

WorldMetal Holdings Limited

金屬電子交易所集團有限公司

(Incorporated in Bermuda with Limited Liability)



Third Quarterly Report

| 2001/02

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM-listed issuers.

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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 (the “GEM Listing Rules”) 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.

HIGHLIGHTS

- The Group recorded a turnover of approximately HK\$27,592,000 in the nine months ended 31 December 2001, representing a slight decrease of about 3% compared with that of the same period in 2000/01.
- The Group is striving to control operational costs and optimise the use of resources. For the nine months ended 31 December 2001, the general and administrative costs amounted to HK\$21,070,000, which represented a reduction of 19% from that of the same period last year. Profit attributable to shareholders surged by 251% to HK\$7,179,000.
- By employing proper marketing strategies, the Group has successfully established its brand name for its online metal trading business. By the end of 2001, the Group has nearly 4,000 corporate members.
- During the period under review, the Group's application software development and maintenance services started to generate contribution. Moving forward, the Group, by adopting a prudent approach to business development, endeavours to offer quality online trading services with a rich array of ancillary value-chain services and software application services customised to meet all members' needs.
- For the nine months ended 31 December 2001, the Group's basic earnings per share was HK0.87 cent.

RESULTS (UNAUDITED)

The Directors of WorldMetal Holdings Limited (the “Company”) are pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for each of the three months and nine months ended 31 December 2001, together with the comparative unaudited figures for the corresponding periods in 2000, as follows:

		Three months ended 31 December		Nine months ended 31 December	
		2001	2000	2001	2000
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	9,751	17,678	27,592	28,551
General and administrative expenses		(7,486)	(9,065)	(21,070)	(26,074)
Profit from operations		2,265	8,613	6,522	2,477
Other Income		465	55	1,051	114
Finance Costs		(39)	(116)	(174)	(253)
Profit before taxation		2,691	8,552	7,399	2,338
Taxation	3	861	(898)	861	(898)
Profit after taxation		3,552	7,654	8,260	1,440
Minority interests		352	308	(1,081)	604
Net profit attributable to shareholders		3,904	7,962	7,179	2,044
Basic earnings per share	4	0.41 HK cent	1.03 HK cent	0.87 HK cent	0.27 HK cent

Notes:

1. Basis of presentation

The Company was incorporated in Bermuda under the Companies Act as an exempted company with limited liability on 13 September 2000. Its shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited since 26 October 2001.

On 6 September 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation scheme (the “Reorganisation”) in preparation for the listing of the Company’s shares on GEM. The Company and its subsidiaries resulting from the Reorganisation have been regarded as a continuing group. Accordingly, the consolidated financial statements have been prepared using the merger basis of accounting, under which the Company has been treated as the holding company of the Group during the periods presented.

The unaudited results of the Group have been prepared in accordance with the accounting principles generally accepted in Hong Kong.

2. Turnover

Analysis of turnover of the Group:

	Three months ended 31 December		Nine months ended 31 December	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Commission income	8,031	17,678	23,202	28,551
Advertising income	–	–	7	–
Consultation income	1,332	–	3,995	–
Software development and maintenance services income	388	–	388	–
	<u>9,751</u>	<u>17,678</u>	<u>27,592</u>	<u>28,551</u>

3. Taxation

	Three months ended 31 December		Nine months ended 31 December	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Current taxation				
– Hong Kong profits tax	(323)	–	(505)	–
– Overseas taxation	(62)	–	(62)	–
	<u>(385)</u>	<u>–</u>	<u>(567)</u>	<u>–</u>
Deferred taxation				
– Hong Kong profits tax	0	(898)	0	(898)
Write-back of over provision for previous period				
– Taxation	669	–	851	–
– Deferred taxation	577	–	577	–
	<u>1,246</u>	<u>–</u>	<u>1,428</u>	<u>–</u>
	<u>861</u>	<u>(898)</u>	<u>861</u>	<u>(898)</u>

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profit for the three months and nine months ended 31 December 2001. Overseas taxation has been provided by the subsidiaries based on their estimated taxable profits at the rates of taxation applicable in the respective jurisdictions in which they operate.

4. Basic earnings per share

The calculation of the basic earnings per share for the three months and nine months ended 31 December 2001 is based on the respective unaudited consolidated profit attributable to shareholders of HK\$3,904,000 and HK\$7,179,000 (2000: HK\$7,962,000 and HK\$2,044,000) and the weighted average number of 942,500,000 shares and 827,709,091 shares outstanding (2000: 770,000,000 shares and 770,000,000 shares).

The number of shares used to calculate the 2000 basic earnings per share represents the pro forma issued share capital of the Company on the basis that the Reorganisation had been completed on 1 April 2000.

Diluted earnings per share is not presented for the three months and nine months ended 31 December 2001 and 2000 as there were no potential dilutive securities in existence during the periods.

5. Reserves

	Capital Reserve <i>HK\$'000</i>	Share Premium <i>HK\$'000</i>	Exchange Reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2000				
Surplus on translation of financial statements of overseas subsidiaries	-	-	4	4
At 1 October 2000				
Deficit on translation of financial statements of overseas subsidiaries	-	-	(537)	(537)
At 31 December 2000 and 1 April 2001	-	-	(533)	(533)
Effect of reorganisation (<i>Note</i>)	11,800	-	-	11,800
At 1 October 2001	11,800	-	(533)	11,267
Share premium arising on new shares issued	-	31,400	-	31,400
Placing and listing expenses	-	(11,535)	-	(11,535)
At 31 December 2001	<u>11,800</u>	<u>19,865</u>	<u>(533)</u>	<u>31,132</u>

Note: The effect of the Reorganisation credited to capital reserve represents the difference between the nominal value of the shares of the subsidiary acquired and the nominal value of the shares issued by the Company as consideration thereof.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2001 (2000: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the business of providing Internet metal trading platforms and ancillary value-chain services, industry information and IT consultation and application software development services. The Company's shares were successfully listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 26 October 2001.

During the period under review, the Group continued its effort towards the enhancement in operation efficiency by way of tapping new sources of income and reducing its operating cost, which has provided the Group with steady growth momentum. For the three months ended 31 December 2001, WorldMetal successfully procured transactions for HK\$1,050 million, with profit attributable to shareholders amounting to HK\$3.9 million.

The Group has nearly 4,000 corporate members spreading 65 countries and regions worldwide. They are primarily major steel mills, raw material and energy suppliers, traders, processing centers, transportation companies and end-users, all contributing to the brand building of WorldMetal and forming a solid membership base for liquidity.

China's accession to the World Trade Organisation and its stable growth in GDP has stimulated the domestic demand for iron and steel. Along with the tumbling Japanese yen, the gradual recovery of the Korean economy and flourishing metal trading in the region, the Group's commission revenue is set to grow. During the nine months ended 31 December 2001, on-line transactions on the Group's joint venture metal trading platform in South Korea, SteelnMetal.com, were active, with satisfactory growth over last year. The on-line metal trading system of ChinaSteel.com.cn, the metal trading platform in China for which the Group offers professional and technical support to its design, construction and maintenance, was upgraded and launched its RMB-denominated selling, warehousing and logistic businesses in the locality.

The Group attaches great importance to the upgrading and perfection of its platform functionality, with particular emphasis on strengthening the system performance and safeguarding the system security. In line with the practical needs in the fulfillment of metal transactions, the Group continues to develop and improve its value-chain services, such as in the areas of legal services, shipping, insurance, inspection and trade finances, with an ultimate aim of assisting its members to raise business efficiency and lower their transaction costs.

As regards our information services, in addition to the on-line metal and steel news and Asian business news report in English language provided by Reuters, WorldMetal.com had entered into a fixed term and renewable agreement with New China News Limited (N.C.N. Limited) in late 2001, pursuant to which N.C.N. Limited will provide WorldMetal.com with the PRC and foreign metal news in the Chinese language released by Xinhua News Agency.

The Group has made encouraging progress in the development of its IT consultation and software development services. During the period under review, the Group has leveraged on its extensive corporate membership to provide comprehensive metal industry e-commerce solutions and has already obtained contracts for certain software development projects in Hong Kong and the Mainland, with some completed and some still underway. More projects are under negotiation, pending formal contract execution.

We are optimistic about the future development of online metal trading business. Metal trading remains active in Europe and Asia. For China, in particular, being one of the largest steel consumption market in the world, various raw material commodities such as mineral ore, refined copper, construction materials, plate products and special steel products that are in short supply will be imported in steadily growing quantities. Following its accession to the WTO, China is set to reduce its tariffs on metal products and gradually lift the import restrictions for steel products. Major projects in relation to the opening up of Northwest China will also boost the domestic demand for steel. In view of the above, we believe that international metal trading targeted on the PRC market will remain active for a prolonged period, from which the Group's online metal trading business is well-poised to benefit.

Meanwhile, the Group will continue to develop its member base by identifying and recruiting quality members from major metal producing and trading countries. It is also planned to expand our product range to cover non-ferrous metals and related raw materials. To achieve this, strategic partnerships and alliances will be formed when appropriate for future market development.

Leveraging on the profound industry experience of our committed management, while we strive to perfect the development and maintenance of our trading platforms as we always commit to, we will exert our effort to further develop and expand our IT consultation and software development business with the Group's corporate members as the principal target. Where good progress was already made during the period, we believe that with the advancement of our professional team and its business development, it will bring a satisfactory return to the Group.

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

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 December 2001.

RESIGNATION OF DIRECTOR

Mr. SUN Ho resigned as an Executive Director of the Company with effect from 1 November 2001.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 2001, the interests of the Directors and chief executive of the Company (including those interests which were deemed or taken to have interests under the provisions of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) in the issued share capital of the Company and any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

(A) The Company

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

Notes:

- The shares were held by Mr. CHAN Shing. Mr. CHAN Shing is the spouse of Ms. LAU Ting.

2. 11,320,192 shares were held by Hang Sing Overseas Limited ("Hang Sing"), 10,595,042 shares were owned by Strong Purpose Corporation ("Strong Purpose"), where Ms. LAU Ting, together with Mr. CHAN Shing, own a 51% indirect interest in Hang Sing and a 100% direct interest in Strong Purpose. 513,731,074 shares were held by WellNet Holdings Limited ("WellNet"), in which Ms. LAU Ting, Mr. CHAN Shing, Hang Sing and Strong Purpose together hold the controlling interests.
3. The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

(B) *Associated Corporation – WellNet Holdings Limited*

Name of director	Number of shares			Total
	Personal interests	Family interests	Corporate interests	
LAU Ting	21,776,072	239,439,325 <i>(Note 1)</i>	211,900,848 <i>(Note 2)</i>	473,116,245 <i>(Note 3)</i>
LEUNG Hong Tai	40,000	–	–	40,000

Notes:

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

Save as disclosed above, as at 31 December 2001, none of the Directors or chief executive had, or were deemed under the SDI Ordinance to have, any personal, family, corporate or other interests in the equity of the Company or any of its associated corporations within the meaning of the SDI Ordinance, or which were required to notify the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the listed issuer as referred to in rule 5.40 of the GEM Listing Rules. As at 31 December 2001, none of the Directors, chief executive, nor their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for the securities of the Company.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2001, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders (other than the Directors and chief executive of the Company) were directly or indirectly interested in 10% or more of the issued share capital of the Company:

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

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

As at 31 December 2001, save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company.

INTEREST OF SPONSOR

As at 31 December 2001, BOCI Asia Limited ("BOCI Asia"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) did not have any interests in the shares of the Company or any rights to subscribe for or to nominate persons to subscribe for the shares of the Company.

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

COMPETING INTERESTS

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

AUDIT COMMITTEE

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

By order of the Board

LAU Ting

Chairman

Hong Kong, 6 February 2002