

# WorldMetal Holdings Limited

金屬電子交易所集團有限公司\*

(Incorporated in Bermuda with limited liability)

(Stock code: 8161)

## FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2005

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*This announcement, 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 announcement 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 announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.*

\* For identification only

## FINANCIAL RESULTS

The Directors of WorldMetal Holdings Limited (the “Company”) hereby announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 March 2005, together with the comparative figures for 2004, as follows:–

|  | <i>Notes</i> | <b>For the year ended<br/>31 March</b> |                          |
|--|--------------|--|--------------------------|
|  |              | <b>2005<br/>HK\$'000</b>               | <b>2004<br/>HK\$'000</b> |
| Turnover   | 3            | <b>52,641</b>                          | 262,756                  |
| Cost of merchandise sold                           |              | <b>(52,363)</b>                        | (256,591)                |
| Staff costs  |              | <b>(3,938)</b>                         | (5,185)                  |
| Amortisation of intangible assets                  |              | <b>(116)</b>                           | (800)                    |
| Depreciation                                       |              | <b>(429)</b>                           | (1,944)                  |
| Advertising and promotion expenses                 |              | –                                      | (2)                      |
| (Provision for)/Reversal of bad and doubtful debts |              | <b>(6,260)</b>                         | 1                        |
| Write-off of accounts receivable                   |              | –                                      | (2)                      |
| General and administrative expenses                |              | <b>(2,497)</b>                         | (3,594)                  |
| Loss from operations                               |              | <b>(12,962)</b>                        | (5,361)                  |
| Other revenues                                     |              | <b>572</b>                             | 590                      |
| Gain on disposal of subsidiaries                   |              | –                                      | 66                       |
| Loss before taxation                               |              | <b>(12,390)</b>                        | (4,705)                  |
| Taxation credit                                    | 4            | –                                      | 1,500                    |
| Loss after taxation                                |              | <b>(12,390)</b>                        | (3,205)                  |
| Minority interests                                 |              | <b>710</b>                             | (1)                      |
| Loss attributable to shareholders                  |              | <b>(11,680)</b>                        | (3,206)                  |
| Loss per share – Basic                             | 5            | <b>(1.17) HK cent</b>                  | (0.32) HK cent           |

Notes:

**1. Basis of preparation**

The audited consolidated results have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). They have been prepared under the historical cost convention.

**2. Impact of recently issued Hong Kong Financial Reporting Standards**

HKICPA has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (the “new HKFRSs”), which are effective for accounting periods beginning on or after 1 January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31 March 2005. These new HKFRSs may result in changes in the future as to how the Group’s financial performance and financial position are prepared and presented.

**3. Turnover, revenue and segment information**

Revenues recognized during the year are as follows:

|  | <b>2005</b><br><i>HK\$’000</i> | 2004<br><i>HK\$’000</i> |
|--|--------------------------------|-------------------------|
| Turnover                                       |                                |                         |
| Sales of merchandise                           | <b>52,637</b>                  | 257,878                 |
| Advertising income                             | <b>4</b>                       | –                       |
| Commission income                              | –                              | 3,856                   |
| Application software development services fees | –                              | 1,022                   |
|  | <hr/> <b>52,641</b>            | <hr/> 262,756           |
| Other revenues                                 |                                |                         |
| Interest income from bank deposits             | <b>327</b>                     | 343                     |
| Others   | <b>245</b>                     | 247                     |
|  | <hr/> <b>572</b>               | <hr/> 590               |
| Total revenues                                 | <hr/> <b>53,213</b>            | <hr/> 263,346           |

(a) *Primary reporting format – business segments*

The Group is organised into four main business segments namely: (i) operations of metal exchange portals for metal trading and ancillary value-chain services; (ii) metal trading; (iii) provision of consultancy and logistics services; and (iv) application software development services.

|  | 2005                                     |                              |  |  |                   |
|--|--|------------------------------|--|--|-------------------|
|  | Metal<br>exchange<br>portals<br>HK\$'000 | Metal<br>trading<br>HK\$'000 | Consultancy<br>and logistics<br>services<br>HK\$'000 | Application<br>software<br>development<br>services<br>HK\$'000 | Total<br>HK\$'000 |
| Turnover                                     | <u>4</u>                                 | <u>52,637</u>                | <u>–</u>   | <u>–</u>   | <u>52,641</u>     |
| Segment results                              | <u>(3,879)</u>                           | <u>(938)</u>                 | <u>–</u>   | <u>–</u>   | <u>(4,817)</u>    |
| Unallocated corporate<br>expenses            |  |                              |  |  | <u>(8,145)</u>    |
| Other revenues                               |  |                              |  |  | 572               |
| Taxation                                     |  |                              |  |  | <u>–</u>          |
| Loss after taxation                          |  |                              |  |  | <u>(12,390)</u>   |
| Minority interests                           |  |                              |  |  | <u>710</u>        |
| Loss attributable to<br>shareholders         |  |                              |  |  | <u>(11,680)</u>   |
| <b>Balance sheet</b>                         |  |                              |  |  |                   |
| Segment assets                               | 21,515                                   | 4,909                        | –  | –  | 26,424            |
| Unallocated assets                           |  |                              |  |  | <u>20,770</u>     |
| Total assets                                 |  |                              |  |  | <u>47,194</u>     |
| Segment liabilities                          | 876                                      | 20                           | –  | –  | 896               |
| Unallocated liabilities                      |  |                              |  |  | <u>1,276</u>      |
| Total liabilities                            |  |                              |  |  | <u>2,172</u>      |
| <b>Other information</b>                     |  |                              |  |  |                   |
| Capital expenditures                         | –  | –                            | –  | –  | –                 |
| Depreciation and amortisation                | 410                                      | 7                            | –  | –  | 417               |
| Unallocated depreciation and<br>amortisation |  |                              |  |  | <u>128</u>        |
|  | <u>          </u>                        | <u>          </u>            | <u>          </u>                                    | <u>          </u>  | <u>545</u>        |

|  | 2004  |                                     |   |   |                          |
|--|---|-------------------------------------|---|---|--------------------------|
|  | Metal<br>exchange<br>portals<br><i>HK\$'000</i> | Metal<br>trading<br><i>HK\$'000</i> | Consultancy<br>and logistics<br>services<br><i>HK\$'000</i> | Application<br>software<br>development<br>services<br><i>HK\$'000</i> | Total<br><i>HK\$'000</i> |
| Turnover                                     | <u>3,856</u>                                    | <u>257,878</u>                      | <u>–</u>  | <u>1,022</u>  | <u>262,756</u>           |
| Segment results                              | <u>(2,744)</u>                                  | <u>(158)</u>                        | <u>–</u>  | <u>(180)</u>  | <u>(3,082)</u>           |
| Unallocated corporate<br>expenses            |   |                                     |   |   | (2,279)                  |
| Other revenues                               |   |                                     |   |   | 590                      |
| Gain on disposal of<br>subsidiaries          |   |                                     |   |   | 66                       |
| Taxation                                     |   |                                     |   |   | <u>1,500</u>             |
| Loss after taxation                          |   |                                     |   |   | (3,205)                  |
| Minority interests                           |   |                                     |   |   | <u>(1)</u>               |
| Loss attributable to<br>shareholders         |   |                                     |   |   | <u>(3,206)</u>           |
| <b>Balance sheet</b>                         |   |                                     |   |   |                          |
| Segment assets                               | 26,455  | 5,434                               | –   | 1,064   | 32,953                   |
| Unallocated assets                           |   |                                     |   |   | <u>27,688</u>            |
| Total assets                                 |   |                                     |   |   | <u>60,641</u>            |
| Segment liabilities                          | 2,383   | 198                                 | –   | 96  | 2,677                    |
| Unallocated liabilities                      |   |                                     |   |   | <u>1,116</u>             |
| Total liabilities                            |   |                                     |   |   | <u>3,793</u>             |
| <b>Other information</b>                     |   |                                     |   |   |                          |
| Capital expenditures                         | –   | –                                   | –   | –   | –                        |
| Depreciation and amortisation                | 2,009   | 483                                 | –   | 122   | 2,614                    |
| Unallocated depreciation and<br>amortisation |   |                                     |   |   | <u>130</u>               |
|  | <u>          </u>                               | <u>          </u>                   | <u>          </u>   | <u>          </u>   | <u>2,744</u>             |

There are no sales or transactions among the business segments.

(b) *Secondary reporting format – geographical segments*

The Group has business operations in Korea, Hong Kong and Mainland China. An analysis by geographical location is as follows:

|                      | 2005              |                       |                               | Total<br>HK\$'000 |
|----------------------|-------------------|-----------------------|-------------------------------|-------------------|
|                      | Korea<br>HK\$'000 | Hong Kong<br>HK\$'000 | Mainland<br>China<br>HK\$'000 |                   |
| Turnover             | <u>52,637</u>     | <u>4</u>              | <u>–</u>                      | <u>52,641</u>     |
| Operating results    | <u>(938)</u>      | <u>(10,971)</u>       | <u>(1,053)</u>                | <u>(12,962)</u>   |
| Total assets         | <u>4,909</u>      | <u>23,257</u>         | <u>19,028</u>                 | <u>47,194</u>     |
| Capital expenditures | <u>–</u>          | <u>–</u>              | <u>–</u>                      | <u>–</u>          |

  

|                      | 2004              |                       |                               | Total<br>HK\$'000 |
|----------------------|-------------------|-----------------------|-------------------------------|-------------------|
|                      | Korea<br>HK\$'000 | Hong Kong<br>HK\$'000 | Mainland<br>China<br>HK\$'000 |                   |
| Turnover             | <u>257,959</u>    | <u>4,140</u>          | <u>657</u>                    | <u>262,756</u>    |
| Operating results    | <u>(159)</u>      | <u>(4,938)</u>        | <u>(264)</u>                  | <u>(5,361)</u>    |
| Total assets         | <u>5,436</u>      | <u>31,601</u>         | <u>23,604</u>                 | <u>60,641</u>     |
| Capital expenditures | <u>–</u>          | <u>–</u>              | <u>–</u>                      | <u>–</u>          |

There are no sales between the geographical segments.

4. **Taxation credit**

|  | 2005<br>HK\$'000 | 2004<br>HK\$'000 |
|--|------------------|------------------|
| Current taxation                       |                  |                  |
| – Hong Kong profits tax                | –                | –                |
| – Mainland China enterprise income tax | –                | –                |
| – Overseas taxation                    | –                | –                |
| Over provisions in prior years         | <u>–</u>         | <u>1,500</u>     |
|  | <u>–</u>         | <u>1,500</u>     |

The Company is incorporated in Bermuda and is exempted from taxation in Bermuda until 2016. The Company's subsidiaries established in the British Virgin Islands are incorporated under the International Business Companies Act of the British Virgin Islands and, accordingly, are exempted from the payment of British Virgin Islands income taxes. No provision for Hong Kong profits tax has been made as the Group has no assessable profits for both the current and prior years. Other overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

## 5. Loss per share

The calculation of basic loss per share is based on the Group's loss attributable to shareholders of approximately HK\$11,680,000 (2004: HK\$3,206,000) and the weighted average number of 1,000,000,000 shares in issue (2004: 1,000,000,000 shares) during the year.

No diluted loss per share is presented as there were no potential dilutive ordinary shares in issue during the years ended 31 March 2005 and 2004.

## 6. Reserves

Movements in reserves are as follows:

|   | Share<br>premium<br>HK\$'000 | Capital<br>reserve<br>HK\$'000 | Cumulative<br>translation<br>reserve<br>HK\$'000 | Total<br>HK\$'000 |
|---|------------------------------|--------------------------------|--|-------------------|
| At 1 April 2003                         | 19,865                       | 15,158                         | (533)  | 34,490            |
| Translation adjustments                 | —                            | —                              | 252  | 252               |
| At 31 March 2004 and at<br>1 April 2004 | 19,865                       | 15,158                         | (281)  | 34,742            |
| Translation adjustments                 | —                            | —                              | 282  | 282               |
| <b>At 31 March 2005</b>                 | <b>19,865</b>                | <b>15,158</b>                  | <b>1</b>   | <b>35,024</b>     |

## DIVIDEND

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2005 (2004: Nil).

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review and Outlook

The Group has been principally engaged in the businesses of providing internet metal trading platforms, ancillary value-chain services and application software development services.

#### *Business Review*

In the year under review, both the domestic and international markets were characterized by an imbalance between the supply and demand of raw materials, as well as persistence of high oil prices. The global steel market witnessed successive price upsurges in the United States, Europe and China; however, the E-commerce industry is still subject to certain limitations, including those related to substantial on-line settlement. Therefore, in accordance with its development strategies, the Group is shifting its focus from on-line trading and other related businesses.

The Group's strategies include continued streamlining of its operations, stringent cost control, retention of resources and exploration of business restructuring possibilities.

Pursuant to these strategies, the Group implemented stringent cost control measures by revising its expenditure policy and cutting discretionary expenses, while only key personnel are retained for the core services. Such measures have proved to be effective, resulting in a 27% decrease in operating expenses (before amortisation and depreciation) compared with the last corresponding year.

Meanwhile, the management spares no effort in exploring new development possibilities for the Group. The management is pro-active and prudent in reviewing and selecting cooperation opportunities, in order to determine the Group's future direction. As disclosed in its announcement dated 10 June 2005, the Group has made some preliminary progress in its business restructuring efforts. On 8 June 2005, China Lotsynergy Limited, a wholly-owned subsidiary of the Group, Tabcorp International No.1 Pty Limited, a wholly-owned subsidiary of Tabcorp Holdings Limited, a renowned gaming and entertainment group from Australia, and others entered into a Joint Venture Shareholders' Agreement with the view to bringing certain internationally advanced and developed lottery businesses to the PRC market.

### *Outlook*

The Group believes that China's lottery market has huge potential, and is highly confident of its business outlook.

According to statistics of the World Lottery Association, lotteries are issued in over 120 countries. In recent years, the lottery industry has been growing at an annual rate of around 18% worldwide, making it the world's sixth largest industry.

China's lottery industry is still young, where the issue of lottery is totally directed by PRC government authorities and is a lawful business of public welfare nature. In comparison, China lags considerably behind well-developed lottery industries of other countries, in terms of technology and equipment, game structure, operation and management.

According to statistics of research institutes, China is the world's ninth largest lottery issuer among the 120 lottery-issuing countries in terms of total issue volume; nevertheless, it ranks only at the 97th when it comes to lottery per capita. Given China's rapid economic growth and the increasing purchasing power of its population, the lottery market of China is endowed with enormous potential.

The Group has in-depth knowledge of the PRC market and extensive market resources, whilst Tabcorp, as Australia's largest gaming and entertainment group, has successful experience in operating an international lottery business and possesses the necessary technology and intellectual property. The Group's joint-venture to develop China's lottery market with Tabcorp will create strong synergies.

The Group is fully confident of its strengths and prospects. As always, it will dedicate itself to safeguarding shareholders' interests and maximising their return.

### **Staff**

During the year under review, the Group continued to adopt effective yet prudent measures in reducing costs and optimising resource utilisation. As at 31 March 2005, the Group employed 37 staff members. The management is strongly convinced that the competence of employees is a major contributing factor to the Group's sustained growth and advancement in profitability. Staff remuneration is based on performance and experience. In addition to basic salary, benefits for employees include a performance-



related bonus, contributory provident fund and medical insurance. The Group also adopted a share option scheme under which options may be granted to eligible staff based on individual performance. Training programmes for staff are provided as and when required.

## **Financial Review**

For the year ended 31 March 2005, the Group had an audited consolidated turnover of approximately HK\$52,641,000 (2004: HK\$262,756,000). Turnover comprises income from the metal transactions, consultancy and logistics services and application software development services, representing 100%, 0% and 0% (2004: 99%, 0% and 1%) of the total turnover respectively. The audited consolidated loss attributable to shareholders amounted to approximately HK\$11,680,000 (2004: HK\$3,206,000).

The general and administrative expenses amounted to approximately HK\$2,497,000 (2004: HK\$3,594,000), a reduction of 31% as compared to the year 2004. The improvement in cost efficiency is a result of our effort in increasing efficiency and effectiveness of deploying the internal resources of the Group. Our Group believed in the importance of resources deployment and cost control for its future operations and development.

## **Liquidity, Financial Resources and Gearing Ratio**

As at 31 March 2005, the Group had audited net current assets of approximately HK\$42,142,000 (2004: HK\$53,423,000), including cash and deposits with banks and financial institution of approximately HK\$22,217,000 (2004: HK\$20,698,000). The audited total liabilities amounted to approximately HK\$2,172,000 (2004: HK\$3,793,000). As at 31 March 2005, the Group did not have any bank borrowings nor any banking facilities (2004: Nil).

The gearing ratio (defined as total liabilities over total assets) of the Group as at 31 March 2005 was approximately 5% (2004: 6%).

## **Material Acquisitions and Disposals of Investments and Future Plans for Material Investment**

The Group has no material acquisitions and disposals of investments during the year under review and no significant investments were held by the Group as at 31 March 2005.

On 10 June 2005, the Company announced that China Lotsynergy Limited, a wholly-owned subsidiary of the Company, and Tabcorp International No.1 Pty Limited, a wholly-owned subsidiary of Tabcorp Holdings Limited (“Tabcorp”) in Australia, and others entered into a shareholders’ agreement on 8 June 2005 for the formation of a joint venture company, for the purpose of providing certain advanced and developed lottery operating systems, terminals, proprietary intellectual property rights and other technological support services to, and cooperating with, PRC government authorised organisation(s) for issuance of lottery and operation of a lottery business. The joint venture company, namely Tabcorp International Hong Kong Limited (“TIHK”), is owned as to 33% by the Group and 67% by Tabcorp Group. The total capital commitment in respect of the formation of TIHK is approximately HK\$180 million, of which the Group’s contribution will be approximately HK\$60 million. The Company may finance such funding requirements either by equity or debt financing including, but not limited to, shareholders’ loan and/or bank borrowings.

## **Capital Structure**

The Directors believe that the Group has sufficient working capital which will be generated from operations and funded by the net proceeds from the placing of shares completed in 2001 and 2005.

## **Exposure to Exchange Rates Fluctuation**

Majority of the revenue-generating operations of the Group are transacted in USD and Korean WON, both of which are freely convertible currencies. Historical exchange rates of these two currencies have been stable. The Group is in the view that exposure to exchange rate risks is considered very minimal. The Group did not enter any foreign forward contracts to hedge against exchange rates fluctuations.

## **Segment Information**

The Group's business segments consist operations in metal exchange portals, metal trading, provision of consultancy and logistics services and application software development services. Details of the business segments are set out in note 3 to the financial results.

## **Pledge of Asset**

As at 31 March 2005, the Group did not pledge any of its assets to obtain banking facilities nor have any charge on its assets (2004: Nil).

## **Contingent Liabilities**

As at 31 March 2005, the Group did not have any material contingent liabilities (2004: Nil).

## **ISSUE OF SHARES**

Pursuant to the two placing agreements dated 7 March 2005 entered with Centrix Investments Limited and Wealthmost Holdings Limited respectively (together, the "Placees"), the Company issued and allotted a total of 200,000,000 new ordinary shares to the Placees on 8 April 2005 upon completion thereof. Total net proceeds from the placing of approximately HK\$5.1 million have been used as the Group's general working capital as intended.

## **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 year ended 31 March 2005.

## **COMPETING INTERESTS**

The Directors believe that none of the Directors, the management shareholders of the Company (as defined in the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (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 in force prior to 1 January 2005 of the GEM Listing Rules concerning board practices and procedures throughout the year ended 31 March 2005.

## **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.

During the year, the Audit Committee has met four times to review the Company's financial reports, review and supervise the financial reporting process, and to provide advices and recommendations to the Board of Directors. The audited financial results for the year ended 31 March 2005 have been reviewed by the Audit Committee.

## **PUBLICATION OF INFORMATION ON GEM WEBSITE**

The 2005 annual report of the Company will be published on the GEM website on or before 30 June 2005, in compliance with Rule 18.50C of the GEM Listing Rules.

On behalf of the Board  
**LAU Ting**  
*Chairman*

Hong Kong, 23 June 2005

*As at the date of this announcement, the Board of the Company comprises Ms. Lau Ting, 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.*

*This announcement will remain on the "Latest Company Announcements" page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting.*