

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

2003/04

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.

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 and nine months ended 31 December 2003, together with the comparative unaudited figures for the corresponding periods in 2002, as follows:

| | Notes | Three months ended | | Nine months ended | |
|--|-------|--------------------|----------------|-------------------|--------------|
| | | 31 December | | 31 December | |
| | | 2003 | 2002 | 2003 | 2002 |
| | | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Turnover | 2 | 52,072 | 10,491 | 183,850 | 35,827 |
| Cost of merchandise sold | | (50,874) | (7,042) | (179,354) | (18,441) |
| Staff costs | | (1,666) | (1,966) | (4,783) | (6,433) |
| Amortisation of intangible assets | | (257) | (451) | (764) | (1,352) |
| Depreciation | | (568) | (511) | (1,591) | (1,531) |
| Advertising and promotion expenses | | - | (63) | (2) | (226) |
| Provision for bad and doubtful debts | | - | (16) | - | (16) |
| Write off of accounts receivable | | - | - | (1) | - |
| General and administrative expenses | | (1,286) | (1,574) | (3,683) | (5,898) |
| (Loss)/profit from operations | | (2,579) | (1,132) | (6,328) | 1,930 |
| Other revenues | | 938 | 644 | 1,618 | 1,177 |
| (Loss)/profit before taxation | | (1,641) | (488) | (4,710) | 3,107 |
| Taxation | 3 | - | - | - | - |
| (Loss)/profit after taxation | | (1,641) | (488) | (4,710) | 3,107 |
| Minority interests | | (143) | (608) | (64) | 319 |
| (Loss)/profit attributable to shareholders | | (1,784) | (1,096) | (4,774) | 3,426 |
| Basic (loss)/earnings per share | 4 | (0.18) HK Cent | (0.11) HK Cent | (0.48) HK Cent | 0.34 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 | |
|--|-----------------------------------|------------------|----------------------------------|------------------|
| | 2003 HK\$'000 | 2002 HK\$'000 | 2003 HK\$'000 | 2002 HK\$'000 |
| Commission income | 404 | 1,775 | 2,698 | 5,084 |
| Sales of merchandise | 51,211 | 7,019 | 180,199 | 18,546 |
| Consultancy fees | – | 1,421 | – | 11,072 |
| Application software development service fees | 457 | 276 | 953 | 1,125 |
| | <u>52,072</u> | <u>10,491</u> | <u>183,850</u> | <u>35,827</u> |

3. Taxation

No provision for Hong Kong and overseas profits tax has been made as the Group had no assessable profit during the three months and nine months ended 31 December 2003 (2002 – Nil and Nil).

4. Basic (loss)/earnings per share

The calculation of the basic loss per share for the three months and nine months ended 31 December 2003 is based on the respective unaudited consolidated loss attributable to shareholders of approximately HK\$1,784,000 and HK\$4,774,000 (2002 – loss of HK\$1,096,000 and profit of HK\$3,426,000) and the respective weighted average number of 1,000,000,000 and 1,000,000,000 ordinary shares in issue during the periods (2002 – 1,000,000,000 and 1,000,000,000 ordinary shares).

No diluted (loss)/earnings per share is presented as there were no potential dilutive ordinary shares in issue during the three months and nine months ended 31 December 2003 and 2002.

5. Reserves

There were no transfers to and from reserves during the three months and nine months ended 31 December 2003 and 2002 respectively.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2003 (2002: Nil).

BUSINESS REVIEW AND OUTLOOK

For the nine months ended 31 December 2003, turnover for the Group was approximately HK\$183,850,000 (2002: HK\$35,827,000). Unaudited loss attributable to shareholders was approximately HK\$4,774,000 (2002: attributable profit HK\$3,426,000).

In the period under review, global economic recovery had accelerated. Steel protectionism measures were successively abolished by the U.S., European Union and China. Prices of raw materials required for steel production such as coal, coke, cast iron and metal scrap soared, driving a corresponding upward shift in the prices of steel in the global market. Macroeconomic conditions in China remain buoyant and demands for steel promise huge potential. Whilst steel production in China escalates, it continues to be the world's topmost importer of steel at the same time. In the period, operation of the Group's Internet metal trading remained steady. However, revenue from trading commission was less than desirable. The major reason for this is that after the burst of the Internet bubble, Internet metal trading, in the same predicament as online trading for other industries, is caught in a developing stage where acceptance is far from universal. The value proposition of the ancillary value-added services offered has yet to be fully realized, resulting in a low level of recognition and participation.

During the period, the Group's IT business continued to provide IT consultation and application software development services to enterprises in Hong Kong and mainland China. Partnership is also maintained with enterprises in telecommunication equipment in the development of embedded telecommunication application software, thereby providing a steady stream of revenue to the Group.

The Group is committed to explore new directions in its development. To this end, the Group will, on the one hand, sustain efforts in operation cost control and remodel its existing business activities on the criteria of profitability, while on the other, is actively planning to invest in enterprises that possess good track records and potentials for sustainable long-term growth. For this purpose, the Management is conducting prudent market reviews and surveys. Looking ahead, the Group is confident of its competitive edge and future development.

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 nine months ended 31 December 2003.

RESIGNATION OF DIRECTOR

Mr. LEUNG Hong Tai resigned as an Executive Director of the Company with effect from 22 December 2003.

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

As at 31 December 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 | 2,310,000 | 330,000 | - | 2,640,000 | 0.26% |
| 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 31/12/2003 (Note) |
|----------------------|---------------|-----------------|------------|-------------------------|----------------------------------|--|
| | | 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 WellNet was held by Mr. CHAN Shing, the spouse of Ms. LAU Ting.

Save as otherwise disclosed above, as at 31 December 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 31 December 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 | | | | Approximate percentage interest in the Company's issued share capital |
|---------------------|---------------------------|------------------------|-------------------------|-------------------------|---|
| | Personal interests | Family interests | Corporate interests | Total | |
| CHAN Shing | 72,951,773 | 50,288,803 (Note 1) | 485,746,308 (Note 2) | 608,986,884 (Note 3) | 60.90% |
| WellNet | 463,831,074 | - | - | 463,831,074 (Note 3) | 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 31 December 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 31 December 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 nine months ended 31 December 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 nine months ended 31 December 2003 have been reviewed by the Audit Committee.

On behalf of the Board

LAU Ting

Chairman

Hong Kong, 10 February 2004