

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

2002/03

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.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

RESULTS (UNAUDITED)

The Directors of WorldMetal Holdings Limited (the “Company”) are pleased to present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for each of the three months and nine months ended 31 December 2002, together with the comparative unaudited figures for the corresponding periods in 2001, as follows:

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	2	10,491	9,751	35,827	27,592
Cost of merchandise sold		(7,042)	-	(18,441)	-
Staff costs		(1,966)	(3,706)	(6,433)	(11,095)
Amortisation of portal development costs and intangible assets		(451)	(450)	(1,352)	(1,351)
Depreciation of furniture and equipment		(511)	(552)	(1,531)	(1,625)
Advertising and promotion expenses		(63)	(238)	(226)	(398)
General and administrative expenses		(1,590)	(2,540)	(5,914)	(6,601)
Profit (Loss) from operations		(1,132)	2,265	1,930	6,522
Other revenue		203	341	621	693
Interest income		441	124	556	358
Interest expenses		-	(39)	-	(174)
Profit (Loss) before taxation		(488)	2,691	3,107	7,399
Taxation	3	-	861	-	861
Profit (Loss) after taxation but before minority interests		(488)	3,552	3,107	8,260
Minority interests		(608)	352	319	(1,081)
Profit (Loss) attributable to shareholders		(1,096)	3,904	3,426	7,179
Basic earnings (loss) per share	4	(0.11) HK Cent	0.41 HK Cent	0.34 HK Cent	0.87 HK Cent

Notes:

1. Basis of preparation

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	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Commission income	1,775	8,031	5,084	23,202
Sales of merchandise	7,019	–	18,546	–
Consultancy fees	1,421	1,332	11,072	3,995
Application software development service fees	276	388	1,125	388
Advertising income	–	–	–	7
	10,491	9,751	35,827	27,592

3. Taxation

Taxation comprises:

	Three months ended 31 December		Nine months ended 31 December	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong profits tax				
– Current taxation	–	(323)	–	(505)
– Write-back of over-provision in prior year	–	669	–	851
	–	346	–	346
Overseas taxation	–	(62)	–	(62)
Write-back of deferred taxation	–	577	–	577
	–	861	–	861

4. Basic earnings (loss) per share

The calculation of the basic earnings (loss) per share for the three months and nine months ended 31 December 2002 is based on the respective unaudited consolidated loss attributable to shareholders of approximately HK\$1,096,000 and profit attributable to shareholders of approximately HK\$3,426,000 (2001 – profit of HK\$3,904,000 and profit of HK\$7,179,000) and the respective weighted average number of 1,000,000,000 and 1,000,000,000 ordinary shares in issue during the periods (2001 – 942,500,000 shares and 827,709,091 shares).

No diluted earnings (loss) per share is presented as there were no potential dilutive ordinary shares in issue during the three months and nine months ended 31 December 2001 and 2002.

5. Reserves

	Capital reserve <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Cumulative translation reserve <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2001	3,358	–	(533)	2,825
Effect of reorganisation (<i>Note</i>)	11,800	–	–	11,800
At 1 October 2001	15,158	–	(533)	14,625
Share premium arising on new shares issued	–	31,400	–	31,400
Placing and listing expenses	–	(11,535)	–	(11,535)
At 31 December 2001	15,158	19,865	(533)	34,490
Translation adjustments	–	–	(148)	(148)
At 1 April 2002 and 1 October 2002	15,158	19,865	(681)	34,342
Translation adjustments	–	–	(13)	(13)
At 31 December 2002	15,158	19,865	(694)	34,329

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 2002 (2001: Nil).

BUSINESS REVIEW AND OUTLOOK

For the nine months ended 31 December 2002, turnover for the Group was approximately HK\$35.83 million, an increase of about 30% as compared with the same period last year. Profit attributable to shareholders was approximately HK\$3.43 million, a decrease of about 52% as compared to the corresponding period last year.

During the period under review, the results of the Group's online metal trading and related ancillary services have been satisfactory. Since 2002, after breaking a falling streak with prices hitting the bottom, the international market for steel has been on a positive trend, and the prices of steel have been rising continually. Under such favourable market environment, income from the trading commission of the Group's online steel trading transactions has remained to be stable.

The Group is optimistic about the prospects of the steel market. The global steel consumption has maintained a steady growth as a whole. A number of major steel-producing countries have reached consensus to jointly reduce their outputs. The major steel-importing countries will continue to impose restrictions on steel imports. These factors have given rise to a continual rising trend of international steel prices. In particular, as China is in the course of economic take off, with expansion of domestic demands by the State, surging demands from various infrastructure projects and western China development, as well as the development of China into the "world's factory" on a gradual basis, there will be a continuous increase in the demand for steel and other raw materials. We believe that the online metal trading business operated by the Group will continue to benefit.

During the period under review, operation of information technology business was stable. Whilst the Group continues to maintain a good online trading platform, it has also updated the information platform to enrich the variety and contents of the platform features as well as to enhance user-friendliness, hence making it better able to meet the increasing demand of corporate members for quality information on metals, iron and steel. In addition, the Group continues to provide IT consultancy and application software development services to enterprises in metal industry and customers in other businesses, and has successively completed a number of development projects in Hong Kong and the mainland.

With sustained efforts to control its operating costs, the Group has achieved satisfactory results. For the nine months ended 31 December 2002, the Group's operating expenses (before amortisation and depreciation) were lowered to approximately HK\$12.57 million, representing a reduction of about 31% as compared with the corresponding period last year.

Based on the principle of "expanding revenue sources, controlling costs and optimization of resources", while maintaining the steady operation of existing businesses, the Group will continue to strive to attain a corporate direction of stable development, and will endeavour to safeguard the interest of shareholders as well as enhance their returns.

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 2002.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 December 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	1,510,000	-	-	1,510,000
NG Man Fai, Matthew	660,000	-	-	660,000

Notes:

- These shares were held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 11,320,192 shares were held by Hang Sing Overseas Limited ("Hang Sing"), 10,595,042 shares were owned by Strong Purpose Corporation ("Strong Purpose"), where Ms. LAU Ting, together with Mr. CHAN Shing, own a 51% indirect interest in Hang Sing and a 100% direct interest in Strong Purpose. 463,831,074 shares were held by WellNet Holdings Limited ("WellNet"), in which Ms. LAU Ting, Mr. CHAN Shing, Hang Sing and Strong Purpose together hold the controlling interests.
- The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

(B) *Associated Corporation – WellNet Holdings Limited*

Name of Director	Personal interests	Number of shares		Total
		Family interests	Corporate interests	
LAU Ting	21,776,072	239,439,325 <i>(Note 1)</i>	211,900,848 <i>(Note 2)</i>	473,116,245 <i>(Note 3)</i>
YU Wing Keung, Dicky	4,789,778	-	-	4,789,778
WU Ziqiang	200,000	-	-	200,000
CHOW Kin Wa	970,000	-	-	970,000

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 31 December 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 of Hong Kong Limited (the "Stock Exchange") pursuant to the minimum standards of dealing by directors of the listed issuer as referred to in Rule 5.40 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules").

(2) Right to Acquire Shares

As at 31 December 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 nine months ended 31 December 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 31 December 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 31 December 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 31 December 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.

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

In the opinion of the Directors, the Company has complied with Rules 5.28 to 5.39 of the GEM Listing Rules concerning board practices and procedures during the nine months ended 31 December 2002.

AUDIT COMMITTEE

The Company established an Audit Committee in October 2001 in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The Audit Committee comprises the two Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan and Mr. LU Zhi Fang. Its principal duties include the review and supervision of the Company's financial reporting process and internal controls. The unaudited consolidated results for the nine months ended 31 December 2002 have been reviewed by the Audit Committee.

By order of the Board
LAU Ting
Chairman

Hong Kong, 11 February 2003