

**WorldMetal Holdings Limited**

金屬電子交易所集團有限公司

(Incorporated in Bermuda with limited liability)



Annual Report

2004

## **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.*

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## Corporate Information

### DIRECTORS

LAU Ting, *Chairman*  
YU Wing Keung, *Dicky, Deputy Chairman and Chief Executive Officer*  
CHOW Kin Wa, *Executive Director*  
CHEN Aizheng, *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

HLB Hodgson Impey Cheng  
*Chartered Accountants*  
*Certified Public Accountants*

### LEGAL ADVISERS

Appleby Spurling Hunter  
Baker & McKenzie  
Haiwen & Partners

### REGISTERED OFFICE

Canon's Court  
22 Victoria Street  
Hamilton HM 12  
Bermuda

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Unit 1406, 14th Floor  
Office Tower  
Convention Plaza  
1 Harbour Road  
Wanchai, Hong Kong  
Tel: (852) 2136 6618  
Fax: (852) 2136 6608

### WEBSITE

[www.worldmetal.com](http://www.worldmetal.com)

### PRINCIPAL SHARE REGISTRARS

Butterfield Fund Services (Bermuda) Limited  
Rosebank Centre  
11 Bermudiana Road  
Pembroke  
Bermuda

### BRANCH SHARE REGISTRARS IN HONG KONG

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

### PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited  
Standard Chartered Bank  
The Bank of East Asia, Limited  
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				
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover	<b>262,756</b>	45,698	48,156	43,626	373
(Loss)/profit before taxation	<b>(4,705)</b>	(8,523)	6,133	6,160	(4,417)
Taxation credit/(charge)	<b>1,500</b>	(1,358)	822	(1,864)	–
(Loss)/profit after taxation	<b>(3,205)</b>	(9,881)	6,955	4,296	(4,417)
Minority interests	<b>(1)</b>	3,039	(719)	188	–
(Loss)/profit attributable to shareholders	<b>(3,206)</b>	(6,842)	6,236	4,484	(4,417)

Note:

The results of the Group for the years ended 31 March 2000, 2001 and 2002 were prepared on the assumption that the current structure of the Group had been in existence throughout those years.

### ASSETS AND LIABILITIES

	As at 31 March			
	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000	2001 HK\$'000
Intangible assets	<b>1,958</b>	2,752	4,279	6,095
Furniture and equipment	<b>1,256</b>	3,594	5,573	7,593
Long-term investment	<b>390</b>	390	390	–
Current assets	<b>57,037</b>	59,476	64,458	59,469
Current liabilities	<b>(3,614)</b>	(6,461)	(5,098)	(31,770)
Non-current liabilities	<b>(179)</b>	(179)	(580)	(1,189)
Minority interests	<b>(16,785)</b>	(16,555)	(19,311)	(18,740)
Net assets	<b>40,063</b>	43,017	49,711	21,458
Capital and reserves:				
Share capital	<b>10,000</b>	10,000	10,000	19,500
Reserves	<b>34,742</b>	34,490	34,342	2,825
(Accumulated loss)/retained profit	<b>(4,679)</b>	(1,473)	5,369	(867)
Shareholders' equity	<b>40,063</b>	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, ancillary value-chain services and application software development services.

### Business Review

#### *Internet Metal Trading and Ancillary Services*

In the year under review, commission income from Internet metal trading and ancillary services was far from satisfactory. The major reason, on the one hand, is that, in the same predicament as trading platforms of many industries, the degree of recognition and participation in Internet metal trading remains low and the value proposition of the ancillary services are yet to be fully realised. On the other hand, the steel market in China during the year was extremely volatile, with prices fluctuating between the sharp falls in the second quarter to the up-swings in the fourth. The business of Internet metal trading and ancillary services was adversely affected by the extremely unstable market conditions.

Confronted by such an operating environment, the Group instituted timely and effective adjustments to its operating strategies for cost-saving and resource retention. Expenditures in marketing, membership recruitment and information services were curtailed. These cost control and better resource utilisation measures have proved to be effective.

#### *IT Business*

In the year under review, the Group's IT business continued to provide IT consultation services to members and enterprises in the metal industry in Hong Kong and the Mainland. Partnership is also maintained with enterprises in telecommunication equipment in the development of embedded telecommunication application software while sustained efforts are made in offering solutions to customers in video display information systems. However, under the negative impact of a sluggish economy and the Severe Acute Respiratory Syndrome (SARS) epidemic, customers have been very cautious in controlling expenses in IT services, thereby resulting softened demand for the services and a decrease in orders. Notwithstanding this, the Group's IT team sustains its effort and has completed several joint projects in application software development with human resources outsourcing.

### Outlook

As the global economy shows signs of recovery, the overall operating environment in Hong Kong also improves gradually. However, as the Internet market and IT industry are subject to rapidly changing conditions, the outlook remains uncertain. The Group therefore will continue to control operating cost as a fundamental measure. At the same time, it will prudently explore new directions for the way forward with a view to finding business opportunities beyond Internet trading and IT services. The Group will capitalise on the opportunities offered by China's sustained development and plan to invest in industries with promising prospects, in particular targeting projects with proven track record and long-term growth potential as well as exemplary management and products and services. During the year, the Management has examined a number of investment possibilities and will soon select the better ones for further market studies.

The Group is confident of its own advantages and the future prospect. We will maintain our unrelenting efforts in safeguarding the interest of our shareholders and bringing them higher returns.

# Management Discussion and Analysis

## STAFF

During the year under review, the Group continued to adopt effective yet prudent measures in reducing costs and optimising resource utilisation. As at March 2004, the Group employed 43 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 2004, the Group had an audited consolidated turnover of approximately HK\$262,756,000 (2003: HK\$45,698,000). Turnover comprises income from metal transactions, consultancy and logistics services and application software development services, representing 99%, 0% and 1% (2003: 72%, 24% and 4%) of the total turnover respectively. The audited consolidated loss attributable to shareholders amounted to approximately HK\$3,206,000 (2003: HK\$6,842,000).

The general and administrative expenses amounted to approximately HK\$3,594,000 (2003: HK\$7,278,000), a reduction of 51% as compared to the year 2003. The improvement in cost efficiency is a result of our effort in increasing efficiency and effectiveness of deploying the internal resources of the Group. Our Group believed in the importance of resources deployment and cost control for its future operations and development, when the outlook of internet market remains uncertain.

## LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

As at 31 March 2004, the Group had audited net current assets of approximately HK\$53,423,000 (2003: HK\$53,015,000), including cash and deposits with banks and financial institution of approximately HK\$20,698,000 (2003: HK\$30,544,000). The audited total liabilities amounted to approximately HK\$3,793,000 (2003: HK\$6,640,000). As at 31 March 2004, the Group did not have any bank borrowings nor any banking facilities (2003: the Group had banking facilities of approximately HK\$15,600,000 which 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 2004 was approximately 6% (2003: 10%).

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

During the year, the Group disposed of its entire equity interests in Everfame Technologies Limited and its subsidiary at a consideration of approximately HK\$370,000 to an independent third party. 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 2004. 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.

# Management Discussion and Analysis

## CAPITAL STRUCTURE

The Directors believe that the Group has sufficient working capital which 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 3 to the accounts.

## PLEDGE OF ASSET

As at 31 March 2004, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (2003: a bank deposit of the Group amounted to approximately HK\$124,000 was used as security to secure an operating lease for a motor vehicle by a subsidiary in Korea).

## CONTINGENT LIABILITIES

As at 31 March 2004, the Group did not have any material contingent liabilities (2003: 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 (the "Prospectus") for the period from 1 April 2003 to 31 March 2004 with the actual business progress:

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

## Comparison of Business Objectives with Actual Business Progress

### Business Objectives

### Actual Progress

#### Marketing activities

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Continue to focus on markets with national and regional portals</li> </ul>                                 | <ul style="list-style-type: none"> <li>• In view of market conditions, the Group has been prudent in considering on further expanding on markets with national and regional portals</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Initiate activity in other markets that the Group plans to enter</li> </ul>                                | <ul style="list-style-type: none"> <li>• In view of market conditions, the Group has been prudent in considering initiating activity in other markets that the Group plans to enter</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Conduct joint marketing and promotion activities with existing national and regional portals</li> </ul>    | <ul style="list-style-type: none"> <li>• In view of market factors, the Group has been prudent in considering resources deployment to conduct joint marketing and promotion activities</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Continue to search for expansion opportunities in market coverage</li> </ul>                               | <ul style="list-style-type: none"> <li>• Continue to search for expansion opportunities in market coverage with a view of opening up more revenue generating channels while minimising expenses</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Intend to establish offices or a local presence in different country specific markets</li> </ul>           | <ul style="list-style-type: none"> <li>• In view of market conditions, the Group has been prudent in considering setting up of offices or a local presence in different country-specific markets</li> </ul>  |
| <ul style="list-style-type: none"> <li>• Liaison with international and Chinese metals-related websites and influential B2B portals</li> </ul>      | <ul style="list-style-type: none"> <li>• Continue discussion on cooperation with international and Chinese metals-related websites and influential B2B portals with a view of opening up more revenue generating channels while minimising expenses</li> </ul> |
| <ul style="list-style-type: none"> <li>• Launch other national and regional portals</li> </ul>  | <ul style="list-style-type: none"> <li>• In view of market conditions, the Group has been prudent in considering resources deployment to establish other national or regional portals</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Continue to expand membership for ferrous metals and non-ferrous metals trading</li> </ul>                 | <ul style="list-style-type: none"> <li>• Continue to expand membership base. As at 31 March 2004, the number of corporate members was 4,463</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Continue to conduct joint marketing and promotion activities with value-chain service providers</li> </ul> | <ul style="list-style-type: none"> <li>• Continue to actively coordinate with value-chain service providers in joint marketing and promotion activities</li> </ul>   |
| <ul style="list-style-type: none"> <li>• Explore the possibility of bringing in more value-chain participants</li> </ul>                            | <ul style="list-style-type: none"> <li>• Actively explore the possibility of bringing in more value-chain participants with a view of opening up more revenue generating channels while minimising expenses</li> </ul>   |

## Comparison of Business Objectives with Actual Business Progress

### Business Objectives

#### Development of services

- 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
- 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
- Conduct feasibility study for electronic authentication and explore the necessity of implementing additional security measures

### Actual Progress

- 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. Continue to consider the feasibility to add other language interface
- Continue to enrich the content of the portal with a view of opening up more revenue generating channels while minimising expenses
- Emphasis placed on continuous improvement of monitoring of trading platform by way of effectively enhancing the monitoring function of platform software so as to promote neutrality and real time risk management
- Continue to add 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
- Conduct feasibility study for electronic authentication and additional security measures

## Comparison of Business Objectives with Actual Business Progress

### Business Objectives

### Actual Progress

#### Resources Deployment

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

#### USE OF NET PROCEEDS

During the year ended 31 March 2004, the Group has applied approximately HK\$3,115,000 in accordance with the statement of the business objectives as set out in the Prospectus:

	Originally planned for the year* HK\$'000	Amount utilised during the year HK\$'000
Market research and marketing activities		
– Establish and strengthen the brand name of the WorldMetal.com and broaden the membership bases	1,000	264
Development of services		
– Enhancement of technological support and adoption of State-of-art technology in the portals of the Group	3,000	2,829
Resources deployment		
– Recruitment of high caliber personnel and strengthen training for R&D staff	1,000	22
	5,000	3,115

\* Amounts are extracted from the Prospectus

Actual application of the net proceeds was lower as compared to the budget. This was due to the changing business environment of internet market and information technology industry. After careful study, 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.

## Biographies of Directors and Senior Management

### **Ms. LAU Ting, aged 47**

*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 Burwill Holdings Limited (formerly known as WellNet Holdings Limited).

### **Mr. YU Wing Keung, Dicky, aged 41**

*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 Burwill Holdings Limited (formerly known as WellNet Holdings Limited).

### **Mr. CHOW Kin Wa, aged 37**

*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.

### **Dr. CHEN Aizheng, aged 46**

*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 Comparative linguistics and literature. Dr. Chen is the brother-in-law of Ms. Lau Ting.

### **Mr. NG Man Fai, Matthew, aged 36**

*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.

## Biographies of Directors and Senior Management

**Mr. KING Roger, aged 63**

*Independent Non-Executive Director*

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

**Mr. HUANG Shenglan, aged 52**

*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, Head Office 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 in International Economic Law from Xiamen University and in Advanced Management Programme from the Business School of Harvard University, USA.

**Mr. LU Zhi Fang, aged 50**

*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 served as an arbitrator for the China International Economics and Trade Arbitration Committee from 1987 to 2003 and he is also an arbitrator for 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 34**

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 32**

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 and a master's degree in Corporate Finance from the Hong Kong Polytechnic University. 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 are 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 2004.

### FINANCIAL RESULTS

Details of the Group's results for the year ended 31 March 2004 are set out in the consolidated profit and loss account on page 24.

The respective state of affairs of the Group and the Company as at 31 March 2004 are set out in the balance sheets on pages 25 to 26.

The Group's cash flows are set out in the consolidated cash flow statement on page 28.

### PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding.

The principal activities of the Group are provision of 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 2004 are set out in note 3 to the accounts on pages 35 to 38.

### 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 2004 (2003: Nil).

### MAJOR SUPPLIERS AND CUSTOMERS

The Group's five largest customers accounted for about 88% of its turnover for the year. In addition, the largest customer of the Group accounted for about 53% of the Group's turnover. For the year ended 31 March 2004, Burwill Resources Limited, a subsidiary of Burwill Holdings Limited (formerly known as WellNet Holdings Limited) which is a substantial shareholder and an initial management shareholder of the Company, accounted for about 1% of the Group's turnover.

The Group's five largest suppliers accounted for about 94% of its purchases for the year. In addition, the largest supplier of the Group accounted for about 44% 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 and 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 43.

### SUBSIDIARIES

The particulars of the Company's principal subsidiaries as at 31 March 2004 are set out in note 12 to the accounts on pages 44 to 45.

### SHARE CAPITAL

Details of the share capital of the Company as at 31 March 2004 are set out in note 21 to the accounts on page 47.

### RESERVES

Details of movements in reserves during the year are set out in note 23 to the accounts on page 48.

### DISTRIBUTABLE RESERVES

As at 31 March 2004, the Company's reserves available for distribution to shareholders calculated in accordance with the Companies Act 1981 of Bermuda amounted to HK\$10,428,000 (2003: 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, sold or redeemed any of the Company's listed securities during the year ended 31 March 2004.



# Report of the Directors

## SHARE OPTION SCHEME

At the 2002 Annual General Meeting of the Company held on 30 July 2002, a new share option scheme (the "Option Scheme") was adopted by the shareholders to comply 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").

No options had been granted, exercised nor cancelled since the adoption of the Option Scheme. Summary of the principal terms of the Option Scheme is as follows:–

### (i) Purpose of the Option Scheme

The purpose of the Option 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, 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 Option 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 Option 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.

### (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 Option 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 Option 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 Option Scheme on acceptance of the grant of an option.

## Report of the Directors

### SHARE OPTION SCHEME (Cont'd)

#### (vii) Subscription price

The subscription price for the shares under the options to be granted under the Option 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 Option Scheme

The Option 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 Option Scheme shall remain in full force and effect in all other respects.

### 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

– resigned on 29 February 2004

Mr. CHOW Kin Wa

Mr. CHEN Aizheng

Mr. LEUNG Hong Tai

– resigned on 22 December 2003

Mr. NG Man Fai, Matthew

#### Independent Non-Executive Directors:

Mr. KING Roger

Mr. HUANG Shenglan

Mr. LU Zhi Fang

In accordance with bye-law 99 of the Bye-laws of the Company, Mr. KING Roger and Mr. LU Zhi Fang retire from office by rotation 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 11 to 12.

### SENIOR MANAGEMENT

Biographical details of the senior management of the Group are set out on page 12.

## Report of the Directors

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

As at 31 March 2004, 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 pursuant to the required standards of dealing by directors of the listed issuer as referred to in Rule 5.46 of the GEM Listing Rules, were as follows:

#### (1) Interests in Shares

##### (A) The Company

Name of Director	Personal interests	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
		Family interests	Corporate interests			
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%	
CHOW Kin Wa	3,000,000	–	–	3,000,000	0.30%	
CHEN Aizheng	2,310,000	330,000	–	2,640,000	0.26%	
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 Burwill Holdings Limited ("Burwill") (Note 4), which is owned as to 21.48% by Hang Sing, as to 20.10% by Strong Purpose, as to 2.07% 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.
- The change of name from "WellNet Holdings Limited" to "Burwill Holdings Limited" become effective on 3 June 2004, the date on which the new name is registered by the Registrar of Companies in Bermuda in place of the former name.

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

#### (1) Interests in Shares (Cont'd)

(B) Associated Corporation – Burwill Holdings Limited

Name of Director	Personal interests	Number of ordinary shares			Total	Approximate percentage interest in the issued share capital of Burwill
		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%	
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 – Burwill 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 Burwill held as at 31/3/2004
		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 Burwill was held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Save as otherwise disclosed above, as at 31 March 2004, 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 required standards of dealing by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 March 2004, 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	Personal interests	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
		Family interests	Corporate interests			
CHAN Shing	72,951,773	50,288,803 (Note 1)	485,746,308 (Note 2)	608,986,884 (Note 3)	60.90%	
Burwill	463,831,074	–	–	463,831,074 (Note 3)	46.38%	

#### Notes:

- These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing and a Director of the Company.
- 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 Burwill, which is owned as to 21.48% by Hang Sing, as to 20.10% by Strong Purpose, as to 2.07% by Ms. LAU Ting and as to 1.24% by Mr. CHAN Shing.
- The interests of Mr. CHAN Shing, Ms. LAU Ting and Burwill were duplicated.

Save as disclosed above, as at 31 March 2004, 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.

## Report of the Directors

### 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 Directors 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.

### 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 2004, the Group has provided Burwill and some of its subsidiaries within Burwill 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 Burwill 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 Burwill Group in the year ended 31 March 2004 was approximately HK\$3,775,000, which amount had not been greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group as at 31 March 2004.

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 (in force prior to 31 March 2004) 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 page 3.

## 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 page 51.

## 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 2004, 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, which expired on 31 March 2004, the Company should pay an agreed fee to BOCI Asia for its provision of services up to 31 March 2004.

## COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

In the opinion of the Directors, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures throughout the year.

## Report of the Directors

### AUDIT COMMITTEE

The Company established an Audit Committee in October 2001 in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee currently 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 2004 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 2004, and provide advices and recommendations to the Board of Directors.

### AUDITORS

Arthur Andersen & Co. were auditors of the Company for the year ended 31 March 2002 and PricewaterhouseCoopers were auditors of the Company for the year ended 31 March 2003.

HLB Hodgson Impey Cheng, who was appointed as auditors of the Company by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers on 14 May 2004, will retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board

**LAU Ting**

*Chairman*

Hong Kong, 17 June 2004



## Report of the Auditors



Chartered Accountants  
Certified Public Accountants

6/F., Wheelock House  
20 Pedder Street  
Central  
Hong Kong

### TO THE SHAREHOLDERS OF WORLDMETAL HOLDINGS LIMITED

*(Incorporated in Bermuda with limited liability)*

We have audited the accounts on pages 24 to 52 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 solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

### 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 2004 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.

### HLB Hodgson Impey Cheng

Chartered Accountants  
Certified Public Accountants

Hong Kong, 17 June 2004

## Consolidated Profit and Loss Account

For the year ended 31 March 2004

	Note	2004 HK\$'000	2003 HK\$'000
Turnover	3	262,756	45,698
Cost of merchandise sold		(256,591)	(25,831)
Staff costs	8	(5,185)	(9,158)
Amortisation of intangible assets		(800)	(1,808)
Depreciation		(1,944)	(2,044)
Advertising and promotion expenses		(2)	(215)
Reversal/(Provision) for bad and doubtful debts		1	(8,422)
Write-off of accounts receivable		(2)	(880)
General and administrative expenses		(3,594)	(7,278)
Loss from operations		(5,361)	(9,938)
Other revenues	3	590	1,415
Gain on disposal of subsidiaries		66	–
Loss before taxation	4	(4,705)	(8,523)
Taxation credit/(charge)	5	1,500	(1,358)
Loss after taxation		(3,205)	(9,881)
Minority interests		(1)	3,039
Loss attributable to shareholders	6	(3,206)	(6,842)
Loss per share – Basic	7	(0.32) HK cent	(0.68) HK cent

# Balance Sheets

As at 31 March 2004

	Note	Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
<b>Non-current assets</b>					
Intangible assets	10	1,958	2,752	–	–
Furniture and equipment	11	1,256	3,594	–	–
Investments in subsidiaries	12	–	–	37,608	32,309
Long-term investment	13	390	390	–	–
Total non-current assets		3,604	6,736	37,608	32,309
<b>Current assets</b>					
Inventories	15	–	2,018	–	–
Accounts receivable	16	30,214	25,252	–	–
Prepayments, deposits and other receivables		6,125	1,045	–	–
Amount due from a related company	18	–	617	–	–
Pledged bank deposits	14&20	–	124	–	–
Deposit with a financial institution	19&20	15,095	15,094	–	–
Cash and bank balances	20	5,603	15,326	2,785	9,852
Total current assets		57,037	59,476	2,785	9,852
<b>Current liabilities</b>					
Accounts payable	17	(95)	(1,905)	–	–
Accruals and other payables		(1,678)	(1,340)	(100)	(100)
Amounts due to related companies	18	(1,345)	(1,226)	–	–
Taxation payable		(496)	(1,990)	–	–
Total current liabilities		(3,614)	(6,461)	(100)	(100)
Net current assets		53,423	53,015	2,685	9,752
Total assets less current liabilities		57,027	59,751	40,293	42,061

## Balance Sheets

As at 31 March 2004

	Note	Group		Company	
		2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Representing:					
Share capital	21	10,000	10,000	10,000	10,000
Reserves	23	34,742	34,490	36,074	36,074
Accumulated loss	24	(4,679)	(1,473)	(5,781)	(4,013)
Shareholders' funds		40,063	43,017	40,293	42,061
<b>Non-current liabilities</b>					
Deferred taxation	25	179	179	–	–
Total non-current liabilities		179	179	–	–
<b>Minority interests</b>					
		16,785	16,555	–	–
		57,027	59,751	40,293	42,061

LAU TING  
Chairman

NG MAN FAI, MATTHEW  
Director

## Consolidated Statement of Changes in Equity

For the year ended 31 March 2004

	<i>Note</i>	<b>2004</b> <b>HK\$'000</b>	2003 HK\$'000
Total equity as at 1 April		<b>43,017</b>	49,711
Exchange differences arising on translation of the accounts of foreign subsidiaries	23	<b>252</b>	148
Loss for the year	24	<b>(3,206)</b>	(6,842)
Total equity as at 31 March		<b>40,063</b>	43,017

## Consolidated Cash Flow Statement

For the year ended 31 March 2004

	Note	2004 HK\$'000	2003 HK\$'000
<b>Net cash outflow from operations</b>	26(a)	<b>(10,985)</b>	(7,524)
Hong Kong profits tax refunded/(paid)		6	(129)
Overseas taxation paid		–	(9)
<b>Net cash outflow from operating activities</b>		<b>(10,979)</b>	(7,662)
<b>Investing activities</b>			
Purchase of furniture and equipment		–	(138)
Sale of furniture and equipment		43	54
Interest income from bank deposits		343	290
Disposal of subsidiaries	26(b)	300	–
Increase in intangible assets		–	(272)
Decrease in pledged bank deposits		124	–
Net cash inflow/(outflow) from investing activities		<b>810</b>	(66)
Net cash outflow before financing activities		<b>(10,169)</b>	(7,728)
<b>Financing activities</b>			
Decrease in amounts due to related companies		–	(1,094)
Repayment of loans from shareholders		–	(1,390)
Capital element of finance lease payments		–	(325)
Net cash outflow from financing activities		–	(2,809)
Decrease in cash and cash equivalents		<b>(10,169)</b>	(10,537)
Cash and cash equivalents at 1 April		<b>30,420</b>	40,554
Effect of foreign exchange rate changes		<b>447</b>	403
Cash and cash equivalents at 31 March		<b>20,698</b>	30,420
Analysis of balances of cash and cash equivalents			
Cash and bank balances		<b>5,603</b>	15,326
Deposit with a financial institution		<b>15,095</b>	15,094
		<b>20,698</b>	30,420

# Notes to the Accounts

## 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability. The shares of the Company are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) operation of metal exchange portals for the provision of online steel trading services, (ii) metal trading, (iii) provision of consultancy and logistics services, and (iv) provision of application software development services.

## 2. 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 Statement of Standard Accounting Practice ("SSAP") issued by the HKSA which is applicable to the Group and effective for accounting periods commencing on or after 1 January 2003:

SSAP 12 (revised) : Income taxes

The adoption of the above SSAP 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.

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.

## Notes to the Accounts

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

#### (b) Group accounting (Cont'd)

##### (i) Consolidation (Cont'd)

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 sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are 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.

##### (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.



## Notes to the Accounts

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

#### (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.

#### (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.

## Notes to the Accounts

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

#### (e) Assets under leases (Cont'd)

##### (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 their 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.

#### (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.

## Notes to the Accounts

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

#### (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.

##### (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) Taxation

The charge for taxation in the income statement for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

## Notes to the Accounts

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

#### (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, it 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 is recognised upon provision of the services.
- (iv) Consultancy fees, net of applicable business tax, are recognised upon provision of the services.
- (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 2004 as there were no material direct costs attributable to these services.
- (vi) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (vii) Rental income is recognised on a straight-line basis over the terms of the leases.

#### (o) Borrowing costs

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

## Notes to the Accounts

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

#### (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.

### 3. TURNOVER, REVENUES 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:

	2004 HK\$'000	2003 HK\$'000
Turnover		
Commission income	3,856	6,848
Sales of merchandise	257,878	25,942
Logistics service income	–	9,651
Consultancy fees	–	1,420
Application software development service fees	1,022	1,837
	262,756	45,698
Other revenues		
Rental income	–	844
Interest income from bank deposits	343	290
Others	247	281
	590	1,415
Total revenues	263,346	47,113

## Notes to the Accounts

### 3. TURNOVER, REVENUES 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) provision of application software development services.

	Metal exchange portals HK\$'000	Metal trading HK\$'000	2004 Consultancy and logistics services HK\$'000	Application software development services HK\$'000	Total HK\$'000
Turnover	3,856	257,878	–	1,022	262,756
Segment results	(2,744)	(158)	–	(180)	(3,082)
Unallocated corporate expenses					(2,279)
Other revenues					590
Gain on disposal of subsidiaries					66
Taxation					1,500
Loss after taxation					(3,205)
Minority interests					(1)
Loss attributable to shareholders					(3,206)
<b>Balance sheet</b>					
Segment assets	26,455	5,434	–	1,064	32,953
Unallocated assets					27,688
Total assets					60,641
Segment liabilities	2,383	198	–	96	2,677
Unallocated liabilities					1,116
Total liabilities					3,793
<b>Other information</b>					
Capital expenditures	–	–	–	–	–
Depreciation and amortisation	2,009	483	–	122	2,614
Unallocated depreciation and amortisation					130
					2,744

## Notes to the Accounts

### 3. TURNOVER, REVENUES AND SEGMENT INFORMATION (Cont'd)

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

	Metal exchange portals HK\$'000	Metal trading HK\$'000	2003 Consultancy and logistics services HK\$'000	Application software development services HK\$'000	Total 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)
<b>Balance sheet</b>					
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
<b>Other information</b>					
Capital expenditures	266	23	112	9	410
Depreciation and amortisation	3,424	123	124	181	3,852

There are no sales or transactions among the business segments.

## Notes to the Accounts

### 3. TURNOVER, REVENUES 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:

	2004			Total HK\$'000
	Korea HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	
Turnover	257,959	4,140	657	262,756
Operating results	(159)	(4,938)	(264)	(5,361)
Total assets	5,436	31,601	23,604	60,641
Capital expenditures	–	–	–	–

  

	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

There are no sales between the geographical segments.



## Notes to the Accounts

### 4. LOSS BEFORE TAXATION

Loss before taxation is stated after charging and crediting the following:

	2004 HK\$'000	2003 HK\$'000
<i>Charging</i>		
Depreciation of owned assets	1,944	2,044
Loss on disposal of furniture and equipment	247	32
Operating lease rentals in respect of		
– a motor vehicle	44	33
– land and buildings	1,521	2,339
Auditors' remuneration	200	380
Amortisation of intangible assets		
– domain names and trademarks	118	116
– portal development costs	682	1,692
Provision for bad and doubtful debts for related companies	–	8,422
Write-off of accounts receivable	2	880
Net exchange losses	49	15
	<hr/>	<hr/>
<i>Crediting</i>		
Reversal of bad and doubtful debts	1	–
	<hr/>	<hr/>

### 5. TAXATION CREDIT/(CHARGE)

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

	2004 HK\$'000	2003 HK\$'000
<i>Current taxation</i>		
– Hong Kong profits tax	–	–
– Mainland China enterprise income tax	–	(1,500)
– Overseas taxation	–	–
Over provisions in prior years	1,500	–
Deferred taxation ( <i>Note 25</i> )	–	142
	<hr/>	<hr/>
	1,500	(1,358)
	<hr/>	<hr/>

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 both the current and prior years.

## Notes to the Accounts

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

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. No corporation income tax has been provided as SteelMetal.com Limited incurred a taxation loss for the years ended 31 March 2004 and 2003.

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 for 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 third year of profitable operations after offsetting prior year losses.

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 incurred a taxation loss for the years ended 31 March 2004 and 2003.

### 6. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of approximately HK\$1,768,000 (2003: HK\$2,531,000) dealt with in the accounts of the Company.

### 7. LOSS PER SHARE

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of approximately HK\$3,206,000 (2003: HK\$6,842,000) and the weighted average number of 1,000,000,000 shares in issue (2003: 1,000,000,000 shares) during the year.

No diluted loss per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31 March 2004 and 2003.

### 8. STAFF COSTS

Staff costs including directors' remuneration comprise:

	2004 HK\$'000	2003 HK\$'000
Wages and salaries	5,036	8,060
Unutilised annual leave	(100)	100
Social security costs	23	105
Pension costs – defined contribution plans	186	500
Provision for long service payment	18	16
Other staff welfare	22	377
	5,185	9,158

## 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:

	2004 HK\$'000	2003 HK\$'000
Fees for Non-Executive Directors	360	360
Other emoluments to Executive Directors		
Basic salaries, housing allowances, other allowances and benefits in kind	1,788	3,577
Discretionary bonuses	–	360
Contributions to pensions schemes for Directors	60	142
	<b>2,208</b>	<b>4,439</b>

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 Directors during the year.

The emoluments of the Directors fell within the following bands:

Emoluments bands	Number of Directors	
	2004	2003
HK\$ nil – HK\$1,000,000	10	10
HK\$1,000,001 – HK\$1,500,000	–	1
	<b>10</b>	<b>11</b>

For the year ended 31 March 2004, the Non-Executive Directors received individual emoluments of HK\$120,000 (2003: HK\$120,000), HK\$120,000 (2003: HK\$120,000), HK\$Nil (2003: HK\$60,000) and HK\$120,000 (2003: HK\$60,000) respectively, while the Executive Directors received individual emoluments of approximately HK\$14 (2003: HK\$1,287,000), HK\$385,000 (2003: HK\$586,000), HK\$556,000 (2003: HK\$876,000), HK\$14 (2003: HK\$614,000), HK\$539,000 (2003: HK\$612,000), HK\$368,000 (2003: HK\$104,000) and HK\$14 (2003: HK\$12) respectively.

## Notes to the Accounts

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

#### (b) Five highest paid individuals

Of the five individuals with the highest emoluments in the Group, three (2003: five) were Directors of the Company whose emoluments are included in Note 9(a) to the accounts. The emoluments of the remaining two (2003: not applicable) individuals were as follows:

	2004 HK\$'000	2003 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	780	–
Contributions to pensions schemes	36	–
	816	–

Their emoluments were within the following bands:

Emoluments bands	Number of employees	
	2004	2003
HK\$ nil – HK\$1,000,000	2	–

### 10. INTANGIBLE ASSETS

	Domain names and trademarks HK\$'000	Group Portal development costs HK\$'000	Total HK\$'000
For the year ended			
31 March 2004			
Opening net book amount	2,076	676	2,752
Amortisation charge	(118)	(682)	(800)
Translation adjustments	–	6	6
	1,958	–	1,958
At 31 March 2004			
Cost	2,347	5,422	7,769
Accumulated amortisation	(389)	(5,422)	(5,811)
	1,958	–	1,958
At 31 March 2003			
Cost	2,347	5,422	7,769
Accumulated amortisation	(271)	(4,746)	(5,017)
	2,076	676	2,752

## 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
<b>Cost</b>					
At 1 April 2003	1,315	6,814	922	296	9,347
Disposals	(1,231)	(676)	(10)	–	(1,917)
Disposals of subsidiaries	(38)	(204)	(48)	–	(290)
Translation adjustments	–	47	1	–	48
<b>At 31 March 2004</b>	<b>46</b>	<b>5,981</b>	<b>865</b>	<b>296</b>	<b>7,188</b>
<b>Accumulated depreciation</b>					
At 1 April 2003	780	4,620	243	110	5,753
Charge for the year	248	1,545	98	53	1,944
Disposals	(976)	(648)	(3)	–	(1,627)
Disposals of subsidiaries	(27)	(124)	(31)	–	(182)
Translation adjustments	–	43	1	–	44
<b>At 31 March 2004</b>	<b>25</b>	<b>5,436</b>	<b>308</b>	<b>163</b>	<b>5,932</b>
<b>Net book value</b>					
<b>At 31 March 2004</b>	<b>21</b>	<b>545</b>	<b>557</b>	<b>133</b>	<b>1,256</b>
At 31 March 2003	535	2,194	679	186	3,594

## Notes to the Accounts

### 12. INVESTMENTS IN SUBSIDIARIES

	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	23,909	23,909
Due from subsidiaries	13,699	8,400
	37,608	32,309

The underlying value of investments in subsidiaries was, in the opinion of the directors, not less than their carrying value as at 31 March 2004.

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

The following is a list of the subsidiaries as at 31 March 2004:

Name of company	Place of incorporation/ establishment <i>(Note (iv))</i>	Issued and fully paid up share capital/ registered capital	Interest held	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
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

## Notes to the Accounts

### 12. INVESTMENTS IN SUBSIDIARIES (Cont'd)

Name of company	Place of incorporation/ establishment (Note (iv))	Issued and fully paid up share capital/ registered capital	Interest held	Principal activities
Rusmet.com Limited	Hong Kong	US\$2	100%	Operation of a metal exchange portal
SteelMetal.com Limited (Note (i))	Korea	Won1,000,000,000	50% (Note (v))	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 (ii))	Mainland China	US\$4,080,000	50% (Note (v))	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 (iii))	Mainland China	US\$200,000	100%	Inactive/dormant

Notes:

- (i) SteelMetal.com Limited is an equity joint venture established in Korea.
- (ii) 北京威銘 is a sino-foreign equity joint venture established in Mainland China to be operated for a period of 30 years up to October 2030.
- (iii) 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.
- (iv) The subsidiaries operate principally in their places of incorporation/establishment.
- (v) 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.
- (vi) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2004.

### 13. LONG-TERM INVESTMENT

	Group	
	2004 HK\$'000	2003 HK\$'000
Unlisted guarantee fund, at cost	<b>390</b>	390

The underlying value of long-term investment was, in the opinion of the directors, not less than the carrying value of the investment as at 31 March 2004.

## Notes to the Accounts

### 14. PLEDGED BANK DEPOSITS

As at 31 March 2004, the Group did not have any pledged bank deposits (2003: a bank deposit of approximately HK\$124,000 was pledged to secure an operating lease for a motor vehicle).

### 15. INVENTORIES

	2004 HK\$'000	Group 2003 HK\$'000
Merchandise, at cost	–	2,018

### 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 2004, the ageing analysis of the accounts receivable was as follows:

	2004 HK\$'000	Group 2003 HK\$'000
0 – 90 days	3,250	2,206
91 – 180 days	400	12,914
181 days – one year	2,221	2,577
Over one year and less than two years	13,662	15,521
Over two years	19,356	728
	<b>38,889</b>	<b>33,946</b>
Less: Provision for bad and doubtful debts		
– on amounts due from related companies	(8,422)	(8,422)
– on others	(253)	(272)
	<b>(8,675)</b>	<b>(8,694)</b>
	<b>30,214</b>	<b>25,252</b>

### 17. ACCOUNTS PAYABLE

At 31 March 2004, the ageing analysis of the accounts payable was as follows:

	2004 HK\$'000	Group 2003 HK\$'000
0 – 90 days	95	1,905



## Notes to the Accounts

### 18. AMOUNTS DUE FROM/(TO) RELATED COMPANIES

The amounts due 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 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 2004, the Group had deposit placed with a financial institution (see Note 19) and other cash and bank balances of approximately HK\$15,452,000 (2003: HK\$15,543,000) 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

	2004 HK\$'000	2003 HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.01 each	<b>20,000</b>	20,000
<i>Issued and fully paid:</i>		
1,000,000,000 ordinary shares of HK\$0.01 each	<b>10,000</b>	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 adoption of a share option scheme (the "Option Scheme") in compliance with the amended Chapter 23 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

Under the Option 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 Option Scheme since its adoption.

## Notes to the Accounts

## 23. RESERVES

	Group			Total HK\$'000
	Share premium HK\$'000	Capital reserve (Note b) 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 and at 1 April 2003	19,865	15,158	(533)	34,490
Translation adjustments	–	–	252	252
<b>At 31 March 2004</b>	<b>19,865</b>	<b>15,158</b>	<b>(281)</b>	<b>34,742</b>

  

	Company Contributed surplus		Total HK\$'000
	Share premium HK\$'000	(Note c) HK\$'000	
<b>At 1 April 2003 and at 31 March 2004</b>	<b>19,865</b>	<b>16,209</b>	<b>36,074</b>

Notes:

- (a) On 6 September 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (the "Reorganisation") at the time of listing of the Company's shares on GEM.
- (b) 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.
- (c) 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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
At 1 April	(1,473)	5,369	(4,013)	(1,482)
Loss for the year	(3,206)	(6,842)	(1,768)	(2,531)
At 31 March	(4,679)	(1,473)	(5,781)	(4,013)

## Notes to the Accounts

### 25. DEFERRED TAXATION

	Group	
	2004 HK\$'000	2003 HK\$'000
At 1 April	179	321
Write-back of provision	–	(142)
	<hr/>	<hr/>
At 31 March	179	179

Deferred taxation represents the taxation effect of accelerated depreciation allowances.

As at 31 March 2004, deferred tax assets not recognised in respect of tax losses amounted to approximately HK\$190,000 (2003: HK\$552,000).

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

#### (a) Reconciliation of loss before taxation to net cash outflow from operations

	2004 HK\$'000	2003 HK\$'000
Loss before taxation	(4,705)	(8,523)
Depreciation	1,944	2,044
Amortisation of intangible assets	800	1,808
Loss on disposal of furniture and equipment	247	32
Interest income from bank deposits	(343)	(290)
Gain on disposal of subsidiaries	(66)	–
	<hr/>	<hr/>
Loss before taxation and working capital changes	(2,123)	(4,929)
Working capital changes:		
– Inventories	2,018	(2,018)
– Accounts receivable	(5,198)	(2,790)
– Prepayments, deposits and other receivables	(5,028)	279
– Amount due from a related company	617	(617)
– Accounts payable	(1,810)	1,018
– Accruals and other payables	420	307
– Amounts due to related companies	119	1,226
	<hr/>	<hr/>
Net cash outflow from operations	(10,985)	(7,524)

## Notes to the Accounts

### 26. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

#### (b) Disposal of subsidiaries

During the year ended 31 March 2004, the Group disposed of its entire equity interests in Everfame Technologies Limited and its subsidiary at a consideration of approximately HK\$370,000.

Summary of the effects of disposal of subsidiaries is as follows:

	<b>2004 HK\$'000</b>
Furniture and equipment	108
Accounts receivable	236
Prepayments, deposits and other receivables	11
Cash and bank balances	7
Accruals and other payables	(82)
Cumulative translation reserve	24
	<hr/>
	304
Gain on disposal of subsidiaries	66
	<hr/>
	370
	<hr/>
Satisfied by:	
Cash	307
Consideration receivable	63
	<hr/>
	370
	<hr/>
Net cash inflow arising from disposal:	
Cash and bank balances disposed of	(7)
Cash consideration received	307
	<hr/>
	300
	<hr/>

## Notes to the Accounts

### 27. COMMITMENTS

At 31 March 2004, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	Land and buildings		A motor vehicle	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Not later than one year	81	2,100	46	33
Later than one year and not later than five years	–	104	85	33
	<b>81</b>	<b>2,204</b>	<b>131</b>	<b>66</b>

The Company did not have significant operating lease commitments as at 31 March 2004 (2003: 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 ranging from approximately 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 labour 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 at balance sheet date.

During the year, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately HK\$186,000 (2003: HK\$500,000), with no (2003: Nil) deduction of forfeited contributions. At 31 March 2004, there was no material forfeited contribution available to reduce the Group's employer contribution payable in future periods.

The Group did not have contribution payable at 31 March 2004 (2003: HK\$63,000).

## Notes to the Accounts

### 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) Material 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:

Nature of transaction	2004 HK\$'000	2003 HK\$'000
Commission income earned from subsidiaries of a substantial shareholder	3,775	5,673
Application software development service fees earned from a subsidiary of a substantial shareholder	–	142
Purchases from a subsidiary's minority shareholder and its subsidiaries	38,562	10,295
Sales to a subsidiary's minority shareholder and its subsidiaries	13,252	–
Commission expenses paid to a subsidiary's minority shareholder	–	385
Rental income earned from subsidiaries of a substantial shareholder	–	844
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

- (b) Included in accounts receivable at 31 March 2004 are accounts receivable balances due from related companies of approximately HK\$32,797,000 (2003: HK\$24,403,000). At 31 March 2004, provisions of approximately HK\$8,422,000 (2003: HK\$8,422,000) were made on accounts receivable balance due from related companies. There were no accounts payable balances due to a related company at 31 March 2004 (2003: HK\$1,905,000). All outstanding balances with related companies are unsecured and non-interest bearing.

### 30. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 17 June 2004.