

# WorldMetal Holdings Limited

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



Interim Report

2002/03

## **CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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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.*

## SUMMARY

- For the six months ended 30 September 2002, the Group recorded a turnover of approximately HK\$25,336,000, representing an increase of 42% over the corresponding period last year.
- The Group is striving to control operating expenses and explore revenue sources. The Group has managed to lower the operating expenses (before amortisation and depreciation) to approximately HK\$8,954,000 for the first half of the year, representing a decrease of 22% as compared with the corresponding period last year.
- Profit attributable to the shareholders for the first half of the year was approximately HK\$4,522,000, representing an increase of 38% over the corresponding period last year.

## INTERIM FINANCIAL STATEMENTS

The Directors of WorldMetal Holdings Limited (the "Company") are pleased to present the unaudited condensed consolidated financial statements of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 September 2002, together with the comparative unaudited figures for the corresponding periods in 2001, as follows:

### Condensed Consolidated Income Statement

	Notes	Unaudited			
		Three months ended		Six months ended	
		2002	2001	2002	2001
		30 September	30 September	30 September	30 September
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Turnover</b>	2	<b>12,179</b>	7,945	<b>25,336</b>	17,841
Cost of merchandise sold		(8,710)	-	(11,399)	-
Staff costs		(2,014)	(3,347)	(4,467)	(7,389)
Amortisation of portal development costs and intangible assets		(452)	(450)	(901)	(901)
Depreciation of furniture and equipment		(512)	(543)	(1,020)	(1,073)
Advertising and promotion expenses		(79)	(9)	(163)	(160)
General and administrative expenses		(1,926)	(1,629)	(4,324)	(3,964)
<b>Profit (Loss) from operations</b>	2&3	<b>(1,514)</b>	1,967	<b>3,062</b>	4,354
Other revenue		212	127	418	254
Interest income		24	71	115	234
Interest expense		-	(58)	-	(134)
<b>Profit (Loss) before taxation</b>		<b>(1,278)</b>	2,107	<b>3,595</b>	4,708
Taxation	4	-	-	-	-
<b>Profit (Loss) after taxation but before minority interests</b>		<b>(1,278)</b>	2,107	<b>3,595</b>	4,708
Minority interests		432	(718)	927	(1,433)
<b>Profit (Loss) attributable to shareholders</b>		<b>(846)</b>	1,389	<b>4,522</b>	3,275
Basic earnings (loss) per share	5	<b>(0.08) HK Cent</b>	0.18 HK Cent	<b>0.45 HK Cent</b>	0.43 HK Cent

**Condensed Consolidated Balance Sheet**

	Notes	Unaudited 30 September 2002 HK'000	Audited 31 March 2002 HK\$'000
<b>Non-current assets</b>			
Furniture and equipment	6	4,670	5,573
Long-term investment		390	390
Portal development costs	7	1,514	2,359
Intangible assets	8	2,135	1,920
Pledged bank deposits		118	118
Total non-current assets		8,827	10,360
<b>Current assets</b>			
Accounts receivable	9	29,032	22,462
Prepayments, deposits and other receivables		5,226	1,324
Cash and bank deposits		34,053	40,554
Total current assets		68,311	64,340
<b>Current liabilities</b>			
Accounts payable	10	(1,274)	(887)
Accruals and other payables		(1,492)	(1,033)
Due to related companies		(637)	(1,094)
Loans from shareholders		-	(1,390)
Obligations under finance leases - current portion		(66)	(66)
Taxation payable		(505)	(628)
Total current liabilities		(3,974)	(5,098)
<b>Net current assets</b>		64,337	59,242
<b>Total assets less current liabilities</b>		73,164	69,602
<b>Non-current liabilities</b>			
Obligations under finance leases		(226)	(259)
Deferred taxation		(321)	(321)
Total non-current liabilities		(547)	(580)
<b>Minority interests</b>		(18,384)	(19,311)
<b>Net assets</b>		54,233	49,711
Representing:-			
<b>Share capital</b>	11	10,000	10,000
<b>Reserves</b>		34,342	34,342
<b>Retained profit</b>		9,891	5,369
<b>Total shareholders' equity</b>		54,233	49,711

## Condensed Consolidated Cash Flow Statement

	<b>Unaudited</b>	
	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Net cash (outflow) inflow from operating activities	<b>(4,233)</b>	4,611
Net cash used in investing activities	<b>(388)</b>	(248)
Net cash used in financing activities	<b>(1,880)</b>	(18,651)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	<b>(6,501)</b>	(14,288)
Cash and cash equivalents, beginning of period	<b>40,554</b>	36,047
	<hr/>	<hr/>
Cash and cash equivalents, end of period	<b>34,053</b>	21,759
	<hr/>	<hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<b>34,053</b>	21,759
	<hr/>	<hr/>

**Condensed Consolidated Statement of Changes in Equity**

	Unaudited					Total HK\$'000
	Six months ended 30 September 2002					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation reserve HK\$'000	Retained profit HK\$'000	
At 1 April 2002	10,000	19,865	15,158	(681)	5,369	49,711
Profit attributable to the shareholders	-	-	-	-	4,522	4,522
At 30 September 2002	<b>10,000</b>	<b>19,865</b>	<b>15,158</b>	<b>(681)</b>	<b>9,891</b>	<b>54,233</b>

	Unaudited					Total HK\$'000
	Six months ended 30 September 2001					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation reserve HK\$'000	Retained profit (loss) HK\$'000	
At 1 April 2001	19,500	-	3,358	(533)	(867)	21,458
Effect of the reorganisation	(11,800)	-	11,800	-	-	-
Profit attributable to the shareholders	-	-	-	-	3,275	3,275
At 30 September 2001	<b>7,700</b>	<b>-</b>	<b>15,158</b>	<b>(533)</b>	<b>2,408</b>	<b>24,733</b>

## NOTES TO CONDENSED INTERIM FINANCIAL STATEMENTS

### 1. Basis of preparation and accounting policies

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 ("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 scheme (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 unaudited condensed income statements have been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the three months and six months ended 30 September 2001.

The unaudited condensed consolidated interim financial statements are prepared in accordance with Hong Kong Statement of Standard Accounting Practice No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Chapter 18 of the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

The accounting policies used in the preparation of the condensed interim financial statements are consistent with those used in the annual financial statements for the year ended 31 March 2002, except for the adoption of the following Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants which are effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 25 (revised)	:	Interim financial reporting
SSAP 33	:	Discontinuing operations
SSAP 34	:	Employee benefits

The adoption of the above SSAP has no material effect on the prior year financial statements.



## 2. 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.

	Unaudited Six months ended 30 September 2002					Total HK\$'000
	Metal exchange portals HK\$'000	Metal trading HK\$'000	Consultancy services HK\$'000	Application software development services and others HK\$'000	Eliminations HK\$'000	
<b>Turnover</b>	<b>3,309</b>	<b>11,527</b>	<b>9,651</b>	<b>849</b>	<b>-</b>	<b>25,336</b>
<b>Operating results</b>						
Segment results	<b>(3,145)</b>	<b>127</b>	<b>8,653</b>	<b>39</b>		<b>5,674</b>
Unallocated corporate expenses						<b>(2,612)</b>
Other revenue						<b>418</b>
Interest income						<b>115</b>
Interest expense						<b>-</b>
Profit before taxation						<b>3,595</b>
Taxation						<b>-</b>
Profit after taxation						<b>3,595</b>
Minority interests						<b>927</b>
Profit attributable to shareholders						<b>4,522</b>
	Unaudited Six months ended 30 September 2001					Total HK\$'000
	Metal exchange portals HK\$'000	Metal trading HK\$'000	Consultancy services HK\$'000	Application software development services and others HK\$'000	Eliminations HK\$'000	
<b>Turnover</b>	<b>15,171</b>	<b>-</b>	<b>2,663</b>	<b>7</b>	<b>-</b>	<b>17,841</b>
<b>Operating results</b>						
Segment results	<b>3,101</b>	<b>-</b>	<b>1,917</b>	<b>(100)</b>		<b>4,918</b>
Unallocated corporate expenses						<b>(564)</b>
Other revenue						<b>254</b>
Interest income						<b>234</b>
Interest expense						<b>(134)</b>
Profit before taxation						<b>4,708</b>
Taxation						<b>-</b>
Profit after taxation						<b>4,708</b>
Minority interests						<b>(1,433)</b>
Profit attributable to shareholders						<b>3,275</b>

**2. 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:

	<b>Unaudited Six months ended 30 September 2002</b>		2001
	<b>HK\$'000</b>		<b>HK\$'000</b>
Turnover			
– Korea	<b>11,527</b>		1,854
– Hong Kong	<b>3,486</b>		13,324
– Mainland China	<b>10,323</b>		2,663
	<b>25,336</b>		17,841
Profit from operations			
– Korea	<b>(880)</b>		724
– Hong Kong	<b>(4,610)</b>		2,495
– Mainland China	<b>8,552</b>		1,135
	<b>3,062</b>		4,354

**3. Profit from operations**

	<b>Unaudited Three months ended 30 September 2002</b>		2001	<b>Unaudited Six months ended 30 September 2002</b>		2001
	<b>HK\$'000</b>		<b>HK\$'000</b>	<b>HK\$'000</b>		<b>HK\$'000</b>
Profit (Loss) from operations is stated after charging:						
Amortisation of portal development costs	<b>423</b>	424		<b>845</b>	849	
Amortisation of intangible assets	<b>29</b>	26		<b>56</b>	52	
Depreciation of furniture and equipment	<b>512</b>	543		<b>1,020</b>	1,073	

**4. Taxation**

No provision for Hong Kong and overseas profits tax has been made as the Group had no assessable profit during the three months and six months ended 30 September 2002 (2001 – Nil and Nil).

## 5. Basic earnings (loss) per share

The calculation of the basic earnings (loss) per share for the three months and six months ended 30 September 2002 is based on the respective unaudited consolidated loss attributable to shareholders of approximately HK\$846,000 and profit attributable to shareholders of approximately HK\$4,522,000 (2001 – profit of HK\$1,389,000 and profit of HK\$3,275,000) and the respective weighted average number of 1,000,000,000 and 1,000,000,000 ordinary shares in issue during the periods (2001 – 770,000,000 and 770,000,000 ordinary shares).

The number of shares used to calculate the 2001 basic earnings per share represents the pro-forma issued share capital of the Company on the basis that the Reorganisation has been completed on 1 April 2001.

No diluted earnings per share is presented as there were no potential dilutive ordinary shares in issue during the three months and six months ended 30 September 2001 and 2002.

## 6. Furniture and equipment

	<b>Unaudited 30 September 2002 HK\$'000</b>	Audited 31 March 2002 HK\$'000
At beginning of the period	5,573	7,593
Additions	117	788
Disposals	-	(639)
Depreciation charge	(1,020)	(2,156)
Translation adjustment	-	(13)
	<hr/>	<hr/>
At end of the period	<b>4,670</b>	5,573

## 7. Portal development costs

	<b>Unaudited 30 September 2002 HK\$'000</b>	Audited 31 March 2002 HK\$'000
At beginning of the period	2,359	4,071
Amortisation charge	(845)	(1,684)
Translation adjustment	-	(28)
	<hr/>	<hr/>
At end of the period	<b>1,514</b>	2,359

**8. Intangible assets**

	Unaudited 30 September 2002			Audited 31 March 2002
	Domain names HK\$'000	Trademarks HK\$'000	Total HK\$'000	Total HK\$'000
At beginning of the period	1,610	310	1,920	2,024
Additions	-	271	271	-
Amortisation charge	(46)	(10)	(56)	(104)
At end of the period	<u>1,564</u>	<u>571</u>	<u>2,135</u>	<u>1,920</u>

**9. Accounts receivable**

An aging analysis of accounts receivable is as follows:

	Unaudited 30 September 2002 HK\$'000	Audited 31 March 2002 HK\$'000
Within three months	3,172	4,471
Over three months but within six months	10,269	7,430
Over six months but within twelve months	9,761	10,084
Over one year	7,492	2,145
	<u>30,694</u>	<u>24,130</u>
Less: Provision for bad and doubtful debts	(1,662)	(1,668)
	<u>29,032</u>	<u>22,462</u>

**10. Accounts payable**

The entire balance of accounts payable was aged within three months as at 30 September 2002 and 31 March 2002.

**11. Share capital**

	Unaudited Number of shares '000	Nominal value HK\$'000
Authorised – ordinary shares of \$0.01 each:		
As at 1 April 2002 and 30 September 2002	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid – ordinary shares of \$0.01 each:		
As at 1 April 2002 and 30 September 2002	<u>1,000,000</u>	<u>10,000</u>

**12. Related party transactions**

During the period, the Group had the following transactions with related parties:

- (a) Commission earned from a related party amounted to HK\$2,197,000;
- (b) Commission paid to a related party amounted to HK\$318,000; and
- (c) Service fees earned from a related party amounted to HK\$418,000.

**13. Capital commitments**

	<b>Unaudited 30 September 2002 HK\$'000</b>	Audited 31 March 2002 HK\$'000
Contracted but not provided for acquisition of equipment	—	45
	<hr/>	<hr/>

**14. Comparative figures**

Certain prior year comparative figures have been reclassified to conform to current period's presentation.

**INTERIM DIVIDEND**

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2002 (2001: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Outlook

During the period under review, the Group's Internet metals trading and related value-chain services registered satisfactory results. Since 2002, global metals trading remained to be heated under escalating frictions in steel trading. After the imposition of restrictive measures on the import of steel materials by the U.S.A. and the European Union, global trading of iron and steel has gravitated towards Asia. China is the major steel production as well as consumption nation. On the one hand, as a result of China's economic policy of active expansion of domestic demands, investment in infrastructures and the development of Western China continued to be robust. On the other hand, consequent to the gradual shift of global manufacturing industries to China, developments in industries such as machinery, motor vehicles, home appliances and construction accelerated at high speed. Amid such market conditions, the Group strove to facilitate trading and the provision of related logistic value-chain services. Contributions from both trading commission and logistic value-chain services remained to be stable.

During the period, encouraging progress was made in the information technology business. Whilst the Group continues to offer enhancements in the setting up and maintenance of online trading platforms, it has also sought actively to provide IT consultation and application software development (ASD) services to corporate members in metals industry and customers in other businesses. The Group is in cooperation with counterparts in the telecommunications industry to jointly develop embedded telecommunications application software to attain better results. In view of the existing earnest demand on information-based facilities by metal enterprises, the Group intends to further expand ERP products for metals industry and metals logistics value-chain solutions. It is envisaged that this business could generate a satisfactory return to the Group.

Based on the principle of "expanding revenue sources, controlling costs and optimization of resources", the Group will continue to strive to attain a corporate direction of stable development. While maintaining the steady operation of existing businesses, the Group will endeavour to develop new business opportunities to safeguard the interest of shareholders as well as to enhance returns for the shareholders.

## Financial Review

The Group recorded an unaudited consolidated turnover of approximately HK\$25,336,000 (2001: HK\$17,841,000) for the six months ended 30 September 2002, representing an increase of about 42% as compared with the corresponding period in 2001. Turnover comprises income from the metal transactions, consultancy service fees and application software development (ASD) service fees, representing 59%, 38% and 3% (2001: 85%, 15% and 0%) of the total turnover respectively. The unaudited consolidated profit attributable to shareholders for the six months ended 30 September 2002 amounted to approximately HK\$4,522,000 (2001: HK\$3,275,000), a growth of 38% as compared with the same period in 2001.

During the period under review, in addition to the income from the provision of Internet metal trading platforms, the Group continues to record income from ASD services which amounted to approximately HK\$849,000 (ASD services and others – 2001: HK\$7,000). 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 would continue to expand our business in ASD services to tap the profit from this industry.

During the six months ended 30 September 2002, the operating expenses (before amortisation and depreciation) amounted to HK\$8,954,000 (2001: HK\$11,513,000), a reduction of 22% as compared to the same period in 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.

## Liquidity, Financial Resources and Gearing Ratio

As at 30 September 2002, the Group had unaudited net current assets of approximately HK\$64,337,000, including cash and bank balance of approximately HK\$34,053,000. The consolidated total liabilities amounted to approximately HK\$4,521,000.

The gearing ratio (defined as total liabilities over total assets) of the Group on 30 September 2002 was approximately 6%.

## Material Acquisitions and Disposals of Investments

The Group has no material acquisitions and disposals of investments during the six months period under review and apart from a long-term investment amounting to approximately HK\$390,000 in a principal guaranteed fund, no significant investment was held by the Group as at 30 September 2002.

## Capital Structure

The Directors believe that the Group has sufficient working capital for the future planned development of the Group's business. Working capital will be sufficiently generated from operations and are 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 any foreign forward contracts to hedge against exchange rates fluctuations.

## Pledge of Asset

Other than a bank deposit of the Group amounting to approximately HK\$118,000 was used as security to secure an operating lease for a motor vehicle by a subsidiary in Korea, as at 30 September 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 30 September 2002, the Group did not have any material contingent liabilities.

## Staff

As at 30 September 2002, the Group employed 32 staff. Staff remuneration packages are normally reviewed annually. The Group also provides other staff benefits which include discretionary bonus, contributory provident fund and medical insurance. Training programmes for staff are provided as and when required.

## 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 1 April 2002 to 30 September 2002 with the actual business progress:

### Business Objectives

### Actual Progress

#### *Market research*

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Continue to engage international consulting firm(s) to assist with the formulation of overall business strategy</li> </ul> | <ul style="list-style-type: none"> <li>• 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</li> </ul> |
| <ul style="list-style-type: none"> <li>• Conduct in-depth research on merger and acquisition opportunities within the industry</li> </ul>                           | <ul style="list-style-type: none"> <li>• In view of market factors, a more prudent approach is adopted in considering merger and acquisition opportunities within the industry</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Conduct an annual strategic workshop including a review of local market developments of subsidiaries</li> </ul>            | <ul style="list-style-type: none"> <li>• The annual strategic workshop had been held to review local market developments of subsidiaries</li> </ul>  |



## Business Objectives

## Actual Progress

### *Market research (Cont'd)*

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Continue to investigate the establishment of national or regional portals in vital markets</li> <li>• Research the possibility of full integration of WorldMetal.com and subsidiary portals for technology, membership and transactions</li> <li>• Research and implement incentive schemes and other bonus plan for loyal members</li> <li>• Continue to monitor Internet legal development in order to protect the rights of the Group's websites and members</li> <li>• Research the possibility of spinning off individual national or regional portals</li> <li>• Continue to research new revenue sources</li> <li>• Conduct feasibility study for strategic partnerships, for example, allying with metals-related websites or technology information providers</li> </ul> | <ul style="list-style-type: none"> <li>• Continue to investigate the establishment of national or regional portals in vital markets. In view of market factors, the Group adopts a more prudent approach to resource deployment in setting up new portals</li> <li>• Continue to research the possibility of full integration of WorldMetal.com and subsidiary portals</li> <li>• Designing and planning to offer incentive schemes and bonus plan for loyal members</li> <li>• Continue to monitor Internet legal development with legal advisors to protect the rights of the Group's websites and members</li> <li>• Continue to research the possibility of spinning off individual national or regional portals</li> <li>• Actively exploring other revenue sources, such as software development and offline value-added services etc.</li> <li>• Continue with feasibility study for building strategic alliances</li> </ul> |
|--|---|

### *Marketing activities*

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Expand product category and stabilize and increase trading volume</li> <li>• Continue to focus on China, South Korea, the CIS and other countries with portals</li> </ul> | <ul style="list-style-type: none"> <li>• Actively studying to expand product categories</li> <li>• Continue to focus on further expanding national portals in China, South Korea and the CIS countries</li> </ul> |
|--|---|

## Business Objectives

## Actual Progress

### *Marketing activities (Cont'd)*

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Focus on expansion into Japan, India, South East Asia and Middle Eastern countries</li> <li>• Conduct joint marketing and promotion activities with existing subsidiary portals</li> <li>• Strive to launch other national or regional portals</li> <li>• Continue to search for expansion opportunities in market coverage</li> <li>• Intend to establish offices or a local presence in different country-specific markets</li> <li>• Conduct training for members</li> <li>• Liaison with international and Chinese metals-related websites and influential B2B portals</li> <li>• Conduct joint marketing and promotion activities with value-chain service providers</li> <li>• Continue to expand membership for ferrous metals trading and recruit members for non-ferrous metals trading</li> </ul> | <ul style="list-style-type: none"> <li>• In view of market conditions, the Group has been prudent in considering expansions to other countries</li> <li>• Actively coordinating with existing subsidiary portals in joint marketing and promotion activities</li> <li>• In view of market conditions, the Group has been prudent in considering resources deployment to establish other national or regional portals</li> <li>• Continue to search for expansion opportunities in market coverage with a view of opening up more revenue generating channels while minimizing expenses</li> <li>• In view of market conditions, the Group has been prudent in considering setting up of offices or a local presence in different country-specific markets</li> <li>• Continue to dispatch professional teams to offer training for members</li> <li>• Continue discussion on cooperation with international and Chinese metals-related websites and influential B2B portals</li> <li>• Actively coordinating with value-chain service providers in joint marketing and promotion activities</li> <li>• Continue to expand membership base. As at 30 September 2002, the number of corporate members was 4,262</li> </ul> |
|--|--|

## Business Objectives

## Actual Progress

### *Development of services*

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Enhance customer relationship management system</li> </ul>  | <ul style="list-style-type: none"> <li>• Continue to provide real-time online customer support service and enhance customer relationship management</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Continue to improve trading system based on user needs</li> </ul>                                     | <ul style="list-style-type: none"> <li>• Continue to upgrade the trading system based on user needs and new function was added which the buyer and seller can select whom to pay for the commission</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Continue to expand value-chain services</li> </ul>  | <ul style="list-style-type: none"> <li>• Actively studying to expand value-chain services</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Launch new languages interface to the websites, providing content in 4-5 languages</li> </ul>         | <ul style="list-style-type: none"> <li>• Chinese, English, German and Japanese interfaces are provided in information platform. Considering the feasibility to add Russian interface</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Continue to enrich the content of the portal</li> </ul>   | <ul style="list-style-type: none"> <li>• Continue to enrich the content of the portal, columns headed “Hot Topic” and “Metal Flash” are added</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Continue to upgrade infrastructure to ensure delivery of quality 7 x 24 services</li> </ul>           | <ul style="list-style-type: none"> <li>• Continue to upgrade the infrastructure. Self-developed and improved software for system security were used to monitor system effectiveness and stability so as to ensure the stability and delivery of quality all-time service</li> </ul>                       |
| <ul style="list-style-type: none"> <li>• Continue to improve online banking services</li> </ul>  | <ul style="list-style-type: none"> <li>• Actively studying on improving and introducing online banking services</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Improve monitoring of trading platform to enhance neutrality and real time risk management</li> </ul> | <ul style="list-style-type: none"> <li>• Emphasis placed on improvement of monitoring of trading platform by way of effectively deploying the existing professional staff and enhancing the monitoring function of platform software so as to promote neutrality and real time risk management</li> </ul> |

## Business Objectives

## Actual Progress

### *Development of services (Cont'd)*

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|--|--|
| <ul style="list-style-type: none"> <li>• Strive to obtain Suntone certification</li> </ul>   | <ul style="list-style-type: none"> <li>• Maintain contacts with the issuing organisation, with an aim to obtain Suntone certificate as soon as possible</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Launch value-chain services for existing national and regional portals</li> </ul>   | <ul style="list-style-type: none"> <li>• Continue to introduce value-chain services for existing national and regional portals</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Research establishment of mirror sites for WorldMetal.com to improve website access speed and reliability in other regions</li> </ul> | <ul style="list-style-type: none"> <li>• Continue with the research for establishing mirror sites to improve website access speed and reliability in other regions</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Initiate integration of databases of subsidiaries and/or alliance portals</li> </ul>  | <ul style="list-style-type: none"> <li>• Integration of databases of subsidiaries and/or alliance portals has been started</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Strive to enhance and develop ASP services</li> </ul>   | <ul style="list-style-type: none"> <li>• Whilst the Group continues to offer enhancements in the setting up and maintenance of online trading platforms, it has also sought actively to provide IT consultation and application software development (ASD) services to corporate members in metals industry and customers in other businesses. The Group is in cooperation with counterparts in the telecommunications industry to jointly develop embedded telecommunications application software to attain better results. In view of the existing earnest demand on information-based facilities by metal enterprises, the Group intends to further expand ERP products for metals industry and metals logistics value-chain solutions. It is envisaged that this business could generate a satisfactory return to the Group.</li> </ul> |

## Business Objectives

## Actual Progress

### *Resources deployment*

- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>• Continue to recruit senior management, IT specialists and marketing professionals for the head office and overseas offices</li> <li>• Continue to recruit local staff for existing national and regional portals, with focus on customer relationship management and metal industry professionals</li> <li>• Strengthen training for R&amp;D staff</li> <li>• Recruit non-ferrous metals professionals</li> </ul> | <ul style="list-style-type: none"> <li>• As a matter of prudence, training was provided to various professionals in the head office and overseas offices for individual enhancement</li> <li>• In view of existing market conditions, recruitment of local staff for national and regional portals has been put on hold</li> <li>• Continue to strengthen training for R&amp;D staff. Staff are encouraged to participate in activities and training organised by authoritative organisations to enhance their capabilities</li> <li>• In view of existing market conditions, recruitment of national and regional non-ferrous metals professionals has been put on hold</li> </ul> |
|--|---|

## USE OF NET PROCEEDS

During the period from 1 April 2002 to 30 September 2002, the Group has applied approximately HK\$3,736,000 in accordance with the statement of the business objectives as set out in the Prospectus:

	<b>Originally planned during the period</b> <i>HK\$'000</i>	<b>Amount utilised during the period</b> <i>HK\$'000</i>
Market research and marketing activities – Establish and strengthen the brand name of the WorldMetal.com and the membership bases	1,000	723
Development of services – Enhancement of technological support and adoption of State-of-the art technology in the portals of the Group	3,000	3,000
Resources deployment – Recruitment of high calibre personnel and strengthen training for R&D staff	1,500	13
	<u>5,500</u>	<u>3,736</u>

Actual application of the net proceeds was lower as compared to the budget. This was 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 bank in Hong Kong.

## SHARE OPTION SCHEME

At the Annual General Meeting of the Company held on 30 July 2002, shareholders of the Company approved the termination of the share option scheme adopted by the Company on 15 October 2001 (the “Old Scheme”) and the adoption of a new share option scheme (the “New Scheme”) in compliance with the amended Chapter 23 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”). A summary of the principal terms of the New Scheme is contained in the circular dated 28 June 2002 sent to the shareholders of the Company. No options had been granted under the Old Scheme nor the New Scheme since their adoption.

## CHANGES IN BOARD OF DIRECTORS AND AUDIT COMMITTEE

Mr. NG Man Fai, Matthew was appointed as an Executive Director of the Company with effect from 2 September 2002.

Mr. SIK Siu Kwan resigned as an Independent Non-Executive Director and the Chairman of Audit Committee and Mr. HUANG Shenglan was appointed as an Independent Non-Executive Director and the Chairman of Audit Committee of the Company both with effect from 1 October 2002.

## 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 six months ended 30 September 2002.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 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	Personal interests	Number of shares		Total
		Family interests	Corporate interests	
LAU Ting	50,288,803	72,951,773 (Note 1)	485,746,308 (Note 2)	608,986,884 (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
NG Man Fai, Matthew	660,000	-	-	660,000

#### 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. 463,831,074 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.

(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	200,000	-	-	200,000

*Notes:*

- (1) 13,035,472 shares were held by Mr. CHAN Shing and the balance of 226,403,853 shares were held by Hang Sing.
- (2) These shares were owned by Strong Purpose.
- (3) The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

Save as disclosed above, as at 30 September 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) Right to Acquire Shares**

As at 30 September 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.

Save for the share option scheme as adopted by the Company, at no time during the six months ended 30 September 2002 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.



## SUBSTANTIAL SHAREHOLDERS

As at 30 September 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	608,986,884 <i>(Note)</i>	60.899%
WellNet	463,831,074 <i>(Note)</i>	46.383%

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

As at 30 September 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.

## 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.

## INTEREST OF SPONSOR

As at 30 September 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.

## 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 during the six months ended 30 September 2002.

## 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. HUANG Shanglan and Mr. LU Zhi Fang. Its principal duties include the review and supervision of the Company's financial reporting process and internal controls. The unaudited consolidated results for the six months ended 30 September 2002 have been reviewed by the Audit Committee.

By order of the Board

**LAU Ting**

*Chairman*

Hong Kong, 6 November 2002