THAT:

- (i) the exercise by the Directors during the Relevant Period (as hereinafter defined in this Resolution) of all powers of the Company to purchase issued shares HK\$0.01 each in the capital of the Company (the “Shares”), subject to paragraph (ii) below, be and is hereby generally and unconditionally approved;
- (ii) the aggregate nominal amount of Shares which may be purchased by the Company on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) or any other stock exchange recognised for this purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange under the Hong Kong Code on Share Repurchases pursuant to the approval in paragraph (i) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution, and the said approval shall be limited accordingly;
- (iii) the approval in paragraph (i) above shall be in addition to any other authorisation given to the Directors and shall authorise the Directors on behalf of the Company during the Relevant Period (as defined below) to procure the Company to purchase its Shares at such prices as the Directors at their discretion may determine; and

Notice of Annual General Meeting

- (iv) for the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended) to be held; and
 - (c) the revocation or variation of the authority given under this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
8. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“THAT:

- (i) subject to paragraph (iii) below, the exercise by the Directors during the Relevant Period (as hereinafter defined in this Resolution) of all the powers of the Company to allot, issue or deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers be and is hereby generally and unconditionally approved;
- (ii) the approval in paragraph (i) shall be in addition to any other authorisation given to the Directors and shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which would or might require the exercise of such power after the end of the Relevant Period;
- (iii) the aggregate nominal amount of share capital allotted, issued or dealt with or agreed conditionally or unconditionally to be allotted or issued or dealt with (whether pursuant to an option or otherwise) by the Directors pursuant to the approval in paragraph (i), otherwise than pursuant to (a) a Rights Issue (as hereinafter defined in this Resolution), (b) any share option scheme or similar arrangement of the Company for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, (c) the exercise of rights of subscription or conversion under the terms of any warrants or convertible bonds issued by the Company or any securities which are convertible into shares of the Company or (d) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the Bye-laws of the Company, shall

Notice of Annual General Meeting

not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution and the approval in paragraph (i) shall be limited accordingly;

- (iv) For the purposes of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
- (a) the conclusion of the next annual general meeting of the Company;
 - (b) the expiration of the period within which the next annual general meeting of the Company is required by the Bye-laws of the Company or the Companies Act 1981 of Bermuda (as amended) to be held; and
 - (c) the revocation or variation of the approval given by this Resolution by ordinary resolution of the shareholders of the Company in general meeting; and

“Rights Issue” means an offer of shares open for a period fixed by the Directors to holders of shares of the Company on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

9. As special business, to consider and, if thought fit, pass, with or without amendments, the following resolution as an Ordinary Resolution:

ORDINARY RESOLUTION

“**THAT** conditional upon the passing of Resolutions numbered 7 and 8 set out in the notice of annual general meeting dated 28 June 2002, the aggregate nominal amount of the shares of the Company that the Directors may allot, issue or deal with additional shares and to make or grant offers, agreements and options under the general mandate granted to the Directors pursuant to such Resolution numbered 8 be and is hereby increased by the aggregate nominal amount of shares in the share capital of the Company repurchased by the Company pursuant to and in accordance with Resolution numbered 7, provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing this Resolution.”

Notice of Annual General Meeting

10. To transact any other business of the Company.

By Order of the Board
NG Lai Ping, Grace
Company Secretary

Hong Kong, 28 June 2002

Notes:

- (1) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company. In the event that a member appoints more than one proxy, on a show of hands, all such proxies shall collectively have one vote unless otherwise provided for in the Bye-laws of the Company.
- (2) A form of proxy for use at the Annual General Meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be deposited at the principal office of the Company at Units 2604-08, 26/F., Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the meeting. Completion and deposit of the form of proxy will not preclude a member from attending and voting in person.
- (3) If two or more persons are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the share.
- (4) In relation to the proposed Ordinary Resolution numbered 4 set out in the notice of Annual General Meeting, following the combining of the practice of Arthur Andersen & Co. with PricewaterhouseCoopers, it is proposed that PricewaterhouseCoopers be appointed to succeed Arthur Andersen & Co.
- (5) A circular containing a summary of the principal terms of the new share option scheme as described in the proposed Ordinary Resolution numbered 6 in this notice and an explanatory statement containing further details regarding the proposed Ordinary Resolution numbered 7 will be dispatched to the shareholders of the Company together the 2002 Annual Report.