

# WorldMetal Holdings Limited

金屬電子交易所集團有限公司

(Incorporated in Bermuda with Limited Liability)



First Quarterly Report

2002/03

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

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

## SUMMARY

- The Group recorded a turnover of approximately HK\$13,157,000 for the three months ended 30 June 2002, representing an increase of about 33% as compared with the same period in 2001.
- The Group is striving to control operating expenses and explore revenue sources. The Group has managed to lower the operating expenses (before amortisation and depreciation) to approximately HK\$4,948,000 for the first quarter in 2002, representing a 25% decrease as compared with the same period in 2001. Profit attributable to shareholders surged by 185% to HK\$5,368,000.
- During the period under review, the Group achieved continuous growth in number of corporate members. As at 30 June 2002, the Group had 4,198 corporate members.
- For the three months ended 30 June 2002, the Group's basic earnings per share was 0.54 HK cent (2001 – 0.24 HK 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 the three months ended 30 June 2002, together with the comparative unaudited figures for the corresponding period in 2001, as follows:

		<b>Three months ended 30 June</b>	
		<b>2002</b>	2001
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Turnover</b>	2	<b>13,157</b>	9,898
Cost of merchandise sold		<b>(2,689)</b>	–
Staff costs		<b>(2,453)</b>	(4,043)
Amortisation of portal development costs and intangible assets		<b>(449)</b>	(450)
Depreciation of furniture and equipment		<b>(508)</b>	(531)
Advertising and promotion expenses		<b>(84)</b>	(151)
General and administrative expenses		<b>(2,411)</b>	(2,362)
Profit from operations		<b>4,563</b>	2,361
Other revenue		<b>219</b>	154
Interest income		<b>91</b>	163
Interest expenses		<b>–</b>	(76)
<b>Profit before taxation</b>		<b>4,873</b>	2,602
Taxation	3	<b>–</b>	–
<b>Profit after taxation but before minority interests</b>		<b>4,873</b>	2,602
Minority interests		<b>495</b>	(716)
<b>Profit attributable to shareholders</b>		<b>5,368</b>	1,886
Basic earnings per share	4	<b>0.54 HK cent</b>	0.24 HK cent

Notes:

### 1. Basis of presentation

The Company was incorporated in Bermuda on 13 September 2000 as an exempted company under the Companies Act 1981 of Bermuda (as amended). Its shares have been listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 26 October 2001.

On 6 September 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation scheme (the "Reorganisation") which included exchanges of shares. The Reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the Reorganisation are regarded as a continuing group. Accordingly, the Reorganisation has been accounted for on the basis of merger accounting.

The unaudited combined income statements for the three months ended 30 June 2001 include the results of operations of the Company and its subsidiaries as if the group structure resulting from the Reorganisation completed on 6 September 2001 had been in existence throughout the three months ended 30 June 2001.

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 30 June	
	2002 HK\$'000	2001 HK\$'000
Commission income	1,613	8,559
Sales of merchandise	2,748	-
Service fees	8,651	-
Consultancy fees	-	1,332
Application software development service fees	145	-
Advertising income	-	7
	<u>13,157</u>	<u>9,898</u>

### 3. Taxation

No provision for Hong Kong profits tax has been provided as the Group had no assessable profit during the three months ended 30 June 2002 (2001 - Nil).

### 4. Basic earnings per share

The calculation of the basic earnings per share for the three months ended 30 June 2002 is based on the unaudited consolidated profit attributable to shareholders of approximately HK\$5,368,000 (2001 - HK\$1,886,000) and the weighted average number of 1,000,000,000 shares in issue during the period (2001 - 770,000,000 shares).

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

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

### 5. Reserves

There were no transfer to and from reserves during the three months ended 30 June 2001 and 2002.

## INTERIM DIVIDEND

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

## BUSINESS REVIEW AND OUTLOOK

For the three months ended 30 June 2002, turnover for the Group was approximately HK\$13.16 million, an increase of about 33% when compared with the same period last year. Profits attributable to shareholders were approximately HK\$5.37 million, a growth of 185% when compared with the same period last year.

Since 2002, the U.S.A. and the European Union have successively imposed restrictive measures on the import of steel materials. Global trading of iron and steel has thus gravitated towards Asia. Demand for steel material from China, a major iron and steel production as well as consumption nation, had increased steadily as a result of the active expansion of domestic demands under macroeconomic policies. Pursuant to the impetus given by the rapid developments in the export of mechanical and engineering products, the vehicle industry and the construction industry as well as national major engineering projects such as the transmission of gas from western to eastern China, consumption of steel was spurred on. The market had demonstrated a stable and yet rising trend in demands. In step with the overall upward adjustment in prices of steel materials globally, prices of steel materials in the PRC had maintained a corresponding increase. Under vibrant trading market conditions, the Group has seized the opportunity actively and gained stable revenue from trading commission. At the same time, the number of corporate members is on the increase also.

Meanwhile, the Group has been actively exploring other businesses with promising profits and prospects. During the period under review, the Group successfully delivered the value-added logistic services to its members and generated a handsome return for the Group. In view of this, the Group intends to expand its logistic service for metal products on top of its logistic service for members and expects a significant operating income from this business segment.

In the period under review, encouraging progress had been made in the information technology business. Whilst the Group continues to offer enhancements in the setting up and maintenance of online trading platforms, it has also sought actively to provide corporate members in the metals industry and customers in other businesses IT consultation and application software development services. A number of development projects have either been completed or in progress in Hong Kong and the Mainland, with several new projects under negotiation, pending formal contract execution.

In terms of sustained efforts in controlling operating expenses, the Group has also achieved satisfactory results. In the period under review, operating expenses (before amortisation and depreciation) were reduced to approximately HK\$4.95 million, a reduction of about 25% when compared with the same period last year.

Based on the principle of “expanding revenue sources, controlling cost and optimization of resources”, the Group will continue to strive to anchor itself in the direction of stable development. While maintaining the steady operation of existing businesses, the Group will endeavour to explore new business opportunities to safeguard the interest of the shareholders and enhance returns to the shareholders.

## 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 three months ended 30 June 2002.

## SHARE OPTION SCHEME

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

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

As at 30 June 2002, the interests of the Directors and chief executive of the Company (including those interests which were deemed or taken to have interests under the provisions of the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance")) in the issued share capital of the Company and any of its associated corporations (within the meaning of the SDI Ordinance) as recorded in the register kept by the Company pursuant to Section 29 of the SDI Ordinance were as follows:

### (1) Interests in Shares

(A) *The Company*

Name of Director	Personal interests	Number of shares		Total
		Family interests	Corporate interests	
LAU Ting	50,288,803	72,951,773 (Note 1)	485,746,308 (Note 2)	608,986,884 (Note 3)
YU Wing Keung, Dicky	28,100,000	-	-	28,100,000
WU Ziqiang	5,000,000	-	-	5,000,000
CHOW Kin Wa	3,000,000	-	-	3,000,000
CHEN Aizheng	2,010,000	330,000	-	2,340,000
LEUNG Hong Tai	2,010,000	-	-	2,010,000

Notes:

- (1) These shares were held by Mr. CHAN Shing, 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. 463,831,074 shares were held by WellNet Holdings Limited ("WellNet"), in which Ms. LAU Ting, Mr. CHAN Shing, Hang Sing and Strong Purpose together hold the controlling interests.
- (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>
WU Ziqiang	200,000	–	–	200,000

Notes:

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

Save as disclosed above, as at 30 June 2002, none of the Directors or chief executive had, or were deemed under the SDI Ordinance to have, any personal, family, corporate or other interests in the equity of the Company or any of its associated corporations within the meaning of the SDI Ordinance, or which were required to notify the Company and the Stock Exchange pursuant to the minimum standards of dealing by directors of the listed issuer as referred to in Rule 5.40 of the GEM Listing Rules.

**(2) Right to Acquire Shares**

As at 30 June 2002, none of the Directors, chief executive, nor their spouses or children under 18 years of age was granted or had exercised any rights to subscribe for the securities of the Company.

Save for the share option scheme as adopted by the Company, at no time during the three months ended 30 June 2002 was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate.



## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2002, according to the register kept by the Company under Section 16(1) of the SDI Ordinance, the following shareholders (other than the Directors and chief executive of the Company) were directly or indirectly interested in 10% or more of the issued share capital of the Company:

Name of shareholder	Number of shares in the Company	Percentage of holding in the issued share capital
CHAN Shing	608,986,884 <i>(Note)</i>	60.899%
WellNet	463,831,074 <i>(Note)</i>	46.383%

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

As at 30 June 2002, save as disclosed above, the Company had not been notified of any other interests representing 10% or more of the issued share capital of the Company.

## COMPETING INTERESTS

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

## INTEREST OF SPONSOR

As at 30 June 2002, BOCI Asia Limited ("BOCI Asia"), its directors, employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) did not have any interests in the shares of the Company or any rights to subscribe for or to nominate persons to subscribe for the shares of the Company.

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

## 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 first quarterly results for the three months ended 30 June 2002 have been reviewed by the Audit Committee.

By order of the Board

**LAU Ting**

*Chairman*

Hong Kong, 13 August 2002