

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
2004/05

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”) hereby present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 31 December 2004, together with the comparative unaudited figures for the corresponding periods in 2003, as follows:

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2004	2003	2004	2003
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	2	689	52,072	49,713	183,850
Cost of merchandise sold		(627)	(50,874)	(49,164)	(179,354)
Staff costs		(841)	(1,666)	(2,450)	(4,783)
Amortisation of intangible assets		(29)	(257)	(88)	(764)
Depreciation		(55)	(568)	(375)	(1,591)
Advertising and promotion expenses		-	-	-	(2)
Provision for bad and doubtful debts		(8)	-	(8)	-
Write off of accounts receivable		-	-	-	(1)
General and administrative expenses		(906)	(1,286)	(2,112)	(3,683)
Loss from operations		(1,777)	(2,579)	(4,484)	(6,328)
Other revenues		549	938	571	1,618
Loss before taxation		(1,228)	(1,641)	(3,913)	(4,710)
Taxation	3	-	-	-	-
Loss after taxation		(1,228)	(1,641)	(3,913)	(4,710)
Minority interests		(102)	(143)	171	(64)
Loss attributable to shareholders		(1,330)	(1,784)	(3,742)	(4,774)
Basic loss per share	4	(0.13) HK Cent	(0.18) HK Cent	(0.37) HK Cent	(0.48) 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	
	2004 HK\$'000	2003 HK\$'000	2004 HK\$'000	2003 HK\$'000
Commission income	–	404	–	2,698
Sales of merchandise	689	51,211	49,713	180,199
Application software development service fees	–	457	–	953
	<u>689</u>	<u>52,072</u>	<u>49,713</u>	<u>183,850</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 2004 (2003: Nil and Nil).

4. Basic loss per share

The calculation of the basic loss per share for the three months and nine months ended 31 December 2004 is based on the respective unaudited consolidated loss attributable to shareholders of approximately HK\$1,330,000 and HK\$3,742,000 (2003: HK\$1,784,000 and HK\$4,774,000) and the respective weighted average number of 1,000,000,000 and 1,000,000,000 ordinary shares in issue during the periods (2003: 1,000,000,000 and 1,000,000,000 ordinary shares).

No diluted 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 2004 and 2003.

5. Reserves

There were no transfers to and from reserves during the three months and nine months ended 31 December 2004 and 2003 respectively.

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the nine months ended 31 December 2004 (2003: Nil).

BUSINESS REVIEW AND OUTLOOK

In the period under review, because of rising raw material prices in both the domestic and international market and the huge demand for steel products, steel price reached new heights worldwide. The domestic steel price also showed tendency of rebound. The momentum of boom in steel production and sale is set to continue. However, the E-commerce industry, especially the electronic steel market, showed little signs of recovery due to on-line settlement issues.

In response to these problems, the Group continued to streamline its operation and implement stringent cost reduction and resource retention measures. It also stepped up with its efforts to explore new business opportunities.

During the period under review, the Group streamlined its operation and adopted cost reduction measures. Such measures proved to be effective, resulting in a 46% decrease in operating costs (before amortization and depreciation) compared with the corresponding period last year.

The Group will focus on exploring new development opportunities as its short-term objective. As such, the management will pursue excellence in all respects. Meanwhile, it will also adopt a prudent approach in the selection, contemplation and negotiation of investment opportunities, with a view to safeguarding shareholders' interest and maximizing their return.

RESIGNATION OF DIRECTOR

Mr. CHOW Kin Wa had resigned as an Executive Director of the Company with effect from 1 January 2005.

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

As at 31 December 2004, 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 required standards of dealing by directors of the listed issuer as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

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 <i>(Note 1)</i>	485,746,308 <i>(Note 2)</i>	608,986,884 <i>(Note 3)</i>		60.90%
YU Wing Keung, Dicky	28,100,000	–	–	28,100,000		2.81%
CHOW Kin Wa <i>(Note 4)</i>	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:

- These shares were owned by Mr. CHAN Shing, the spouse of Ms. LAU Ting.
- 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 Burwill Holdings Limited ("Burwill") (formerly known as WellNet Holdings Limited), which is owned as to 21.48% by Hang Sing, as to 20.10% by Strong Purpose, as to 2.07% by Ms. LAU Ting and as to 1.24% by Mr. CHAN Shing.
- The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.
- Mr. CHOW Kin Wa resigned as an Executive Director of the Company with effect from 1 January 2005.

(B) Associated Corporation – Burwill Holdings Limited

Name of Director	Number of ordinary shares				Total	Approximate percentage interest in the issued share capital of Burwill
	Personal interests	Family interests	Corporate interests			
LAU Ting	21,776,072	13,035,472 <i>(Note 1)</i>	438,304,701 <i>(Note 2)</i>	473,116,245 <i>(Note 3)</i>		44.88%
YU Wing Keung, Dicky	4,789,778	–	–	4,789,778		0.45%
CHOW Kin Wa <i>(Note 4)</i>	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.
4. Mr. CHOW Kin Wa resigned as an Executive Director of the Company with effect from 1 January 2005.

Save as otherwise disclosed above, as at 31 December 2004, 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 required standards of dealing by directors of listed issuer as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2004, 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%
Burwill	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 Burwill, which is owned as to 21.48% by Hang Sing, as to 20.10% by Strong Purpose, as to 2.07% by Ms. LAU Ting and as to 1.24% by Mr. CHAN Shing.
3. The interests of Mr. CHAN Shing, Ms. LAU Ting and Burwill were duplicated.

Save as disclosed above, as at 31 December 2004, 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.

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 2004.

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.

COMPLIANCE WITH RULES 5.34 TO 5.45 OF THE GEM LISTING RULES

In the opinion of the Directors, the Company has complied with Rules 5.34 to 5.45 of the GEM Listing Rules concerning board practices and procedures during the nine months ended 31 December 2004.

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprises the three Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan, Mr. KING Roger and Mr. LI Xiaojun. Its principal duties include the review of the Company's annual report and accounts, half-year report and quarterly reports, and review and supervision of the Company's financial reporting and internal control procedures. The unaudited consolidated results for the nine months ended 31 December 2004 have been reviewed by the Audit Committee.

On behalf of the Board

LAU Ting
Chairman

Hong Kong, 2 February 2005

As at the date of this report, the Board of Directors of the Company comprises Ms. Lau Ting, Mr. Yu Wing Keung, Dicky, Mr. Chen Aizheng and Mr. Ng Man Fai, Matthew as executive directors and Mr. King Roger, Mr. Huang Shenglan and Mr. Li Xiaojun as independent non-executive directors.