

WorldMetal Holdings Limited

金屬電子交易所集團有限公司

(Incorporated in Bermuda with limited liability)



Annual Report

2003

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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.

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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*
NG Man Fai, Matthew, *Executive Director*
KING Roger, *Independent Non-Executive Director*
HUANG Shenglan, *Independent Non-Executive Director*
LU Zhi Fang, *Independent Non-Executive Director*

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

HUANG Shenglan
LU Zhi Fang

AUDITORS

PricewaterhouseCoopers

LEGAL ADVISERS

Appleby Spurling & Kempe
Baker & McKenzie
Haiwen & Partners

REGISTERED OFFICE

Cedar House
41 Cedar Avenue
Hamilton HM 12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

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WEBSITE

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PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
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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

Bangkok Bank Public Company Limited
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				
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000	1999 HK\$'000
Turnover	45,698	48,156	43,626	373	–
(Loss)/profit before taxation	(8,523)	6,133	6,160	(4,417)	(934)
Taxation (charge)/credit	(1,358)	822	(1,864)	–	–
(Loss)/profit after taxation	(9,881)	6,955	4,296	(4,417)	(934)
Minority interests	3,039	(719)	188	–	–
(Loss)/profit attributable to shareholders	(6,842)	6,236	4,484	(4,417)	(934)

Note:

The results of the Group for the years ended 31 March 1999, 2000, 2001 and 2002 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		
	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Intangible assets	2,752	4,279	6,095
Furniture and equipment	3,594	5,573	7,593
Long-term investment	390	390	–
Current assets	59,476	64,458	59,469
Current liabilities	(6,461)	(5,098)	(31,770)
Non-current liabilities	(179)	(580)	(1,189)
Minority interests	(16,555)	(19,311)	(18,740)
Net assets	43,017	49,711	21,458
Capital and reserves:			
Share capital	10,000	10,000	19,500
Reserves	34,490	34,342	2,825
(Accumulated deficit)/retained profit	(1,473)	5,369	(867)
Shareholders' equity	43,017	49,711	21,458

Note:

The assets and liabilities of the Group as at 31 March 2001 and 2002 were prepared on the assumption that the current structure of the Group had been in existence throughout those years.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the business of providing Internet metal trading platforms and ancillary value-chain services, consultancy services and application software development services.

Business Review

1. *Internet Metal Trading and Related Ancillary Services*

During the year under review, operations of the Internet metal trading and related ancillary services was satisfactory. Since the beginning of last year, the U.S. and European Union had successively adopted trade protectionism measures in the import of steel products. Consequently, demand for steel material in various markets far exceeded supply, leading to a re-bounce and sustained rise in steel price world-wide and in China. Leveraging the extremely active international steel market conditions, the Group endeavoured to procure steel transactions on WorldMetal.com and provide related ancillary logistics services. Riding on the back of the country-specific portals, ChinaSteel.com.cn and SteelMetal.com, the Group offers ancillary services related to the domestic steel markets in Northern China and Korea, thereby generating a stable revenue source from transaction commission.

2. *Membership and Information Services*

To offer topnotch services to its members is the Group's ongoing philosophy. In the year under review, the membership base grew steadily and as at 31 March 2003, corporate members exceeded 4,350, covering more than 60 countries and regions. Notwithstanding this, the growth rate was significantly smaller than that of the previous year. The prime reason was that, in response to changes brought on by the overall slowing down of the Internet market, the Group had scaled down its marketing activities to reduce operating costs. Furthermore, the introduction of fee-based information services was also a possible cause for the slow-down in number of new members.

Up to the end of last year, members enjoyed free information services provided by WorldMetal.com since its launch for more than two years. The information platform rolled out real-time metal and steel trading news and Asian business news in Chinese and English sourced from Reuters, Dow Jones, Xinhua News Agency and China National Material and Equipment Information Centre. Moreover, industry specialists were retained to contribute feature articles and the electronic journal *Metal Flash* was published online regularly. The platform also rendered thematic publicity services to steel enterprises. Since the end of last year, fees have been introduced on the use of the aforesaid services as a means to create greater resources and to enhance the quality of the information services. However, the result was not quite satisfactory as the practice to pay for browsing information is not yet commonly accepted. As such, the management reckons that it is necessary to review the measure further.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK (Cont'd)

Business Review (Cont'd)

3. IT Business

Despite the sluggish market conditions for the IT and Internet sectors in the year under review, the Group's IT business contributed a steady source of revenue. Its principal activities focused on the provision of IT consultation and application software development services to enterprises in the metal industry and other corporate customers. Several development projects had been completed in Hong Kong and the PRC, while a number of new projects are pending formal contract execution. In addition, partnership was forged with enterprises in telecommunications equipment in the development of embedded telecommunication application software and human resources outsourcing. Operating revenue was initiated as anticipated.

Outlook

The global economy is still confronted by various adverse conditions. Hong Kong is subject to negative impacts of a serious budget-deficit and atypical pneumonia, which dealt a heavy blow to the emerging economic recovery. Notwithstanding these unfavourable conditions, the Group is confident on future development prospects.

The Group remains positive on the outlook of the steel market in China. Domestic consumption in the PRC and the massive global shift of manufacturing to China will drive the demand for steel material further. Undoubtedly industrial cyclical risks exist in the metal trading sector. The previous over-import of steel and the excessive upsurge in price have been halted and price has been adjusted downward. However, the overall economy in China continues to forge ahead and the potential growth in steel consumption remains enormous. The need to import large quantity of technologically advanced and greater value-added steel products as well as basic raw materials remains. We believe that the Internet metal trading operation of the Group will continue to benefit from the sustained and strong increase in steel consumption demand in China.

The sluggish IT and Internet markets pose severe challenges to the Group's IT business. Coupled with the impact of atypical pneumonia, the IT consultation and application software development business were inevitably affected. Under such unfavourable conditions, strategies for long term survival and adapting to changes are required. In view of the keen demand from SMEs in the metal industry for IT infrastructure, the Group is actively planning strategic alliances with sustainable enterprises to extend ERP products and logistics solutions to the metal industry. It is envisaged that this business will bring in new sources of revenue for the Group.

The Group will endeavour to uphold its competitive advantage in electronic metal trading and to render top quality services for corporate members and clients. The Group will continue to maximize the utilization of its resources and exercise prudent control of operation costs. The Group will strive to upkeep the solid operation of its existing businesses while it will actively pursue new business opportunities to anchor its future development. The Group will exert its utmost in safeguarding the interest of the shareholders and enhance returns to the shareholders.

Management Discussion and Analysis

STAFF

During the year under review, the Group continued to adopt effective yet prudent measures on reducing costs and optimising resources, yielding satisfactory results. As at March 2003, the Group employed 51 staff members. The management is strongly convinced that the competence of employees is a major contributing factor to the Group's sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-related bonus, contributory provident fund and medical insurance. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programmes for staff are provided as and when required.

FINANCIAL REVIEW

For the year ended 31 March 2003, the Group had an audited consolidated turnover of approximately HK\$45,698,000 (2002: HK\$48,156,000) representing a decrease of about 5% from the year 2002. Turnover comprises income from the metal transactions, consultancy and logistics services and application software development services, representing 72%, 24% and 4% (2002: 90%, 8% and 2%) of the total turnover respectively. The audited consolidated loss attributable to shareholders amounted to approximately HK\$6,842,000 (2002: profit of HK\$6,236,000).

The general and administrative expenses amounted to approximately HK\$7,278,000 (2002: HK\$9,155,000), a reduction of about 21% as compared to the year 2002. The improvement in cost efficiency 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 31 March 2003, the Group had audited net current assets of approximately HK\$53,015,000 (2002: HK\$59,360,000), including cash and deposits with banks and financial institution of approximately HK\$30,544,000 (2002: HK\$40,672,000). The audited total liabilities amounted to approximately HK\$6,640,000 (2002: HK\$5,678,000). As at 31 March 2003, the Group had banking facilities of approximately HK\$15,600,000 (2002: Nil). The facilities were secured by corporate guarantee given by the Company and a personal guarantee from the director of a subsidiary of a substantial shareholder.

The gearing ratio (defined as total liabilities over total assets) of the Group as at 31 March 2003 was approximately 10% (2002: 8%).

Management Discussion and Analysis

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

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 2003. The Group has no present plans for material investments and acquisition of capital assets, however, the Group would take a proactive and prudent approach toward any investment project and do so in the best interest of shareholders.

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 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 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, provision of consultancy and logistics services and application software development services. Details of the business segments are set out in note 2 to the accounts on pages 42 and 43.

PLEDGE OF ASSET

Other than a bank deposit of the Group amounted to approximately HK\$124,000 (2002: HK\$118,000) was used as security to secure an operating lease for a motor vehicle by a subsidiary in Korea, as at 31 March 2003, 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 2003, the Group did not have any material contingent liabilities (2002: Nil).

Comparison of Business Objectives with 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 for the period from 1 April 2002 to 31 March 2003 with the actual business progress:

Business Objectives	Actual Progress
Market research	
<ul style="list-style-type: none"> • Continue to engage international consulting firm(s) to assist with the formulation of overall business strategy • Conduct in-depth research on merger and acquisition opportunities within the industry • Conduct an annual strategic workshop including a review of local market developments of subsidiaries • Continue to investigate the establishment of national or regional portals in vital markets • Research the possibility of full integration of WorldMetal.com and subsidiary portals for technology, membership and transactions • Research and implement incentive schemes and other bonus plan for loyal members • Continue to monitor Internet legal development in order to protect the rights of the Group's websites and members • Research the possibility of spinning off individual national or regional portals • Continue to research new revenue sources 	<ul style="list-style-type: none"> • Internal management meetings are held on regular basis and continue to formulate overall business strategies • In view of market factors, a more prudent approach is adopted in considering merger and acquisition opportunities within the industry • The annual strategic workshop had been held to review local market developments of subsidiaries • Continue to investigate the establishment of national or regional portals in vitals markets. In view of market factors, the Group adopts a more prudent approach to resource deployment in setting up new portals • Continue to research the possibility of full integration of WorldMetal.com and subsidiary portals • Designing and planning to offer incentive schemes and bonus plan for loyal members • Continue to monitor Internet legal development with legal advisors to protect the rights of the Group's websites and members • Continue to research the possibility of spinning off individual national or regional portals. In view of market factors, the Group adopts a more prudent approach to resource deployment in spinning off individual portals • Actively exploring other revenue sources, such as software development and consultancy services etc.

Comparison of Business Objectives with Actual Business Progress

Business Objectives

Actual Progress

Market research (Cont'd)

- | | |
|---|--|
| <ul style="list-style-type: none"> • Conduct feasibility study on establishing services or service alliance in North America and Latin America | <ul style="list-style-type: none"> • In view of market factors, a more prudent approach to resource deployment is adopted in considering service alliance or establish services in North America and Latin America |
| <ul style="list-style-type: none"> • Conduct feasibility study for strategic partnerships, for example, allying with metals-related websites or technology information providers | <ul style="list-style-type: none"> • In view of market factors, a more prudent approach to resource deployment is adopted in considering strategic alliances with metals-related websites or technology information providers |
| <ul style="list-style-type: none"> • Conduct feasibility study for integration with the platform on other new devices | <ul style="list-style-type: none"> • In view of market factors, a more prudent approach to resource deployment is adopted in considering integration with the platform on other new devices |

Marketing activities

- | | |
|--|--|
| <ul style="list-style-type: none"> • Expand product category and stabilize and increase trading volume | <ul style="list-style-type: none"> • Actively studying to expand product categories |
| <ul style="list-style-type: none"> • Continue to focus on China, South Korea, the CIS and other countries with subsidiary portals | <ul style="list-style-type: none"> • Continue to focus on further expanding national portals in China, South Korea and CIS countries |
| <ul style="list-style-type: none"> • Focus on expansion into Japan, India, South East Asia and Middle Eastern countries | <ul style="list-style-type: none"> • In view of market conditions, the Group has been prudent in considering expansions to other countries |
| <ul style="list-style-type: none"> • Initiate activity in other markets that the Group plans to enter | <ul style="list-style-type: none"> • In view of market conditions, the Group has been prudent in considering initiating activity in other markets that the Group plans to enter |
| <ul style="list-style-type: none"> • Continue to expand membership for ferrous metals and non-ferrous metals trading | <ul style="list-style-type: none"> • Continue to expand membership base. As at 31 March 2003, the number of corporate members exceeded 4,350 |
| <ul style="list-style-type: none"> • Conduct joint marketing and promotion activities with existing subsidiary portals | <ul style="list-style-type: none"> • Actively coordinating with existing subsidiary portals in joint marketing and promotion activities |
| <ul style="list-style-type: none"> • Continue to search for expansion opportunities in market coverage | <ul style="list-style-type: none"> • Continue to search for expansion opportunities in market coverage with a view of opening up more revenue generating channels while minimising expenses |

Comparison of Business Objectives with Actual Business Progress

Business Objectives

Actual Progress

Marketing activities (Cont'd)

- | | |
|--|---|
| <ul style="list-style-type: none"> • Intend to establish offices or a local presence in different country specific markets | <ul style="list-style-type: none"> • 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 |
| <ul style="list-style-type: none"> • Conduct training for members | <ul style="list-style-type: none"> • Continue to dispatch professional teams to offer training for members |
| <ul style="list-style-type: none"> • Liaison with international and Chinese metals-related websites and influential B2B portals | <ul style="list-style-type: none"> • Continue discussion on cooperation with international and Chinese metals-related websites and influential B2B portals |
| <ul style="list-style-type: none"> • Strive to launch other national and regional portals | <ul style="list-style-type: none"> • In view of market conditions, the Group has been prudent in considering resources deployment to establish other national or regional portals |
| <ul style="list-style-type: none"> • Conduct joint marketing and promotion activities with value-chain service providers | <ul style="list-style-type: none"> • Continue to actively coordinate with value-chain service providers in joint marketing and promotion activities |

Development of services

- | | |
|--|---|
| <ul style="list-style-type: none"> • Enhance customer relationship management system | <ul style="list-style-type: none"> • Continue to provide real-time online customer support service and enhance customer relationship management |
| <ul style="list-style-type: none"> • Continue to improve trading system based on user needs | <ul style="list-style-type: none"> • Continue to upgrade the trading system based on user needs |
| <ul style="list-style-type: none"> • Continue to expand value-chain services | <ul style="list-style-type: none"> • Actively studying to expand value-chain services |
| <ul style="list-style-type: none"> • Launch new languages interface to the websites, providing content in 4-5 languages | <ul style="list-style-type: none"> • Chinese, English, German and Japanese interfaces are provided in information platform. Considering the feasibility to add other language interface |
| <ul style="list-style-type: none"> • Continue to enrich the content of the websites | <ul style="list-style-type: none"> • Continue to enrich the content of the portal, column headed "Hot Topic" and "Metal Flash" are added. Actively planning to introduce column headed "Research Report" |
| <ul style="list-style-type: none"> • Continue to upgrade infrastructure to ensure delivery of quality 7 x 24 services | <ul style="list-style-type: none"> • Continue to upgrade the infrastructure. Self-developed and improved software for system security were used to monitor system effectiveness and stability and delivery of quality all-time service |

Comparison of Business Objectives with Actual Business Progress

Business Objectives

Actual Progress

Development of services (Cont'd)

- | | |
|---|---|
| <ul style="list-style-type: none"> • Continue to improve online banking services | <ul style="list-style-type: none"> • Actively studying on improving and introducing online banking services |
| <ul style="list-style-type: none"> • Improve monitoring of trading platform to enhance neutrality and real time risk management | <ul style="list-style-type: none"> • 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 |
| <ul style="list-style-type: none"> • Strive to obtain Suntone certification | <ul style="list-style-type: none"> • Maintain contacts with the issuing organisation, with an aim to obtain Suntone certificate as soon as possible |
| <ul style="list-style-type: none"> • Launch value-chain services to existing national and regional portals | <ul style="list-style-type: none"> • Continue to launch value-chain services to existing national and regional portals |
| <ul style="list-style-type: none"> • Research establishment of mirror sites for WorldMetal.com to improve portal access speed and reliability in other regions | <ul style="list-style-type: none"> • Continue with the research for establishing mirror sites to improve website access speed and reliability in WorldMetal.com and in other regions |
| <ul style="list-style-type: none"> • Continue to launch, develop and enhance ASP services to satisfy members' needs | <ul style="list-style-type: none"> • Providing ERP system and consultancy services to satisfy members' need |
| <ul style="list-style-type: none"> • Initiate integration of databases of subsidiaries and/or alliance portals | <ul style="list-style-type: none"> • Integration of databases of subsidiaries and/or alliance portals has been started |
| <ul style="list-style-type: none"> • Continue to conduct exchange and integration of major trading members' databases | <ul style="list-style-type: none"> • Continue to conduct exchange and integration of major trading members' databases |
| <ul style="list-style-type: none"> • Further improve 7 x 24 customer feedback and relationship management system | <ul style="list-style-type: none"> • Actively study and search for suitable products to further improve 7 x 24 customer feedback and relationship management system |

Resources Deployment

- | | |
|---|--|
| <ul style="list-style-type: none"> • Recruit senior management, IT specialists and marketing professionals for the head office and overseas offices | <ul style="list-style-type: none"> • As a matter of prudence, training was provided to various professionals in the head office and overseas offices for individual enhancement |
| <ul style="list-style-type: none"> • Continue to recruit local staff for existing national and regional portals, with focus on customer relationship management and metal industry professionals | <ul style="list-style-type: none"> • In view of existing market conditions, recruitment of local staff for national and regional portals has been put on hold |

Comparison of Business Objectives with Actual Business Progress

Business Objectives

Actual Progress

Resources Deployment (Cont'd)

- | | |
|---|---|
| <ul style="list-style-type: none"> • Strengthen training for R&D staff
 • Recruit non-ferrous metals professionals | <ul style="list-style-type: none"> • Continue to strengthen training for R&D staff. Staff are encouraged to participate in activities and training organised by authoritative organisations to enhance their capabilities
 • In view of existing market conditions, recruitment of national and regional non-ferrous metals professionals has been put on hold |
|---|---|

USE OF NET PROCEEDS

During the year ended 31 March 2003, the Group has applied approximately HK\$6,144,000 in accordance with the statement of the business objectives as set out in the prospectus:

	Originally planned*	Amount utilised during the year
	HK\$'000	HK\$'000
Market research and marketing activities		
– Establish and strengthen the brand name of WorldMetal.com and broaden the membership bases	2,000	975
Development of services		
– Enhancement of technological support and adoption of State-of-art technology in the portals of the Group	6,000	4,973
Resources deployment		
– Recruitment of high caliber personnel and strengthen training for R&D staff	2,500	196
	10,500	6,144

* 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 The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

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 more effective and efficient way. The remaining net proceeds have been deposited in licensed bank in Hong Kong.

Biographies of Directors and Senior Management

Ms. LAU Ting, aged 46

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 financial planning, corporate finance, 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. Ms. Lau is also an executive director of WellNet Holdings Limited.

Mr. YU Wing Keung, Dicky, aged 40

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. 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. Yu is also an executive director of WellNet Holdings Limited.

Mr. WU Ziqiang, aged 41

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 19 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. Mr. Wu holds a master's degree in Computer and Telecommunication Engineering from the National University of Defence Technology, China.

Mr. CHOW Kin Wa, aged 36

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 has over 10 years' experience in multinational steel trading and manufacturing business. Mr. Chow 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.

Biographies of Directors and Senior Management

Dr. CHEN Aizheng, aged 45

Executive Director

Dr. Chen joined the Group in June 2000 and is an Executive Director and the Chief Information Officer of the Company 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. Dr. Chen 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. Mr. Leung 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.

Mr. NG Man Fai, Matthew, aged 35

Executive Director

Mr. Ng joined the Group in June 2000 and is an Executive Director and the Financial Controller of the Company. 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, a fellow member of the Association of Chartered Certified Accountants and is an associate member of Hong Kong Society of Accountants, the Taxation Institute of Hong Kong, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

Mr. KING Roger, aged 62

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.

Biographies of Directors and Senior Management

Mr. HUANG Shenglan, aged 51

Independent Non-Executive Director

Mr. Huang joined the Group in October 2002 and is an Independent Non-Executive Director. Mr. Huang was an executive director and the deputy governor of China Everbright Bank and was an executive director and the general manager of China Everbright Technology Limited. Mr. Huang holds a diploma in Arts from Huazhong Normal University and in International Economics from Huadong Normal University and a certificate from the Business School of Harvard University, USA.

Mr. LU Zhi Fang, aged 49

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.

SENIOR MANAGEMENT

Ms. NG Lai Ping, Grace, aged 33

Ms. Ng is the Company Secretary of the Company, responsible for the Group's company secretarial, compliance and legal affairs. 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. Ms. Ng is an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

Mr. TAN Yung Kai, Richard, aged 31

Mr. Tan is the Qualified Accountant of the Company. He is responsible for the overall financial accounting of the Company. He has over 8 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. Mr. Tan 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 accounts of WorldMetal Holdings Limited (the "Company") and its subsidiaries (collectively known as the "Group") for the year ended 31 March 2003.

FINANCIAL RESULTS

Details of the Group's results for the year ended 31 March 2003 are set out in the consolidated profit and loss account on page 29.

The respective state of affairs of the Group and the Company as at 31 March 2003 are set out in the balance sheets on pages 30 and 31.

The Group's cash flows are set out in the consolidated cash flow statement on page 33.

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 and logistics services and application software development services.

Analysis of the Group's turnover and operating results by business and geographical segments for the year ended 31 March 2003 are set out in note 2 to the accounts on pages 42 to 44.

DIVIDEND

No interim dividend was paid during the year.

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2003 (2002: Nil).

MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest customers accounted for about 64% of its turnover for the year. In addition, the largest customer of the Group accounted for about 23% of the Group's turnover. For the year ended 31 March 2003, Burwill Resources Limited, a subsidiary of WellNet Holdings Limited ("WellNet") which is a substantial shareholder and an initial management shareholder of the Company, accounted for about 12% of the Group's turnover.

The Group's five largest suppliers accounted for about 89% of its purchases for the year. In addition, the largest supplier of the Group accounted for about 37% of the Group's purchases.

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 or suppliers at any time during the year.

Report of the Directors

FURNITURE AND EQUIPMENT

Details of movements in furniture and equipment during the year are set out in note 11 to the accounts on page 50.

SUBSIDIARIES

The particulars of the Company's principal subsidiaries as at 31 March 2003 are set out in note 12 to the accounts on pages 51 to 53.

SHARE CAPITAL

Details of the share capital of the Company as at 31 March 2003 are set out in note 21 to the accounts on page 55.

RESERVES

Details of movements in reserves during the year are set out in note 23 to the accounts on pages 56 and 57.

DISTRIBUTABLE RESERVES

As at 31 March 2003, the Company's reserves available for distribution to shareholders calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$12,196,000.

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 2003.

Report of the Directors

SHARE OPTION SCHEMES

In compliance with the new requirements of Chapter 23 of the Rules Governing the Listing of Securities on The Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "GEM Listing Rules") which took effect from 1 September 2001, the share option scheme adopted by the Company on 15 October 2001 (the "Old Scheme") was terminated and a new share option scheme (the "New Scheme") was adopted pursuant to the ordinary resolutions passed by the shareholders at the annual general meeting of the Company held on 30 July 2002.

No options had been granted, exercised nor cancelled under the Old Scheme and there was no outstanding options under the Old Scheme upon its termination and as at 31 March 2003.

No options had been granted, exercised nor cancelled since the adoption of the New Scheme on 30 July 2002. Summary of the principal terms of the New Scheme is as follows:—

(i) Purpose of the New Scheme

The purpose of the New Scheme is to provide incentives to Participants (as stated in paragraph (ii)) to contribute to the Group and to enable the Group to recruit high-calibre employees and attract resources that are valuable to the Group.

(ii) Participants

Any person being an employee, officer, buying agent, selling agent, consultant, sales representative, marketing representative, business representative of, or supplier or provider of goods or services to, the Group or its holding company or subsidiary, including any executive or non-executive director of the Group or its holding company or subsidiary.

(iii) Maximum number of shares

The limit on the total number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other share option schemes of the Company and/or its holding company and/or its subsidiary must not exceed 30% of the number of issued shares from time to time. The total number of shares available for issue under the New Scheme as at the date of this report is 100,000,000 shares, representing approximately 10% of the issued share capital of the Company as of that date.

Report of the Directors

SHARE OPTION SCHEMES (Cont'd)

(iv) Maximum entitlement of each Participant

Unless approved by shareholders of the Company in general meeting, no Participant shall be granted an option which would result in the total number of shares issued and to be issued upon exercise of all options granted and to be granted (including options exercised, cancelled and outstanding) to such Participant in any 12-month period up to and including the proposed date of grant for such options would exceed 1% of the number of shares in issue as at the proposed date of grant.

(v) Option period

An option may be exercised in accordance with the terms of the New Scheme at any time during a period of not exceeding 10 years to be notified by the Board to the grantee, such period to commence on the date of grant or such later date as the Board may determine and expiring on the last day of the said period. Under the New Scheme, the Board may, at its discretion, prescribe a minimum period for which an option must be held before it can be exercised.

(vi) Payment on acceptance of option

HK\$1.00 in cash is payable by the Participant who accepts the grant of an option in accordance with the terms of the New Scheme on acceptance of the grant of an option.

(vii) Subscription price

The subscription price for the shares under the options to be granted under the New Scheme will be a price determined by the Board and notified to a Participant at the time the grant of the options is made to (and subject to acceptance by) the Participant and will be at least the highest of: (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant (subject to acceptance) of the option, which must be a business day; (b) 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 date of the grant (subject to acceptance) of the option; and (c) the nominal value of the shares.

(viii) The life of the New Scheme

The New Scheme shall be valid and effective for a period of ten years commencing on 30 July 2002, after which period no further options will be granted or accepted but the provisions of the New Scheme shall remain in full force and effect in all other respects.

Report of the Directors

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. CHOW Kin Wa

Mr. CHEN Aizheng

Mr. LEUNG Hong Tai

Mr. NG Man Fai, Matthew – appointed on 2 September 2002

Independent Non-Executive Directors:

Mr. KING Roger

Mr. HUANG Shenglan – appointed on 1 October 2002

Mr. LU Zhi Fang

Mr. SIK Siu Kwan – resigned on 1 October 2002

In accordance with bye-laws 99 and 102 of the Bye-laws of the Company, Mr. CHOW Kin Wa, Mr. CHEN Aizheng, Mr. LEUNG Hong Tai, Mr. NG Man Fai, Matthew and Mr. HUANG Shenglan 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 14 to 16.

SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on page 16.

Report of the Directors

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

As at 31 March 2003, 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	1,510,000	–	–	1,510,000
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, 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)
YU Wing Keung, Dicky	4,789,778	–	–	4,789,778
WU Ziqiang	200,000	–	–	200,000
CHOW Kin Wa	970,000	–	–	970,000

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 2003, 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 share option scheme adopted by the Company on 15 October 2001 had been terminated and no options had been granted, exercised nor cancelled thereunder.

The Company has adopted a new share option scheme on 30 July 2002 under which the Board of Directors of the Company, at their discretion, are authorised to grant options for new ordinary shares of the Company to eligible participants, including directors of the Company or its subsidiaries. Details of the new share option scheme are as disclosed in the previous section headed "Share Option Schemes" of this report.

Since the date of its adoption, no option has been granted under the above new 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 for the share option schemes as adopted by the Company, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate. 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 during the year.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the accounts, 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 Director of the Company 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 2003, 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 (Note)	60.899%
WellNet	463,831,074 (Note)	46.383%

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

As at 31 March 2003, 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 months (subject to individual contract) notice in writing served by either party on the other. All Directors (including the Non-Executive Directors) of the Company, except the Chairman, 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 2003, the Group has provided WellNet and some of its subsidiaries within WellNet Group (each of which have 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% (depending on the types of products traded) on the value of the transactions completed through the portals. The aggregate amount of commission paid/payable to the Group by WellNet Group in the year ended 31 March 2003 was approximately HK\$5,673,000.

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 had reviewed the above on-going connected transactions and confirmed that the transactions have been entered into:

- (a) in the ordinary and usual course of business of the Group;
- (b) on normal commercial terms; and
- (c) on terms that are fair and reasonable and in the interests of the independent shareholders 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 on-going connected transactions and confirmed in writing to the Directors stating that:

- (a) the transactions have been approved by the board of Directors;
- (b) the transactions have been entered into in accordance with the terms of the agreements governing the transactions or where there is no agreements, on the pricing policies of the Group or on terms no less favourable than terms available to or from (as appropriate) independent third parties; and
- (c) 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, assets and liabilities of the Group is set out on pages 3 and 4.

EMPLOYEE RETIREMENT BENEFIT

Details of the retirement benefit schemes of the Group and the employee retirement benefit costs charged to the consolidated profit and loss account for the year are set out in note 28 to the accounts on pages 60 and 61.

COMPETING INTERESTS

The Directors believe that none of the Directors, the management shareholders of the Company (as defined in the GEM Listing Rules) and their respective associates 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 31 March 2003, 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.

Report of the Directors

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 throughout the year.

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 Shenglan 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 accounts as at and for the year ended 31 March 2003 have been reviewed by the Audit Committee.

The Audit Committee has met four times to discuss and review the Company's first quarterly report, interim report, third quarterly report and annual report during the year ended 31 March 2003, and provide advice and recommendations to the Board of Directors.

AUDITORS

Arthur Andersen & Co. were auditors of the Company for the years ended 31 March 2001 and 2002.

The accounts have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment. PricewaterhouseCoopers replaced Arthur Andersen & Co when it did not stand for re-appointment at the annual general meeting in July 2002.

On behalf of the Board

LAU Ting
Chairman

Hong Kong, 19 June 2003

Report of the Auditors



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor Prince's Building
Central Hong Kong

TO THE SHAREHOLDERS OF WORLDMETAL HOLDINGS LIMITED

(incorporated in Bermuda with limited liability)

We have audited the accounts on pages 29 to 62 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 accounts which give a true and fair view. In preparing accounts 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 accounts 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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 March 2003 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 19 June 2003

Consolidated Profit and Loss Account

For the year ended 31 March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Turnover	2	45,698	48,156
Cost of merchandise sold		(25,831)	(15,438)
Staff costs	8	(9,158)	(13,717)
Amortisation of intangible assets		(1,808)	(1,788)
Depreciation		(2,044)	(2,156)
Advertising and promotion expenses		(215)	(464)
Provision for bad and doubtful debts		(8,422)	(13)
Write-off of accounts receivable		(880)	–
General and administrative expenses		(7,278)	(9,155)
(Loss)/profit from operations		(9,938)	5,425
Other revenues	2	1,415	902
Finance costs	4	–	(194)
(Loss)/profit before taxation	3	(8,523)	6,133
Taxation (charge)/credit	5	(1,358)	822
(Loss)/profit after taxation		(9,881)	6,955
Minority interests		3,039	(719)
(Loss)/profit attributable to shareholders	6	(6,842)	6,236
(Loss)/earnings per share – Basic	7	(0.68) cent	0.72 cent

Balance Sheets

As at 31 March 2003

	Note	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Non-current assets					
Intangible assets	10	2,752	4,279	–	–
Furniture and equipment	11	3,594	5,573	–	–
Investments in subsidiaries	12	–	–	32,309	28,323
Long-term investment	13	390	390	–	–
Total non-current assets		6,736	10,242	32,309	28,323
Current assets					
Inventories	15	2,018	–	–	–
Accounts receivable	16	25,252	22,462	–	–
Prepayments, deposits and other receivables		1,045	1,324	–	–
Amount due from a related company	18	617	–	–	–
Pledged bank deposits	14&20	124	118	–	–
Deposit with a financial institution	19&20	15,094	–	–	–
Cash and bank balances	20	15,326	40,554	9,852	16,649
Total current assets		59,476	64,458	9,852	16,649
Current liabilities					
Accounts payable	17	(1,905)	(887)	–	–
Accruals and other payables		(1,340)	(1,033)	(100)	(380)
Amounts due to related companies	18	(1,226)	(1,094)	–	–
Loans from shareholders	18	–	(1,390)	–	–
Obligations under finance leases					
– current portion		–	(66)	–	–
Taxation payable		(1,990)	(628)	–	–
Total current liabilities		(6,461)	(5,098)	(100)	(380)
Net current assets		53,015	59,360	9,752	16,269
Total assets less current liabilities		59,751	69,602	42,061	44,592

Balance Sheets

As at 31 March 2003

	Note	Group		Company	
		2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Representing:					
Share capital	21	10,000	10,000	10,000	10,000
Reserves	23	34,490	34,342	36,074	36,074
(Accumulated loss)/retained profit	24	(1,473)	5,369	(4,013)	(1,482)
Shareholders' funds		43,017	49,711	42,061	44,592
Non-current liabilities					
Obligations under finance leases		–	259	–	–
Deferred taxation	25	179	321	–	–
Total non-current liabilities		179	580	–	–
Minority interests		16,555	19,311	–	–
		59,751	69,602	42,061	44,592

LAU TING
Chairman

NG MAN FAI, MATTHEW
Director

Consolidated Statement of Changes in Equity

For the year ended 31 March 2003

	<i>Note</i>	2003 HK\$'000	2002 HK\$'000
Total equity as at 1 April		49,711	1,958
Exchange differences arising on translation of the financial statements of foreign subsidiaries	23	148	(148)
(Loss)/profit for the year	24	(6,842)	6,236
Effect of the Reorganisation (Note 30)	23	–	11,800
Issue of shares		–	41,400
Share issue expense	23	–	(11,535)
Total equity as at 31 March		43,017	49,711

Consolidated Cash Flow Statement

For the year ended 31 March 2003

	Note	2003 HK\$'000	2002 HK\$'000
Net cash (outflow)/inflow generated from operations	26(a)	(7,524)	11,010
Hong Kong profits tax paid		(129)	–
Overseas taxation paid		(9)	(93)
Net cash (outflow)/inflow from operating activities		(7,662)	10,917
Investing activities			
Purchase of furniture and equipment		(138)	(593)
Sale of furniture and equipment		54	17
Interest income from bank deposits		290	389
Acquisition of long-term investment		–	(390)
Increase in intangible assets		(272)	–
Increase in pledged bank deposits		–	(118)
Net cash outflow from investing activities		(66)	(695)
Net cash (outflow)/inflow before financing activities		(7,728)	10,222
Financing activities	26(b)		
Issue of shares		–	33,700
Share issue expenses		–	(11,535)
Decrease in amounts due to related companies		(1,094)	(24,680)
Repayment of loans from shareholders		(1,390)	–
Capital element of finance lease payments		(325)	(2,751)
Interest element of finance lease payments		–	(194)
Net cash outflow from financing activities		(2,809)	(5,460)
(Decrease)/increase in cash and cash equivalents		(10,537)	4,762
Cash and cash equivalents at 1 April		40,554	36,047
Effect of foreign exchange rate changes		403	(255)
Cash and cash equivalents at 31 March		30,420	40,554
Analysis of balances of cash and cash equivalents			
Cash and bank balances		15,326	40,554
Deposit with a financial institution		15,094	–
		30,420	40,554

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the following Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are applicable to the Group and 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 34 (revised)	:	Employee benefits

The adoption of the above SSAPs does not have material effect on the consolidated accounts.

(b) Group accounting

(i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(b) Group accounting (Cont'd)

(i) Consolidation (Cont'd)

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(ii) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

(c) Intangible assets

(i) Domain names and trademarks

Acquisition costs of domain names and legal costs related to the registration of trademarks are capitalised and amortised on a straight-line basis over a period of twenty years.

(ii) 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.

Research and other portal maintenance costs are expensed as incurred.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Intangible assets (Cont'd)

(iii) Impairment of intangible assets

The 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.

(d) Furniture and equipment

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

(i) Depreciation

Furniture and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates 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%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

(ii) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that furniture and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a furniture and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(e) Assets under leases

(i) Finance leases

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

(ii) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(f) Investments in securities

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account 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.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(i) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and financial institutions, and bank overdrafts.

(j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(k) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Bonus plans

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(k) Employee benefits (Cont'd)

(iii) Retirement benefits

The Group operates a number of defined contribution plans. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

(l) Deferred taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be payable or recoverable in the foreseeable future.

(m) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

(n) Revenue recognition

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) Income from provision of logistics services to a customer located in Mainland China is recognised upon provision of the services.
- (iv) Consultancy fees, net of applicable business tax, are recognised upon provision of the services.

Notes to the Accounts

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

(n) Revenue recognition *(Cont'd)*

- (v) Application software development service fees, net of applicable business tax, are 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 2003 as there were no material direct costs attributable to these services.
- (vi) Advertising income is recognised when the advertisements are published.
- (vii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (viii) Rental income is recognised on a straight-line basis.

(o) Borrowing costs

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(p) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, furniture and equipment, inventories, receivables and operating cash, and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to intangible assets and furniture and equipment.

In respect of geographical segment reporting, sales are based on the destination of delivery of merchandise or where services are delivered. Total assets and capital expenditure are where the assets are located.

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

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

Revenues recognised during the year are as follows:

	2003	2002
	HK\$'000	HK\$'000
Turnover		
Commission income	6,848	27,521
Sales of merchandise	25,942	15,882
Logistics service income	9,651	–
Consultancy fees	1,420	3,995
Application software development service fees	1,837	751
Advertising income	–	7
	45,698	48,156
Other revenues		
Rental income	844	513
Interest income from bank deposits	290	389
Others	281	–
	1,415	902
Total revenues	47,113	49,058

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

(a) Primary reporting format – business segments

The Group is organised into four main business segments namely (i) operations of metal exchange portals for metal trading and ancillary value-chain services; (ii) metal trading; (iii) provision of consultancy and logistics services; and (iv) application software development services.

	2003				Total HK\$'000
	Metal exchange portals HK\$'000	Metal trading HK\$'000	Consultancy and logistics services HK\$'000	Application software development services HK\$'000	
Turnover	6,848	25,942	11,071	1,837	45,698
Segment results	(8,857)	(1,581)	4,856	(1,075)	(6,657)
Unallocated corporate expenses					(3,281)
Other revenues					1,415
Taxation					(1,358)
Loss after taxation					(9,881)
Minority interests					3,039
Loss attributable to shareholders					(6,842)
Balance sheet					
Segment assets	19,500	6,865	27,832	1,731	55,928
Unallocated assets					10,284
Total assets					66,212
Segment liabilities	1,847	1,977	249	150	4,223
Unallocated liabilities					2,417
Total liabilities					6,640
Other information					
Capital expenditures	266	23	112	9	410
Depreciation and amortisation	3,424	123	124	181	3,852

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

(a) Primary reporting format – business segments (Cont'd)

	2002				
	Metal exchange portals HK\$'000	Metal trading HK\$'000	Consultancy and logistics services HK\$'000	Application software development services HK\$'000	Total HK\$'000
Turnover	27,521	15,882	3,995	758	48,156
Segment results	5,417	444	2,543	(972)	7,432
Unallocated corporate expenses					(2,007)
Other revenues					902
Finance costs					(194)
Taxation					822
Profit after taxation					6,955
Minority interests					(719)
Profit attributable to shareholders					6,236
Balance sheet					
Segment assets	29,074	5,718	22,795	464	58,051
Unallocated assets					16,649
Total assets					74,700
Segment liabilities	2,650	822	238	198	3,908
Unallocated liabilities					1,770
Total liabilities					5,678
Other information					
Capital expenditures	531	8	234	15	788
Depreciation and amortisation	3,659	98	110	77	3,944

There are no sales or transactions among the business segments.

Notes to the Accounts

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

(b) Secondary reporting format – geographical segments

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

	2003			Total HK\$'000
	Korea HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	
Turnover	26,005	7,131	12,562	45,698
Operating results	(1,587)	(12,281)	3,930	(9,938)
Total assets	6,881	32,012	27,319	66,212
Capital expenditures	23	275	112	410
	2002			
	Korea HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	Total HK\$'000
Turnover	18,380	25,255	4,521	48,156
Operating results	387	3,414	1,624	5,425
Total assets	7,105	44,363	23,232	74,700
Capital expenditures	9	530	249	788

There are no sales between the geographical segments.

Notes to the Accounts

3. (LOSS)/PROFIT BEFORE TAXATION

(Loss)/profit before taxation is stated after crediting and charging the following:

	2003 HK\$'000	2002 HK\$'000
<i>Charging</i>		
Depreciation		
– owned assets	2,044	2,133
– assets under finance leases	–	23
Loss on disposal of furniture and equipment	32	622
Staff costs (Note 8)	9,158	13,717
Operating leases in respect of		
– a motor vehicle	33	–
– land and buildings	2,339	3,021
Auditors' remuneration	380	380
Amortisation of intangible assets		
– domain names and trademarks	116	104
– portal development costs	1,692	1,684
Provision for bad and doubtful debts		
– for related companies	8,422	–
– for other parties	–	13
Write-off of accounts receivable	880	–
Net exchange losses	15	–
<i>Crediting</i>		
Net exchange gains	–	10

4. FINANCE COSTS

	2003 HK\$'000	2002 HK\$'000
Interest element of finance leases	–	194

Notes to the Accounts

5. TAXATION (CHARGE)/CREDIT

The amount of taxation (charged)/credited to the consolidated profit and loss account represents:

	2003	2002
	HK\$'000	HK\$'000
Current taxation		
– Hong Kong profits tax	–	(505)
– Mainland China enterprise income tax	(1,500)	–
– Overseas taxation	–	(101)
Over provisions in prior years	–	850
Deferred taxation (Note 25)	142	578
	(1,358)	822

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. No provision for Hong Kong profits tax has been made as the Group has no assessable profits for the year (2002: 16% on the estimated assessable profits for the year).

Mainland China enterprise income tax has been provided at a rate of 33% on a deemed profits tax basis on the logistics service income earned by the Group.

SteelMetal.com Limited, an equity joint venture established and operating in Korea, is subject to Korean corporation income tax at a rate of 15% on the first 100 million Korean WON taxable income and 27% on the remaining amount. During the year, no corporation income tax has been provided as SteelMetal.com Limited was in loss position as at 31 March 2003 (2002: 16% 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 three years. This year is the second year of profitable operations after offsetting prior year losses.

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 2003.

Notes to the Accounts

5. TAXATION (CHARGE)/CREDIT (Cont'd)

上海漢絡馬口鐵貿易有限公司 (“上海漢絡”), 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 上海漢絡 was in loss position as at 31 March 2003.

6. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated (loss)/profit attributable to shareholders includes a loss of approximately HK\$2,531,000 (2002: HK\$1,482,000) dealt with in the accounts of the Company.

7. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the Group's loss attributable to shareholders of approximately HK\$6,842,000 (2002: profit of HK\$6,236,000) and the weighted average number of approximately 1,000,000,000 ordinary shares in issue (2002: 870,192,000 shares deemed to be issued, on the basis of presentation relating to the Reorganisation as described in Note 30) during the year.

No diluted (loss)/earnings per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31 March 2003 and 2002.

8. STAFF COSTS

Staff costs including directors' remuneration comprise:

	2003 HK\$'000	2002 HK\$'000
Wages and salaries	8,060	12,443
Unutilised annual leave	100	–
Social security costs	105	32
Pension costs – defined contribution plans	500	623
Provision for long service leave	16	19
Other staff welfare	377	600
	<hr/> 9,158	<hr/> 13,717

Notes to the Accounts

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments paid/payable to Directors of the Company during the year are as follows:

	2003 HK\$'000	2002 HK\$'000
Fees for Non-Executive Directors	360	720
Other emoluments to Executive Directors		
Basic salaries, housing allowances, other allowances and benefits in kind	3,577	3,319
Discretionary bonuses	360	240
Contributions to pensions schemes for Directors	142	116
	4,439	4,395

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.

The emoluments of the Directors fell within the following bands:

Emoluments bands	Number of Directors	
	2003	2002
HK\$ Nil – HK\$1,000,000	10	10
HK\$1,000,001 – HK\$1,500,000	1	1
	11	11

For the year ended 31 March 2003, the Non-Executive Directors received individual emoluments of HK\$120,000 (2002: HK\$240,000), HK\$120,000 (2002: HK\$240,000), HK\$60,000 (2002: HK\$240,000) and HK\$60,000 (2002: Not applicable) respectively, while the Executive Directors received individual emoluments of approximately HK\$1,287,000 (2002: HK\$1,155,000), HK\$586,000 (2002: HK\$617,000), HK\$876,000 (2002: HK\$592,000), HK\$614,000 (2002: HK\$569,000), HK\$612,000 (2002: HK\$483,000), HK\$104,000 (2002: Not applicable) and HK\$12 (2002: HK\$12) respectively.

Notes to the Accounts

9. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Cont'd)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years were also Directors and their emoluments are reflected in the analysis presented in Note 9(a) above.

10. INTANGIBLE ASSETS

	Domain names and trademarks	Group Portal development costs	Total
	HK\$'000	HK\$'000	HK\$'000
For the year ended			
31 March 2003:			
Opening net book amount	1,920	2,359	4,279
Additions	272	–	272
Amortisation charge	(116)	(1,692)	(1,808)
Translation adjustments	–	9	9
	<hr/>	<hr/>	<hr/>
Closing net book amount	2,076	676	2,752
At 31 March 2003:			
Cost	2,347	5,422	7,769
Accumulated amortisation	(271)	(4,746)	(5,017)
	<hr/>	<hr/>	<hr/>
Net book amount	2,076	676	2,752
At 31 March 2002:			
Cost	2,075	5,413	7,488
Accumulated amortisation	(155)	(3,054)	(3,209)
	<hr/>	<hr/>	<hr/>
Net book amount	1,920	2,359	4,279

Notes to the Accounts

11. FURNITURE AND EQUIPMENT

	Leasehold improvements HK\$'000	Computer equipment and software HK\$'000	Group Office equipment and furniture HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost					
At 1 April 2002	1,319	6,761	943	293	9,316
Additions	46	89	3	–	138
Disposals	(50)	(66)	(25)	–	(141)
Translation adjustments	–	30	1	3	34
At 31 March 2003	1,315	6,814	922	296	9,347
Accumulated depreciation					
At 1 April 2002	531	3,007	149	56	3,743
Charge for the year	269	1,620	102	53	2,044
Disposals	(20)	(27)	(8)	–	(55)
Translation adjustments	–	20	–	1	21
At 31 March 2003	780	4,620	243	110	5,753
Net book value					
At 31 March 2003	535	2,194	679	186	3,594
At 31 March 2002	788	3,754	794	237	5,573

Notes to the Accounts

12. INVESTMENTS IN SUBSIDIARIES

	2003 HK\$'000	2002 HK\$'000
Unlisted shares, at cost	23,909	23,909
Due from subsidiaries	8,400	4,414
	32,309	28,323

The underlying value of investments in subsidiaries is, in the opinion of the Directors, not less than the carrying value as at 31 March 2003.

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

The following is a list of the subsidiaries as at 31 March 2003:

Name of company	Place of incorporation/ establishment (Note (v))	Issued and fully paid share capital/registered capital	Percentage of interest attributable to the Group	Principal activities
Held directly:				
Harrogate Group Limited	British Virgin Islands	US\$2,500,000	100%	Investment holding
Profit Talent Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Held indirectly:				
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

Notes to the Accounts

12. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of company	Place of incorporation/ establishment (Note (v))	Issued and fully paid share capital/registered capital	Percentage of interest attributable to the Group	Principal activities
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
WorldMetal Logistics Limited	Hong Kong	HK\$2	100%	Provision of ancillary value-chain services
ETP (China) Limited	Hong Kong	HK\$2	100%	Inactive/dormant
金屬在綫科技(深圳)有限公司 ("金屬在綫") (Note (i))	Mainland China	HK\$1,000,000	100%	Provision of technological support for an Internet-based portal and application software development services
Golden Field Technologies Ltd.	British Virgin Islands	US\$100	50% (Note (vi))	Investment holding
Rusmet.com Limited	Hong Kong	US\$2	50% (Note (vi))	Operation of a metal exchange portal
SteelMetal.com Limited (Note (ii))	Korea	Won1,000,000,000	50% (Note (vi))	Operation of a metal exchange portal and metal trading
北京威銘商網資訊技術有限公司 ("北京威銘") (Note (iii))	Mainland China	US\$4,080,000	50% (Note (vi))	Provision of consultancy services for e-commerce technology
上海漢絡馬口鐵貿易有限公司 ("上海漢絡") (Note (iv))	Mainland China	US\$200,000	100%	Inactive/dormant

Notes to the Accounts

12. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Notes:

- (i) 金屬在綫 is a wholly foreign owned enterprise established in Mainland China to be operated for a period of 20 years up to June 2020.
- (ii) SteelnMetal.com Limited is an equity joint venture established in Korea.
- (iii) 北京威銘 is sino-foreign equity joint venture established in Mainland China to be operated for a period of 30 years up to October 2030.
- (iv) 上海漢絡 is a wholly foreign owned enterprise established in Mainland China to be operated for a period of 50 years up to September 2052.
- (v) The subsidiaries operate principally in their places of incorporation/establishment.
- (vi) 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.
- (vii) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2003.

13. LONG-TERM INVESTMENT

	Group	
	2003	2002
	HK\$'000	HK\$'000
Unlisted guarantee fund, at cost	390	390

The underlying value of long-term investment is, in the opinion of the Directors, not less than the carrying value of the investment as at 31 March 2003.

14. PLEDGED BANK DEPOSITS

As at 31 March 2003, the Group's bank deposits of approximately HK\$124,000 (2002: HK\$118,000) were pledged to secure an operating lease of a motor vehicle of the Group.

15. INVENTORIES

	Group	
	2003	2002
	HK\$'000	HK\$'000
Merchandise, at cost	2,018	–

Notes to the Accounts

16. ACCOUNTS RECEIVABLE

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. At 31 March 2003, the ageing analysis of the accounts receivables were as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
0-90 days	2,206	4,471
91-180 days	12,914	7,430
181 days-one year	2,577	10,084
Over one year and less than two years	15,521	1,922
Over two years	728	223
	33,946	24,130
Less: Provision for bad and doubtful debts		
– on amounts due from related companies	(8,422)	–
– on others	(272)	(1,668)
	(8,694)	(1,668)
	25,252	22,462

Included in the accounts receivable were balances due from certain related companies totalling HK\$24,403,000 (2002: HK\$16,650,000), of which HK\$16,249,000 (2002: HK\$766,000) was aged over one year. An analysis of these receivables is set out in Note 29(b).

17. ACCOUNTS PAYABLE

At 31 March 2003, the ageing analysis of the accounts payables were as follows:

	Group	
	2003	2002
	HK\$'000	HK\$'000
0-90 days	1,905	887

Notes to the Accounts

18. AMOUNTS DUE FROM/(TO) RELATED COMPANIES/ LOANS FROM SHAREHOLDERS

The amounts are unsecured, interest-free and have no fixed repayment terms.

19. DEPOSIT WITH A FINANCIAL INSTITUTION

This represents a fixed deposit (in Renminbi) placed with 五礦集團財務有限責任公司, a registered financial institution in Mainland China. This deposit bears interest rate of 1.6% per annum.

20. CASH AND CASH EQUIVALENTS

As at 31 March 2003, the Group had deposit placed with a financial institution (see Note 19) and other cash and bank balances of approximately HK\$15,543,000 (2002: HK\$17,031,000) which are denominated in Renminbi. The remittance of these funds out of Mainland China is subject to the exchange control restrictions imposed by the Chinese government.

21. SHARE CAPITAL

	2003	2002
	HK\$'000	HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.01 each	20,000	20,000
<i>Issued and fully paid:</i>		
1,000,000,000 ordinary shares of HK\$0.01 each	10,000	10,000

22. EMPLOYEE SHARE OPTIONS

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 Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Notes to the Accounts

22. EMPLOYEE SHARE OPTIONS (Cont'd)

Under the New Scheme, the Company may grant options to employees (including executive directors) of the Group to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued on exercise of options. The subscription price will be determined by the Company's Board of Directors and will not be less than the highest of (i) the nominal value of the shares; (ii) the closing price of the Company's shares quoted on the Stock Exchange on the trading day of granting the options; and (iii) the average of the closing prices of the Company's shares quoted on the Stock Exchange for the five trading days immediately preceding the date of granting the options. A nominal consideration at HK\$1 is payable for each of the options granted. Share options can be exercised within a period of not exceeding 10 years commencing on the date of grant or such later date as the Board of Directors may determine and expiring on the last day of the period.

No share options were granted under the Old Scheme and the New Scheme since their adoption.

23. RESERVES

	Share premium HK\$'000	Group		Total HK\$'000
		Capital reserve (Note a) HK\$'000	Cumulative translation reserve HK\$'000	
At 1 April 2002	19,865	15,158	(681)	34,342
Translation adjustments	–	–	148	148
At 31 March 2003	19,865	15,158	(533)	34,490
At 1 April 2001	–	3,358	(533)	2,825
Effect of the Reorganisation (Note 30)	–	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)
At 31 March 2002	19,865	15,158	(681)	34,342

Notes to the Accounts

23. RESERVES (Cont'd)

	Share premium	Company Contributed surplus	Total
	HK\$'000	(Note b) HK\$'000	HK\$'000
At 1 April 2002 and at 31 March 2003	19,865	16,209	36,074
At 1 April 2001	–	–	–
Effect of the Reorganisation (Note 30)	–	16,209	16,209
Premium on issue of new shares	31,400	–	31,400
Share issue expense	(11,535)	–	(11,535)
At 31 March 2002	19,865	16,209	36,074

Notes:

- (a) 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.
- (b) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation.

24. (ACCUMULATED LOSS)/RETAINED PROFIT

	Group		Company	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April	5,369	(867)	(1,482)	–
(Loss)/profit for the year	(6,842)	6,236	(2,531)	(1,482)
At 31 March	(1,473)	5,369	(4,013)	(1,482)

Notes to the Accounts

25. DEFERRED TAXATION

	Group	
	2003 HK\$'000	2002 HK\$'000
At 1 April	321	899
Write-back of provision	(142)	(578)
	<hr/>	<hr/>
At 31 March	179	321

Deferred taxation represents the taxation effect of accelerated depreciation allowances.

As at 31 March 2003, deferred tax assets not recognised in respect of tax losses amounted to approximately HK\$552,000 (2002: HK\$458,000).

26. CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of (loss)/profit before taxation to net cash (outflow)/inflow generated from operations

	2003 HK\$'000	2002 HK\$'000
(Loss)/profit before taxation	(8,523)	6,133
Depreciation	2,044	2,156
Amortisation of intangible assets	1,808	1,788
Loss on disposal of furniture and equipment	32	622
Interest income from bank deposits	(290)	(389)
Interest expenses	–	194
	<hr/>	<hr/>
(Loss)/profit before taxation and working capital changes	(4,929)	10,504
Increase in inventories	(2,018)	–
Increase in accounts receivables	(2,790)	(6,174)
Decrease in prepayments, deposits and other receivables	279	5,810
Increase in amount due from a related company	(617)	–
Increase in accounts payables	1,018	887
Increase/(decrease) in accruals and other payables	307	(17)
Increase in amounts due to related companies	1,226	–
	<hr/>	<hr/>
Net cash (outflow)/inflow generated from operations	(7,524)	11,010

Notes to the Accounts

26. CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Share capital and share premium HK\$'000	Amounts due to related companies HK\$'000	Loans from shareholders HK\$'000	Obligations under finance leases HK\$'000	Minority interests HK\$'000
At 31 March 2001	19,500	25,774	1,390	2,881	18,740
Effect of the Reorganisation (Note 30)	(11,800)	–	–	–	–
Issue of shares	33,700	–	–	–	–
Share issue expense	(11,535)	–	–	–	–
Decrease in amounts due to related companies	–	(24,680)	–	–	–
Inception of finance leases	–	–	–	195	–
Repayment of capital element of finance leases	–	–	–	(2,751)	–
Minority interests' share of profit	–	–	–	–	719
Translation adjustments	–	–	–	–	(148)
At 31 March 2002	29,865	1,094	1,390	325	19,311
Decrease in amounts due to related companies	–	(1,094)	–	–	–
Repayment of capital element of finance leases	–	–	–	(325)	–
Repayment of loans from shareholders	–	–	(1,390)	–	–
Minority interests' share of loss	–	–	–	–	(3,039)
Translation adjustments	–	–	–	–	283
At 31 March 2003	29,865	–	–	–	16,555

Notes to the Accounts

27. COMMITMENTS

As at 31 March 2003, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		A motor vehicle	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Not later than one year	2,100	2,670	33	37
Later than one year and not later than five years	104	1,954	33	31
Later than five years	–	–	–	31
	2,204	4,624	66	99

The Company does not have significant operating lease commitments as at 31 March 2003 (2002: Nil).

28. 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 contribution and the accrued interest thereon upon retirement or leaving the Group after completing ten years of service or at a reduced scale of 30% to 90% after completing three to nine years of services.

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, subject to a maximum of HK\$1,000 per month per employee.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The Group contributes to the retirement plans at rates of approximately from 8% to 19% of the basic salaries of its employees, 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.

Notes to the Accounts

28. EMPLOYEE RETIREMENT BENEFITS (Cont'd)

During the year, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately HK\$500,000 (2002: HK\$623,000), with no (2002: Nil) deduction of forfeited contributions. As at 31 March 2003, there was no material forfeited contribution available to reduce the Group's employer contribution payable in future periods.

The Group's contribution payable at 31 March 2003 amounted to approximately HK\$63,000 (2002: HK\$85,000).

29. 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) Related party transactions, which were carried out in the normal course of the Group's business and in accordance with terms as agreed with the related parties, are as follows:

	2003 HK\$'000	2002 HK\$'000
Nature of transaction		
Commission income earned from a minority shareholder of a subsidiary	–	8,833
Commission income earned from subsidiaries of a substantial shareholder	5,673	11,590
Application software development service fees earned from a subsidiary of a substantial shareholder	142	–
Purchases from a subsidiary's minority shareholder and its subsidiaries	10,295	9,925
Commission expenses paid to a subsidiary's minority shareholder	385	–
Rental income earned from a subsidiary of a substantial shareholder	844	513
Service fee earned from a subsidiary of a substantial shareholder	281	–
Consultancy fees earned from an associate of a minority shareholder of a subsidiary	1,420	3,995

Notes to the Accounts

29. RELATED PARTY TRANSACTIONS (Cont'd)

- (b) As at 31 March 2003, the Group had the following balances due from/(to) related parties included in accounts receivable and accounts payable:

	2003	2002
	HK\$'000	HK\$'000
<i>Included in accounts receivable</i>		
Subsidiaries of a substantial shareholder	14,472	7,396
Minority shareholder of a subsidiary	3,469	4,348
An associate of a minority shareholder of a subsidiary	6,462	4,906
	24,403	16,650
<i>Included in accounts payable</i>		
A subsidiary of a minority shareholder of a subsidiary	(1,905)	(887)

As at 31 March 2003, provisions of approximately HK\$8,422,000 (2002: Nil) were made on accounts receivable balance due from related parties.

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

- (c) Banking facilities of the Group were secured by a corporate guarantee issued by the Company and a personal guarantee from the Director of a subsidiary of a substantial shareholder of approximately HK\$15,600,000 (2002: Nil).

30. COMPARATIVE FIGURES

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 were regarded as a continuing group. Accordingly, the Reorganisation had been accounted for on the basis of merger accounting, under which the consolidated accounts for the year ended 31 March 2002 had been prepared as if the Company had been the holding company of the other companies comprising the Group throughout the year, rather than from the date on which the Reorganisation was completed.

31. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 19 June 2003.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of WorldMetal Holdings Limited (the "Company") will be held at Renaissance Harbour View Hotel, 8th Floor, Concord Rooms 2 & 3, 1 Harbour Road, Wanchai, Hong Kong on Monday, 28 July 2003 at 10:00 a.m. for the following purposes:

1. To receive the Audited Accounts of the Company and the Reports of the Directors and Auditors for the year ended 31 March 2003.
2. To re-elect retiring Directors.
3. To fix the remuneration of Directors.
4. To re-appoint PricewaterhouseCoopers as the Auditors and authorise the Board of Directors to fix their remuneration.
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 2003 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:**

- (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."
- 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) 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 or any eligible participants 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 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;

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 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)."

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** conditional upon the passing of Resolutions numbered 6 and 7 set out in the notice of annual general meeting dated 19 June 2003, 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 7 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 6, 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."

9. To transact any other business of the Company.

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

Hong Kong, 19 June 2003

Notice of Annual General Meeting

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 By-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.