

WorldMetal Holdings Limited

金屬電子交易所集團有限公司

(Incorporated in Bermuda with Limited Liability)



Interim Report

2003/04

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

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This report, for which the directors (the “Directors”) of WorldMetal Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

INTERIM ACCOUNTS

The Directors of WorldMetal Holdings Limited (the "Company") are pleased to present the unaudited condensed consolidated accounts of the Company and its subsidiaries (the "Group") for the three months and six months ended 30 September 2003, together with the comparative unaudited figures for the corresponding periods in 2002, as follows:

Condensed Consolidated Profit and Loss Account

	Notes	Unaudited			
		Three months ended		Six months ended	
		30 September		30 September	
		2003	2002	2003	2002
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	37,700	12,179	131,778	25,336
Cost of merchandise sold		(36,150)	(8,710)	(128,480)	(11,399)
Staff costs		(1,565)	(2,014)	(3,117)	(4,467)
Amortisation of intangible assets		(75)	(452)	(507)	(901)
Depreciation		(511)	(512)	(1,023)	(1,020)
Advertising and promotion expenses		(2)	(79)	(2)	(163)
Write off of accounts receivable		-	-	(1)	-
General and administrative expenses		(1,359)	(1,926)	(2,397)	(4,324)
(Loss)/profit from operations	2 & 3	(1,962)	(1,514)	(3,749)	3,062
Other revenues		319	236	680	533
(Loss)/profit before taxation		(1,643)	(1,278)	(3,069)	3,595
Taxation	4	-	-	-	-
(Loss)/profit after taxation		(1,643)	(1,278)	(3,069)	3,595
Minority interests		101	432	79	927
(Loss)/profit attributable to shareholders		(1,542)	(846)	(2,990)	4,522
Basic (loss)/earnings per share	5	(0.15) HK Cent	(0.08) HK Cent	(0.30) HK Cent	0.45 HK Cent

Condensed Consolidated Balance Sheet

	<i>Notes</i>	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
Non-current assets			
Intangible assets		2,245	2,752
Furniture and equipment		2,571	3,594
Long-term investment		390	390
Total non-current assets		<u>5,206</u>	<u>6,736</u>
Current assets			
Inventories		-	2,018
Accounts receivable	6	27,675	25,252
Prepayments, deposits and other receivables		4,055	1,045
Amount due from a related company		81	617
Pledged bank deposits		124	124
Deposit with a financial institution		15,094	15,094
Cash and bank balances		9,047	15,326
Total current assets		<u>56,076</u>	<u>59,476</u>
Current liabilities			
Accounts payable	7	-	(1,905)
Accruals and other payables		(1,042)	(1,340)
Amounts due to related companies		(1,570)	(1,226)
Taxation payable		(1,990)	(1,990)
Total current liabilities		<u>(4,602)</u>	<u>(6,461)</u>
Net current assets		<u>51,474</u>	<u>53,015</u>
Total assets less current liabilities		<u>56,680</u>	<u>59,751</u>
Financed by:			
Share capital	8	10,000	10,000
Reserves		34,490	34,490
Accumulated loss		(4,463)	(1,473)
Shareholders' funds		<u>40,027</u>	<u>43,017</u>
Non-current liabilities			
Deferred taxation		179	179
Minority interests		<u>16,474</u>	<u>16,555</u>
		<u>56,680</u>	<u>59,751</u>

Condensed Consolidated Cash Flow Statement

	Unaudited	
	Six months ended	
	30 September	
	2003	2002
	HK\$'000	<i>HK\$'000</i>
Net cash outflow from operating activities	(6,637)	(4,233)
Net cash inflow/(outflow) from investing activities	14	(388)
Net cash inflow/(outflow) from financing activities	344	(1,880)
	<hr/>	<hr/>
Decrease in cash and cash equivalents	(6,279)	(6,501)
Cash and cash equivalents, beginning of period	30,420	40,554
	<hr/>	<hr/>
Cash and cash equivalents, end of period	24,141	34,053
	<hr/> <hr/>	<hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	9,047	19,100
Deposit with a financial institution	15,094	14,953
	<hr/>	<hr/>
	24,141	34,053
	<hr/> <hr/>	<hr/> <hr/>

Condensed Consolidated Statement of Changes in Equity

	Unaudited					Total HK\$'000
	Six months ended 30 September 2003					
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation reserve HK\$'000	Accumulated loss HK\$'000	
At 1 April 2003	10,000	19,865	15,158	(533)	(1,473)	43,017
Loss attributable to the shareholders	-	-	-	-	(2,990)	(2,990)
At 30 September 2003	<u>10,000</u>	<u>19,865</u>	<u>15,158</u>	<u>(533)</u>	<u>(4,463)</u>	<u>40,027</u>

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

NOTES TO CONDENSED INTERIM ACCOUNTS

1. Basis of preparation and accounting policies

The unaudited condensed interim accounts are prepared in accordance with Hong Kong Statement of Standard Accounting Practice ("SSAP") No. 25, "Interim Financial Reporting", issued by the Hong Kong Society of Accountants, and Chapter 18 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The accounting policies used in the preparation of the condensed interim accounts are consistent with those used in the annual accounts for the year ended 31 March 2003, except for the adoption of the revised SSAP No.12 "Income Taxes" issued by the Hong Kong Society of Accountants which is effective for accounting periods commencing on or after 1 January 2003.

Adoption of the revised SSAP No.12 has led to a change in the Group's accounting policies. In addition, the revised SSAP No.12 has introduced revised disclosure requirements which have been adopted in these condensed interim accounts. However, the adoption of the revised SSAP No.12 has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

2. Segment information

(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.

	Unaudited				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	<u>2,294</u>	<u>128,988</u>	<u>0</u>	<u>496</u>	<u>131,778</u>
Segment results	<u>(2,736)</u>	<u>107</u>	<u>0</u>	<u>(28)</u>	<u>(2,657)</u>
Unallocated corporate expenses					(1,092)
Other revenues					680
Taxation					-
Loss after taxation					<u>(3,069)</u>
Minority interests					<u>79</u>
Loss attributable to shareholders					<u>(2,990)</u>

	Unaudited				Total HK\$'000
	Six months ended 30 September 2002				
	Metal exchange portals HK\$'000	Metal trading HK\$'000	Consultancy and logistics services HK\$'000	Application software development services HK\$'000	
Turnover	<u>3,309</u>	<u>11,527</u>	<u>9,651</u>	<u>849</u>	<u>25,336</u>
Segment results	<u>(3,145)</u>	<u>127</u>	<u>8,653</u>	<u>39</u>	5,674
Unallocated corporate expenses					(2,612)
Other revenues					533
Taxation					-
Profit after taxation					3,595
Minority interests					927
Profit attributable to shareholders					<u>4,522</u>

(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:

	Unaudited	
	Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Turnover		
– Korea	129,061	11,527
– Hong Kong	2,413	3,486
– Mainland China	304	10,323
	<u>131,778</u>	<u>25,336</u>
Operating results		
– Korea	107	(880)
– Hong Kong	(3,650)	(4,610)
– Mainland China	(206)	8,552
	<u>(3,749)</u>	<u>3,062</u>

3. (Loss)/profit from operations

	Unaudited Three months ended 30 September		Unaudited Six months ended 30 September	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
(Loss)/profit from operations is stated after charging:				
Amortisation of intangible assets				
– domain names and trademarks	29	29	59	56
– portal development costs	46	423	448	845
Depreciation of furniture and equipment	511	512	1,023	1,020
	<u>511</u>	<u>512</u>	<u>1,023</u>	<u>1,020</u>

4. Taxation

No provision for Hong Kong and overseas profits tax has been made as the Group had no assessable profit during the three months and six months ended 30 September 2003 (2002 – Nil and Nil).

5. Basic (loss)/earnings per share

The calculation of the basic loss per share for the three months and six months ended 30 September 2003 is based on the respective unaudited consolidated loss attributable to shareholders of approximately HK\$1,542,000 and HK\$2,990,000 (2002 – loss of HK\$846,000 and profit of HK\$4,522,000) and the respective weighted average number of 1,000,000,000 and 1,000,000,000 ordinary shares in issue during the periods (2002 – 1,000,000,000 and 1,000,000,000 ordinary shares).

No diluted (loss)/earnings per share is presented as there were no potential dilutive ordinary shares in issue during the three months and six months ended 30 September 2003 and 2002.

6. Accounts receivable

The Group generally 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.

Ageing analysis of accounts receivable is as follows:

	Unaudited 30 September 2003 HK\$'000	Audited 31 March 2003 HK\$'000
0 – 90 days	1,284	2,206
91 – 180 days	1,117	12,914
181 days – one year	4,986	2,577
Over one year and less than two years	19,615	15,521
Over two years	9,367	728
	<u>36,369</u>	<u>33,946</u>
Less: Provision for bad and doubtful debts		
– on amounts due from related companies	(8,422)	(8,422)
– on others	(272)	(272)
	<u>(8,694)</u>	<u>(8,694)</u>
	<u>27,675</u>	<u>25,252</u>

7. Accounts payable

The entire balance of accounts payable was aged within three months as at 31 March 2003.

8. Share capital

	Unaudited Number of shares '000	Nominal value HK\$'000
Authorised – ordinary shares of \$0.01 each:		
As at 1 April 2003 and 30 September 2003	<u>2,000,000</u>	<u>20,000</u>
Issued and fully paid – ordinary shares of \$0.01 each:		
As at 1 April 2003 and 30 September 2003	<u>1,000,000</u>	<u>10,000</u>

9. Related party transactions

During the half-year period, the Group had the following transactions with related parties conducted in the normal course of the Group's business and in accordance with terms as agreed with the related parties:

- (a) Commission income earned from a subsidiary of a substantial shareholder amounted to HK\$2,221,000;
- (b) Purchases from a subsidiary's minority shareholder and its subsidiaries amounted to HK\$27,841,000; and
- (c) Rental income earned from subsidiaries of a substantial shareholder amounted to HK\$666,000.

10. Comparative figures

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

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2003 (2002: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review and Outlook

As the global steel market since this year slithered from its peak and went into a period of consolidation, the steel market in China had also undergone a tumultuous time. During the period under review, steel prices in China fluctuated by extreme margins. After the drastic decline in pricing in the second quarter of the year, the market adopted a prudent attitude and became watchful. Consequently the Group's Internet metal trading and ancillary value-added services were affected, causing a reduction in revenue from trading commission. Besides, the Group's consultancy and logistics services experienced a temporary stagnation against the backdrop of a volatile market. Meanwhile, the turnover of noble metal trading in Korean market soared as there was an increase in both the trading volume and price of noble metal during the period.

Notwithstanding this, the Group maintains a positive outlook for metal trading in China. As the world economy improves further, the global steel market is on the upward trend in general. At present, the Asian steel market remains the most active while steel consumption in China has become a crucial factor in determining steel trading world-wide. The International Iron & Steel Institute (IISI) is of the view that the continual growth in steel consumption in China will spearhead a significant surge in global demand for steel in the second half of 2003 and next year. According to statistics released in 2002, China is not only the world's largest steel production country, it is also a major importer of steel. As such, the Group believes that its Internet metal trading and ancillary value-added services will continue to benefit from China's growing demand in steel import.

In the period under review, business environment remained tough for the IT and internet industries. The Group's IT business continued to provide IT consultancy services to enterprises in the metal industry in Hong Kong and mainland China. Partnership was also maintained with enterprises in telecommunication equipment in the development of embedded telecommunication application software. Sustained efforts have been made in offering solutions to customers in video display information systems, achieving revenue target as anticipated.

The Group is committed to protecting the interest of and increasing the return for shareholders. Towards this end, the Group endeavours to achieving constant and steady growth as well as looking out for new dimensions for long-term profitable development. The Group is poised to capture opportunities presented by the continuing rapid development of mainland China and plans to invest in enterprises or projects that possess good track records and potentials for sustainable growth. Several investment possibilities are being examined during the period under review. Detailed studies of these investment opportunities are in progress and it is hoped that initial proposals can be formulated in the near future.

Financial Review

The Group recorded an unaudited consolidated turnover of approximately HK\$131,778,000 (2002: HK\$25,336,000) for the six months ended 30 September 2003, representing an increase of about 420% as compared with the corresponding period in 2002. Turnover comprises income from the metal transactions, consultancy service fees and application software development (ASD) service fees, representing about 99%, 0% and 1% (2002: 59%, 38% and 3%) of the total turnover respectively. The unaudited consolidated loss attributable to shareholders for the six months ended 30 September 2003 amounted to approximately HK\$2,990,000 (2002: Profit of HK\$4,522,000).

During the six months ended 30 September 2003, the operating expenses (before amortisation and depreciation) amounted to HK\$5,517,000 (2002: HK\$8,954,000), a reduction of 38% as compared to the same period in 2002. This is a result of our successful effort in increasing efficiency and effectiveness of deploying the internal resources of the Group. Our Group believed in the importance of differentiating our business from competitors by effective use of resources under the current fierce market competition.

Liquidity, Financial Resources and Gearing Ratio

As at 30 September 2003, the Group had net current assets of approximately HK\$51,474,000 (31 March 2003: HK\$53,015,000), including cash and deposits with banks and financial institution of approximately HK\$24,265,000 (31 March 2003: HK\$30,544,000). The total liabilities amounted to approximately HK\$4,781,000 (31 March 2003: HK\$6,640,000). As at 30 September 2003, the Group had no banking facilities nor bank borrowings (31 March 2003: HK\$15,600,000 and Nil).

The gearing ratio (defined as total liabilities over total assets) of the Group on 30 September 2003 was approximately 8% (31 March 2003: 10%).

Material Acquisitions and Disposals of Investments and Future Plans for Material Investment

The Group has no material acquisitions and disposals of investments during the six-month period under review and no significant investments were held by the Group as at 30 September 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 sufficiently generated from operations and are funded by the net proceeds from the placing of shares in 2001.

Exposure to Exchange Rates Fluctuation

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

Pledge of Asset

Other than a bank deposit of the Group amounting to approximately HK\$124,000 (31 March 2003: HK\$124,000) was used as security to secure an operating lease for a motor vehicle by a subsidiary in Korea, as at 30 September 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 30 September 2003, the Group did not have any material contingent liabilities (31 March 2003: Nil).

Staff

During the six-month period under review, the Group continued to adopt effective yet prudent measures on reducing cost and optimising resources, yielding satisfactory results. As at September 2003, the Group employed 56 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.

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 (the "Prospectus") for the period from 1 April 2003 to 30 September 2003 with the actual business progress:

Business Objectives

Actual Progress

Market research

- | | |
|---|---|
| <ul style="list-style-type: none"> • Continue to formulate and revise overall business strategy | <ul style="list-style-type: none"> • Internal management meetings are held on regular basis and continue to formulate overall business strategies |
| <ul style="list-style-type: none"> • Continue to research merger and acquisition opportunities within the industry | <ul style="list-style-type: none"> • In view of market factors, a more prudent approach is adopted in considering merger and acquisition opportunities within the industry |
| <ul style="list-style-type: none"> • Conduct an annual strategic workshop including a review of local market developments and pending issues for subsidiary portals | <ul style="list-style-type: none"> • An annual strategic workshop had been held to review local market developments and pending issues for subsidiary portals |
| <ul style="list-style-type: none"> • Continue to investigate the possibility of establishing national and regional portals in unexplored vital markets | <ul style="list-style-type: none"> • Continue to investigate the possibility of establishing national and regional portals in unexplored vital markets. In view of market factors, the Group adopts a more prudent approach to resource deployment in setting up new portals |
| <ul style="list-style-type: none"> • Continue to research the possibility of full integration of WorldMetal.com and subsidiary portals for technology, membership and transactions | <ul style="list-style-type: none"> • Continue to research the possibility of full integration of WorldMetal.com and subsidiary portals |
| <ul style="list-style-type: none"> • Research the possibility of spinning off unlisted individual national or regional portals | <ul style="list-style-type: none"> • In view of market factors, the Group adopts a more prudent approach to resource deployment in spinning off individual portals |
| <ul style="list-style-type: none"> • Continue to research new revenue sources | <ul style="list-style-type: none"> • Actively exploring other revenue sources, such as software development and consultancy services etc. |

Business Objectives

Actual Progress

Marketing activities

- | | |
|--|---|
| <ul style="list-style-type: none"> • Continue to focus on markets with national and regional portals | <ul style="list-style-type: none"> • Remain prudent on further expanding on markets with national and regional portals |
| <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"> • Conduct joint marketing and promotion activities with existing national and regional portals | <ul style="list-style-type: none"> • In view of market factors, the Group has been prudent in considering resources deployment to conduct joint marketing and promotion activities with existing national and regional portals |
| <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 minimizing expenses |
| <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"> • 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"> • 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 |

Business Objectives

Actual Progress

Marketing activities (Cont'd)

- | | |
|--|---|
| <ul style="list-style-type: none"> • Continue to expand membership for ferrous metals and non-ferrous metals trading • Continue to conduct joint marketing and promotion activities with value-chain service providers | <ul style="list-style-type: none"> • Continue to expand membership base. As at 30 September 2003, the number of corporate members was 4,432 • Continue to coordinate with value-chain service providers in joint marketing and promotion activities |
|--|---|

Development of services

- | | |
|---|--|
| <ul style="list-style-type: none"> • Continue to improve trading system based on user needs. Increase product range • Expand value-chain services • Launch new language interfaces to the websites • Continue to enrich the content of the websites • Improve monitoring of trading platform to enhance neutrality and real time risk management | <ul style="list-style-type: none"> • Continue to upgrade the trading system based on user needs and study to increase product range • Actively studying to expand value-chain services • Chinese, English, German and Japanese interfaces are provided in information platform. Considering the feasibility to add other language interface • Continue to enrich the content of the portal. Actively planning to introduce column headed "Research Report" • Emphasis placed on continuous 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 |
|---|--|

Business Objectives

Actual Progress

Development of services (Cont'd)

- | | |
|---|--|
| <ul style="list-style-type: none"> • Continue to add value-chain services to existing national and regional portals • Continue to establish mirror sites for WorldMetal.com to improve website access speed and reliability • Continue to launch and develop ASP services to satisfy members' needs • Continue to integrate databases of existing websites • Continue to conduct exchange and integration of major trading members' databases • Further establish and improve 7 x 24 customer feedback and relationship management system | <ul style="list-style-type: none"> • Continue to explore value-chain services to existing national and regional portals • Continue with the research for establishing mirror sites to improve website access speed and reliability in WorldMetal.com • Providing ERP system and Consultancy Services to satisfy members' need • Continue to integrate databases of existing websites • Continue to conduct exchange and integration of major trading members' databases • Actively study and search for suitable products to further establish and 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 • Continue to recruit local staff for existing national and regional portals, with focus on customer relationship management and metal industry professionals • Further strengthen training for R&D staff | <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 • In view of existing market conditions, recruitment of local staff for national and regional portals has been put on hold • Further strengthen training for R&D staff. Staff are encouraged to participate in activities and training organized by authoritative organizations to enhance their capabilities |
|--|--|

USE OF NET PROCEEDS

During the six months ended 30 September 2003, the Group has applied approximately HK\$1,648,000 in accordance with the statement of the business objectives as set out in the Prospectus:

	Originally planned for the period <i>HK\$'000</i>	Amount utilised in the period <i>HK\$'000</i>
Market research and marketing activities		
– Establish and strengthen the brand name of the WorldMetal.com and the membership bases	1,000	133
Development of services		
– Enhancement of technological support and adoption of State-of-the art technology in the portals of the Group	3,000	1,505
Resources deployment		
– Recruitment of high calibre personnel and strengthen training for R&D staff	1,000	10
	<u>5,000</u>	<u>1,648</u>

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

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2003.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2003, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO") in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (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 Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

(1) Interests in Shares

(A) The Company

Name of Director	Number of ordinary shares				Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests	Total	
LAU Ting	50,288,803	72,951,773 (Note 1)	485,746,308 (Note 2)	608,986,884 (Note 3)	60.90%
YU Wing Keung, Dicky	28,100,000	-	-	28,100,000	2.81%
WU Ziqiang	5,000,000	-	-	5,000,000	0.50%
CHOW Kin Wa	3,000,000	-	-	3,000,000	0.30%
CHEN Aizheng	2,010,000	330,000	-	2,340,000	0.23%
LEUNG Hong Tai	1,510,000	-	-	1,510,000	0.15%
NG Man Fai, Matthew	660,000	-	-	660,000	0.07%

Notes:

- These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 11,320,192 shares were held by Hang Sing Overseas Limited ("Hang Sing") which is owned as to 51% by Orient Strength Limited ("Orient Strength"), a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 10,595,042 shares were held by Strong Purpose Corporation ("Strong Purpose"), a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 463,831,074 shares were held by WellNet Holdings Limited ("WellNet"), which is owned as to 21.46% by Hang Sing, as to 20.08% by Strong Purpose, as to 2.06% by Ms. LAU Ting and as to 1.24% by Mr. CHAN Shing.
- The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

(B) Associated Corporation – WellNet Holdings Limited

Name of Director	Number of ordinary shares				Total	Approximate percentage interest in the issued share capital of WellNet
	Personal interests	Family interests	Corporate interests			
LAU Ting	21,776,072	13,035,472 (Note 1)	438,304,701 (Note 2)		473,116,245 (Note 3)	44.84%
YU Wing Keung, Dicky	4,789,778	-	-		4,789,778	0.45%
WU Ziqiang	600,000	-	-		600,000	0.06%
CHOW Kin Wa	970,000	-	-		970,000	0.09%

Notes:

1. These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
2. 226,403,853 shares were held by Hang Sing which is owned as to 51% by Orient Strength, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 211,900,848 shares were held by Strong Purpose, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing.
3. The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

(2) Interests in Underlying Shares

Associated Corporation – WellNet Holdings Limited

Name of Director	Date of grant	Exercise period		Price for grant HK\$	Exercise price per share HK\$	Number of underlying shares under the share options of WellNet held as at 30/09/2003
		From	Until			
LAU Ting	07/05/2001	05/08/2001	04/08/2004	1.00	0.461	10,800,000 (Note)
YU Wing Keung, Dicky	07/05/2001	05/08/2001	04/08/2004	1.00	0.461	2,000,000

Note: Share option for 5,400,000 shares of WellNet was held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.

Save as otherwise disclosed above, as at 30 September 2003, none of the Directors or chief executive of the Company had, or were deemed under the SFO to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of the SFO) which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of listed issuer as referred to in Rule 5.40 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

As at 30 September 2003, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company:

Interests in Shares

Name of shareholder	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
CHAN Shing	72,951,773	50,288,803 <i>(Note 1)</i>	485,746,308 <i>(Note 2)</i>	608,986,884 <i>(Note 3)</i>	60.90%
WellNet	463,831,074	-	-	463,831,074 <i>(Note 3)</i>	46.38%

Notes:

1. These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing and a Director of the Company.
2. 11,320,192 shares were held by Hang Sing which is owned as to 51% by Orient Strength, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 10,595,042 shares were held by Strong Purpose, a company which is wholly-owned by Ms. LAU Ting and Mr. CHAN Shing. 463,831,074 shares were held by WellNet, which is owned as to 21.46% by Hang Sing, as to 20.08% by Strong Purpose, as to 2.06% by Ms. LAU Ting and as to 1.24% by Mr. CHAN Shing.
3. The interests of Mr. CHAN Shing, Ms. LAU Ting and WellNet were duplicated.

Save as disclosed above, as at 30 September 2003, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

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 30 September 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.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the Directors, the Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the six months ended 30 September 2003.

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 unaudited consolidated results for the six months ended 30 September 2003 have been reviewed by the Audit Committee.

On behalf of the Board

LAU Ting

Chairman

Hong Kong, 6 November 2003