

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

2003/04

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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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 the three months ended 30 June 2003, together with the comparative unaudited figures for the corresponding period in 2002, as follows:

	Notes	Three months ended 30 June	
		2003 HK\$'000	2002 HK\$'000
Turnover	2	94,078	13,157
Cost of merchandise sold		(92,330)	(2,689)
Staff costs		(1,552)	(2,453)
Amortisation of intangible assets		(432)	(449)
Depreciation		(512)	(508)
Advertising and promotion expenses		–	(84)
Write off of accounts receivable		(1)	–
General and administrative expenses		(1,038)	(2,411)
(Loss)/profit from operations		(1,787)	4,563
Other revenues		361	310
(Loss)/profit before taxation		(1,426)	4,873
Taxation	3	–	–
(Loss)/profit after taxation		(1,426)	4,873
Minority interests		(22)	495
(Loss)/profit attributable to shareholders		(1,448)	5,368
(Loss)/earnings per share – Basic	4	(0.14) cent	0.54 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 30 June	
	2003	2002
	HK\$'000	HK\$'000
Commission income	1,190	1,613
Sales of merchandise	92,623	2,748
Logistics service income	–	8,651
Application software development service fees	265	145
	<u>94,078</u>	<u>13,157</u>

3. Taxation

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

4. (Loss)/earnings per share

The calculation of the basic loss per share for the three months ended 30 June 2003 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$1,448,000 (2002: profit of HK\$5,368,000) and the weighted average number of 1,000,000,000 shares in issue during the period (2002: 1,000,000,000 shares).

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

5. Reserves

There were no transfers to and from reserves during the three months ended 30 June 2003 and 2002 respectively.

INTERIM DIVIDEND

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

BUSINESS REVIEW AND OUTLOOK

For the three months ended 30 June 2003, turnover for the Group was approximately HK\$94.08 million (2002: HK\$13.16 million) and loss attributable to shareholders was approximately HK\$1.45 million (2002: profit of HK\$5.37 million).

During the period under review, the Group had to come to terms with the negative business environment brought on by the depressed economy and the outbreak of SARS. As a result of the over-import of steel to China in the first quarter of this year, creating a vast store of steel in the inventory and a scenario where supplies far exceeded demands, the price of steel was driven down. During the outbreak of SARS, the whole community was bogged down and cross-border business activities were seriously hampered. Consequently Internet metal trading and the related ancillary value-added services were relatively sluggish, causing a reduction in revenue from trading commission.

Following the steady recovery in the global economy and the gradual fading out of the negative impacts of SARS, the Group believes that the operating environment will turn for the better. The Group is also optimistic on the prospect of the steel market in China. Growth of the macro-economy of China remains strong during the year and despite the heavy blow dealt by SARS, annual GDP growth is expected to reach 8%. Estimates based on China's steel production, consumption, import and export and the global market trend forecast that the steel market in China for the latter half of the year will remain stable. It is envisaged that operation of the Group's Internet metal trading and the related ancillary value-added services will hold steady.

In the period under review, the Group's IT business continues to focus on providing IT consultation and application software development services to members and enterprises in the metal industry in Hong Kong and mainland China. Partnership is maintained with enterprises in telecommunication equipment in the development of embedded telecommunication application software. The IT business also continues to offer solutions to customers in video display information systems and has completed several projects in succession, achieving revenue target as anticipated. However, during the outbreak of SARS, marketing efforts, contact with new customers and new engagement in solution offerings were all impeded. It is expected that revenue for the IT business in the short term will inevitably be affected. However, the Group believes that as the economy recovers, more customers will increase their investment in information technology, thereby creating more business opportunities for the Group.

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 three months ended 30 June 2003.

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

As at 30 June 2003, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO")) in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the minimum standards of dealing by directors of the listed issuer as referred to in Rule 5.40 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

(1) Interests in Shares

(A) The Company

Name of director	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	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%
WU Ziqiang	5,000,000	-	-	5,000,000	0.50%
CHOW Kin Wa	3,000,000	-	-	3,000,000	0.30%
CHEN Aizheng	2,010,000	330,000	-	2,340,000	0.23%
LEUNG Hong Tai	1,510,000	-	-	1,510,000	0.15%
NG Man Fai, Matthew	660,000	-	-	660,000	0.07%

Notes:

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

(B) Associated Corporation – WellNet Holdings Limited

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

Notes:

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

(2) Interests in Underlying Shares

Associated Corporation – WellNet Holdings Limited

Name of director	Date of grant	Exercise period		Price for grant HK\$	Exercise price per share HK\$	Number of underlying shares under the share options of WellNet held as at 30/06/2003
		From	Until			
		LAU Ting	07/05/2001			
YU Wing Keung, Dicky	07/05/2001	05/08/2001	04/08/2004	1.00	0.461	2,000,000

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

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

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

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

Interests in Shares

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

Notes:

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

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

COMPETING INTERESTS

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

INTEREST OF SPONSOR

As at 30 June 2003, BOCI Asia Limited ("BOCI Asia"), its directors, employees or associates (as referred to in Note 3 to Rule 6.35 of the GEM Listing Rules) did not have any interests in the shares of the Company or any rights to subscribe for or to nominate persons to subscribe for the shares of the Company.

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

COMPLIANCE WITH RULES 5.28 TO 5.39 OF THE GEM LISTING RULES

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

AUDIT COMMITTEE

The Company established an Audit Committee in October 2001 in compliance with Rules 5.23 and 5.24 of the GEM Listing Rules. The Audit Committee comprises the two Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan and Mr. LU Zhi Fang. Its principal duties include the review and supervision of the Company's financial reporting process and internal controls. The unaudited consolidated results for the three months ended 30 June 2003 have been reviewed by the Audit Committee.

On behalf of the Board

LAU Ting

Chairman

Hong Kong, 8 August 2003