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**If you are in doubt** as to any aspect of this circular or as to the action you should take, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in WorldMetal Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



**金屬電子交易所集團有限公司\***

*(incorporated in Bermuda with limited liability)*

**(Stock Code: 8161)**

**FORMATION OF JOINT VENTURE WITH  
THE TABCORP GROUP TO PROVIDE  
LOTTERY OPERATING SYSTEMS AND SERVICES IN THE PRC  
MAJOR TRANSACTION  
AND  
CHANGE OF COMPANY NAME TO  
“CHINA LOTSYNERGY HOLDINGS LIMITED”**

**Financial adviser to WorldMetal Holdings Limited**



A notice convening a special general meeting of WorldMetal Holdings Limited to be held at Concord Rooms 2 & 3, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened on the same day and at the same place shall have concluded or adjourned (as the case may be)) on Thursday, 29 September 2005 is set out on pages 62 to 63 of this circular. Whether or not you intend to be present at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company at Unit 1406, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

*This circular 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.*

## **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.

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## DEFINITIONS

*In this circular, the following expressions shall have the following meanings unless the context requires otherwise:*

“Announcement”	the announcement of the Company dated 10 June 2005 in relation to the entering into of the JV Shareholders’ Agreement
“associates”	has the meaning given to it under the GEM Listing Rules
“Beijing Lottery”	北京中彩在線科技有限責任公司 (Beijing Lottery Online Technology Co., Ltd.), a company established in the PRC and controlled by 中國福利彩票發行管理中心 (China Welfare Lottery Issuance and Administration Centre of the PRC)
“Board”	the board of Directors
“CLL”	China LotSynergy Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Company”	WorldMetal Holdings Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on GEM
“Completion”	completion of the JV Shareholders’ Agreement
“Cooperation Agreement”	the cooperation agreement entered into on 23 July 2005 amongst TIHK, Beijing Lottery and Tabcorp International, pursuant to which TIHK has agreed to assist Beijing Lottery to build and develop the first nationwide unified platform for lottery operation that is suitable for use throughout the PRC
“connected person(s)”	has the meaning given to it under the GEM Listing Rules
“Directors”	directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

## DEFINITIONS

“Joint Venture”	the joint venture pursuant to which the Group and the Tabcorp Group have conditionally agreed to co-operate to develop the first nationwide unified platform for lottery operation that is suitable for use throughout the PRC
“JV Shareholders’ Agreement”	the shareholders’ agreement entered into amongst TIHK, CLL, TI, the Company and Tabcorp International on 8 June 2005 in relation to the Joint Venture
“Latest Practicable Date”	29 July 2005, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“PRC”	People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held at Concord Rooms 2 & 3, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened on the same day and at the same place shall have concluded or adjourned (as the case may be)) on Thursday, 29 September 2005 for the purpose of considering, if thought fit, approving the special resolutions for the change of the Company’s name and the adoption of a Chinese name for the Company
“Shareholders”	holders of Shares
“Shares”	ordinary shares of HK\$0.01 each in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tabcorp Group”	Tabcorp Holdings and its subsidiaries
“Tabcorp Holdings”	Tabcorp Holdings Limited, a company incorporated in Australia, the shares of which are listed on the Australian Stock Exchange
“Tabcorp International”	Tabcorp International Pty Limited, a company incorporated in Australia and a wholly-owned subsidiary of Tabcorp Holdings
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers

## DEFINITIONS

“TI”	Tabcorp International No. 1 Pty Limited, a company registered in Victoria, Australia and a wholly-owned subsidiary of Tabcorp Holdings
“TIHK”	Tabcorp International Hong Kong Limited, a company incorporated in the British Virgin Islands and owned as to approximately 33% by CLL and approximately 67% by TI
“A\$”	Australian dollars, the lawful currency of Australia
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

*For illustration purpose, the exchange rate of A\$1 = HK\$6 has been adopted in this circular.*

## LETTER FROM THE BOARD

# 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)

*Executive Directors:*

LAU Ting (Chairman)

CHEN Aizheng

NG Man Fai, Matthew

*Registered office:*

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

*Independent non-executive Directors:*

KING Roger

HUANG Shenglan

LI Xiaojun

*Head office and*

*principal place of business:*

Unit 1406, Office Tower

Convention Plaza

1 Harbour Road

Wanchai

Hong Kong

1 August 2005

*To the Shareholders*

Dear Sir or Madam,

**FORMATION OF JOINT VENTURE WITH  
THE TABCORP GROUP TO PROVIDE  
LOTTERY OPERATING SYSTEMS AND SERVICES IN THE PRC  
MAJOR TRANSACTION  
AND  
CHANGE OF COMPANY NAME TO  
“CHINA LOTSYNERGY HOLDINGS LIMITED”**

### INTRODUCTION

On 10 June 2005, the Directors announced the entering into of the JV Shareholders' Agreement on 8 June 2005 for the purpose of forming TIHK.

One of the conditions precedent to the Completion is the execution of the Cooperation Agreement. On 26 July 2005, the Directors announced the entering into of the Cooperation Agreement on 23 July 2005.

The entering into of the JV Shareholders' Agreement constitutes a major transaction for the Company under the GEM Listing Rules. Pursuant to the GEM Listing Rules, written approvals were received from a closely allied group of Shareholders on 10 June 2005, who in aggregate owned more than 50% of the issued share capital of the Company on the same day, consenting to the entering into of the JV Shareholders' Agreement.

\* For identification only

## LETTER FROM THE BOARD

The Directors further wish to propose the change of the Company's name from "WorldMetal Holdings Limited" to "China LotSynergy Holdings Limited" and the adoption of a Chinese name "華彩控股有限公司" for the Company for registration in Hong Kong. The SGM will be held to consider and, if thought fit, approve the special resolutions on the change of the Company's name and the adoption of a Chinese name for the Company.

The purpose of this circular is to provide you with, among others, (i) further information on the entering into of the JV Shareholders' Agreement and the Cooperation Agreement; (ii) information on the change of the Company's name and the adoption of a Chinese name for the Company; and (iii) the notice of SGM.

### THE JV SHAREHOLDERS' AGREEMENT

Pursuant to the JV Shareholders' Agreement, CLL and TI agreed to form TIHK as a joint venture company which is owned as to approximately 33% by CLL and approximately 67% by TI. The principal terms of the JV Shareholders' Agreement are set out below:

#### **Date**

8 June 2005

#### **Parties**

- (i) TIHK
- (ii) CLL, a wholly-owned subsidiary of the Company
- (iii) TI, a wholly-owned subsidiary of Tabcorp Holdings
- (iv) the Company, guarantor of CLL
- (v) Tabcorp International, guarantor of TI and a wholly-owned subsidiary of Tabcorp Holdings

Each of the Company and Tabcorp International has agreed to guarantee the obligations of CLL and TI under the JV Shareholders' Agreement respectively. Pursuant to the JV Shareholders' Agreement, the Company has unconditionally and irrevocably guaranteed to each of Tabcorp International and TIHK, among others, the payment of CLL's contribution to the total capital and performance of CLL's obligations under the JV Shareholders' Agreement. Tabcorp International has also unconditionally and irrevocably guaranteed to each of CLL and TIHK, among others, the payment of TI's contribution to the total capital and performance of TI's obligations under the JV Shareholders' Agreement.



## LETTER FROM THE BOARD

### **Capital**

The total capital committed by both parties amounts to A\$30,000,000 (or HK\$180,000,000) which has been and will be contributed in the following manner: (i) issued capital of TIHK of A\$1,000 (or HK\$6,000) which has been paid-up in cash as to 33% by CLL and 67% by TI; and (ii) at Completion, pursuant to the JV Shareholders' Agreement, each of CLL and TI shall contribute by way of equity in cash A\$9,999,670 (or HK\$59,998,020) (being approximately 33.33%) and A\$19,999,330 (or HK\$119,995,980) (being approximately 66.67%) respectively. After Completion, the board of TIHK will decide from time to time whether additional capital may be required in the future for the development of TIHK's business. If such additional capital is required, the Company will make further announcement as necessary under, and in compliance with, the GEM Listing Rules.

The above-mentioned capital commitment by both parties was arrived at after arm's length negotiations between CLL and TI and with reference to the requirement for the development of TIHK's business. The Company intends to finance its funding requirement of approximately HK\$60 million either by equity or debt including, but not limited to, shareholders' loans and/or bank borrowings. The proportion has not yet been decided by the Board and will depend on capital market conditions.

### **Board composition**

Under the current shareholding structure of TIHK, the board of directors of TIHK shall comprise no more than six directors where TI is entitled to appoint four directors while CLL is entitled to appoint two directors.

### **Profit sharing**

CLL and TI are entitled to share the net profit and loss of TIHK in proportion to their equity interests therein which are approximately 33% and approximately 67% respectively.

### **Dividend policy**

TIHK will declare and pay a dividend(s) each year equal to its audited after tax profit for the year.

### **Conditions precedent**

Completion is conditional upon: (i) execution of the Cooperation Agreement; (ii) any necessary regulatory approvals being obtained; (iii) approval of the board of directors of TI; (iv) approval of the Shareholders for the JV Shareholders' Agreement and the transactions contemplated thereunder; and (v) execution of certain ancillary agreements relating to TIHK.

If any of the above conditions are not satisfied prior to 30 September 2005 or any other date agreed between TI and CLL, any party may, within 10 days after that date, terminate the JV Shareholders' Agreement by written notice to the other party. In the case of termination as aforesaid, the JV Shareholders' Agreement will be considered to be rescinded from the start and of no further effect and no party will have any further obligation to the other parties.

## LETTER FROM THE BOARD

Up to the Latest Practicable Date, conditions (i), (ii) and (iii) above have been satisfied. As regards condition (iv), written approvals were received from a closely allied group of Shareholders on 10 June 2005 who in aggregate owned more than 50% of the issued share capital of the Company on the same day for approving the JV Shareholders' Agreement. Accordingly, condition (iv) above has also been satisfied.

### **Completion**

Completion shall take place within 60 days after all conditions precedent thereto having been fulfilled.

### **Failure to provide capital**

In the event that either CLL or TI fails to provide capital in accordance with the JV Shareholders' Agreement, the non-defaulting party shall be entitled to elect such that:

- (i) the defaulting party shall not be entitled to attend or vote at any shareholders' or directors' meetings or otherwise consulted or to participate in any agreement, decision, determination, consent, approval or other action of the shareholders or directors of TIHK; and/or
- (ii) it shall be entitled to:
  - (a) pay and to notify the defaulting party that it has paid such monies;
  - (b) charge the defaulting party interest on such payments in accordance with the terms provided in the JV Shareholders' Agreement;
  - (c) require any dividends or other inter-party payments due to the defaulting party to be applied in repayment of such payments and any interest thereon; and/or
- (iii) it may terminate the JV Shareholders' Agreement in accordance with the terms provided in the JV Shareholders' Agreement.

In the event that the non-defaulting party has paid the sum of capital which the defaulting party fails to pay in accordance with the JV Shareholders' Agreement, it may elect to convert such payment into equity and its shareholding in TIHK shall be adjusted accordingly with reference to the fair value determined in the manner as provided in the JV Shareholders' Agreement.

### **Transfer of shares of TIHK**

Except as expressly provided in the JV Shareholders' Agreement, CLL or TI shall not be permitted to dispose of any of its shares in TIHK from the date of the JV Shareholders' Agreement until the earlier of:

- (i) five years from the date of the JV Shareholders' Agreement; and
- (ii) the date on which the agreed operating milestone has been achieved by TIHK.

## LETTER FROM THE BOARD

### **Pre-emptive rights on transfer of shares of TIHK**

CLL or TI who wishes to sell its shares in TIHK after the non-disposal period as specified under the sub-section headed “Transfer of shares of TIHK” above has to first offer to sell its shares to the other party. Any intended sale by CLL of its shares in TIHK shall be subject to compliance with the GEM Listing Rules, if necessary.

### **CLL’s put option**

CLL may exercise the put option, in the event that the Tabcorp Group breaches its material obligations under the JV Shareholders’ Agreement and subject to the terms of the JV Shareholders’ Agreement, to sell all of its shares in TIHK to TI at the price with reference to the fair value determined by the auditors of TIHK in the manner, and within the period, as prescribed in the JV Shareholders’ Agreement.

### **THE COOPERATION AGREEMENT**

Pursuant to the Cooperation Agreement, TIHK has agreed to assist Beijing Lottery to build and develop the first nationwide unified platform for lottery operation that is suitable for use throughout the PRC. TIHK will provide Beijing Lottery with software, central system, terminals and other technical support for its operation and other ancillary training and marketing and promotion assistance, and will initially utilise funding from its share capital in connection with the provision of the above-mentioned services.

Beijing Lottery is controlled by 中國福利彩票發行管理中心 (China Welfare Lottery Issuance and Administration Centre of the PRC) and is exclusively licensed as a specialised entity to operate and run 中福在線 (the China Welfare Lottery Online) instant lottery technical and sales system in the PRC. To the best of the Directors’ knowledge, information and belief and after having made all reasonable enquiries, Beijing Lottery is not a connected person of the Company and there are no other entities in the PRC running a similar business to that of Beijing Lottery.

The principal terms of the Cooperation Agreement are set out below:

#### **Date**

23 July 2005

#### **Parties**

- (i) TIHK
- (ii) Beijing Lottery
- (iii) Tabcorp International

## LETTER FROM THE BOARD

### Responsibilities

Subject to and pursuant to the Cooperation Agreement, Tabcorp Holdings and Tabcorp International shall grant, through TIHK, Beijing Lottery exclusive ownership of their intellectual property rights for the technology relating to the lottery products and platform in the PRC, for itself and its systems operation on an exclusive basis. Tabcorp Holdings has authorised Tabcorp International to grant, through TIHK, Beijing Lottery access to the technology and relevant source codes of Tabcorp Holdings and Tabcorp International in order to assist Beijing Lottery to establish a nationwide lottery information technology platform. Accordingly, Tabcorp International shall provide, through TIHK, Beijing Lottery with the relevant technology platform, usage rights and technological support.

Pursuant to the Cooperation Agreement, TIHK shall provide training, technical support and marketing assistance to Beijing Lottery for the lottery products so that Beijing Lottery can build its own competencies in such areas.

An implementation plan will be adopted by the parties with the authorisation conferred by the PRC lottery regulators with a view to enhancing commercialisation of the lottery products. It is envisaged that a series of lottery products will be developed utilising the technology and the multiple-user, multiple-game-play linked-machine management system, which make use of a rapid-response central trading system and flexible network linkage methods. TIHK shall provide Beijing Lottery with the central system, terminals, software and other relevant hardware based on the requirements from the relevant authorities in accordance with the implementation plan to be adopted.

Beijing Lottery has granted an exclusivity commitment whereby it will not use other service providers' technology which competes with the technology governed under the Cooperation Agreement.

### Service fee

Pursuant to the Cooperation Agreement, Beijing Lottery shall pay TIHK a fee equal to 0.92% of the sales revenue generated from the lottery product (KENO, as referred to under the section headed "The Tabcorp Group and KENO" below) under the nationwide unified platform. It is currently expected that Beijing Lottery will commence the roll-out of the KENO terminals in the first quarter of 2006.

### Conditions precedent

The Cooperation Agreement is conditional upon the following conditions:

- (i) approval from the relevant government authorities in the PRC to 中國福利彩票發行管理中心 (China Welfare Lottery Issuance and Administration Centre of the PRC) for Beijing Lottery providing nationwide lottery products on 中福在線 (the China Welfare Lottery Online) instant lottery technical and sales system and being the exclusive operator of such system to run all 中福在線 (the China Welfare Lottery Online) lottery products including KENO; and agreement from 中國福利彩票發行管理中心 (China Welfare Lottery Issuance and Administration Centre of the PRC) for Beijing Lottery to enter into the Cooperation Agreement with TIHK and Tabcorp International;

## LETTER FROM THE BOARD

- (ii) Tabcorp International providing a list of intellectual property relevant to KENO and other lottery products (as provided in the Cooperation Agreement) currently in commercial operation in Australia and identifying any items on such list that involves the employment of third parties' software; and
- (iii) Tabcorp Holdings and Tabcorp International having signed relevant legal documentation providing Beijing Lottery with exclusive intellectual property rights in the PRC through TIHK for all technology relating to the lottery products contemplated under the Cooperation Agreement.

As at the Latest Practicable Date, all conditions precedent to the Cooperation Agreement have been satisfied.

### **Duration**

The Cooperation Agreement commenced from the date of signing thereof and shall expire on the earlier of the termination of the Cooperation Agreement and the expiry of all lottery products contemplated thereunder. Each of the products developed pursuant to the Cooperation Agreement will have a term of 10 years. Therefore, the Cooperation Agreement shall terminate at the expiry of the 10-year term of the last lottery product if no early termination takes place prior thereto. Save as disclosed below, either TIHK or Beijing Lottery may terminate the Cooperation Agreement without liability immediately by written notice to the other party if such party has committed an irremediable material breach of the Cooperation Agreement or under events of force majeure. Pursuant to the Cooperation Agreement, provided Beijing Lottery continues to use any part of the software, source codes and equipment provided by TIHK in respect of a lottery product, Beijing Lottery shall continue to pay the service fee to TIHK as specified above in the event of early termination.

### **BACKGROUND AND REASONS FOR THE ENTERING INTO OF THE JV SHAREHOLDERS' AGREEMENT AND THE COOPERATION AGREEMENT**

The issue of lottery is totally directed by PRC government authorities and is a lawful business of public welfare nature. Despite that the PRC lottery market is currently restricted to PRC market players, both the Group and the Tabcorp Group may enter into the market by serving as a system provider. The Group believes the Tabcorp Group is the best business partner in this area because the Tabcorp Group is a well known gaming and entertainment group from Australia which has well founded experience in operating a lottery business and possesses the necessary technology and intellectual property. In the meantime, with its in-depth knowledge of the PRC market and extensive market resources, the Group can, together with the Tabcorp Group, facilitate TIHK to develop the first nationwide unified platform for lottery operation that is suitable for use throughout the PRC. The Tabcorp Group and the Group have therefore entered into the JV Shareholders' Agreement and procured TIHK to enter into the Cooperation Agreement.

The Directors (including the independent non-executive Directors) consider that the terms of the JV Shareholders' Agreement and the Cooperation Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

## LETTER FROM THE BOARD

### THE TABCORP GROUP AND KENO

The Tabcorp Group is a well known gaming and entertainment group and manages leading customer brands in Australia, including the Star City and Jupiters casinos and TAB, Tabaret, KENO and TAB Sportsbet. The Tabcorp Group's wagering division operates totalisator and fixed odds betting in 566 retail outlets and 2,095 retail outlets in the States of Victoria and New South Wales, respectively in Australia. Services are also rendered through channels including on-course, Internet and phone. Shares of Tabcorp Holdings are listed on the Australian Stock Exchange with market capitalisation of approximately A\$8.3 billion (or HK\$49.8 billion) as at the Latest Practicable Date. As at 31 December 2004, the Tabcorp Group had total assets of approximately A\$6.7 billion (or HK\$40.2 billion) and revenue generated in the financial year ended 30 June 2004 amounted to approximately A\$2.5 billion (or HK\$15 billion).

The KENO game operated by the Tabcorp Group possesses terminals in 2,019 venues in three states in Australia. KENO is a popular game similar to lottery or bingo where usually 15-20 numbers are drawn out of 80 and players win by guessing which numbers will be drawn. KENO is played in casinos under the Tabcorp Group and clubs using dedicated KENO computer terminals and there is an interval of about 5-10 minutes between games. Results are announced in clubs on the KENO monitors and display boards. KENO can be played with a large range of variations and combinations. The Tabcorp Group launched its version of KENO in Australia in 1991 and has grown to become the largest networked keno games in the world.

TI is a wholly-owned subsidiary of Tabcorp Holdings. In so far as the Directors are aware, the Tabcorp Group does not have any other joint venture partner and it is not engaging in a business similar to TIHK in the PRC. To the best of the Directors' knowledge, information and belief and after having made all reasonable enquiries, none of the members of the Tabcorp Group are connected persons of the Company.

### FINANCIAL EFFECT OF THE JOINT VENTURE ON THE GROUP

TIHK was incorporated on 26 April 2005 with an issued share capital of A\$1,000 (or HK\$6,000) and has not recorded any material revenue and expenses since then. As at the Latest Practicable Date, other than cash of A\$1,000 (or HK\$6,000), no material assets and liabilities were held or owed by TIHK. Pro forma financial information regarding the assets and liabilities of the Group as a result of the Joint Venture is set out in Appendix III to this circular.

TIHK will be accounted for as an associated company of the Company, the results of which will be equity accounted for in the Group's financial statements. The Directors believe that the formation of the Joint Venture will contribute to the earnings base of the Group but the quantitative effect will depend on the progress to roll-out the platform for TIHK's lottery products and the popularity of such products in the PRC market.

Initially, the effect on the formation of the Joint Venture will be neutral on the net assets of the Group, and depending on the financing structure of the funding of the capital contribution, may result in an increase in the leverage level of the Group as a whole.

## LETTER FROM THE BOARD

As TIHK is a recently incorporated entity and has not recorded material transactions and the capital contribution is subject to Completion, it has not incurred any profit or loss in the last two financial years. As disclosed in the accountants' report on TIHK in Appendix II to this circular, as at 30 June 2005, TIHK had net assets of A\$1,000 (or HK\$6,000).

### FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is principally engaged in the business of providing Internet metal trading platforms, ancillary value-chain services and application software development services. It recorded net losses in the past few years. In 2004, both the domestic and international markets were characterised 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 the PRC. However, the e-commerce industry is still subject to certain limitations including those relating to substantial on-line settlement.

The Directors consider that the entering into of the JV Shareholders' Agreement and the Cooperation Agreement provides an opportunity for the Group to diversify its business into the nationwide lottery related business in the PRC. The issue of lottery is totally directed by the PRC government authorities and is a lawful business of public welfare nature. However, the lottery industry is still young in the PRC. In terms of technology and equipment, game structure, operation and management, China lags considerably behind other countries. While ranking ninth in terms of total issue volume out of 120 lottery-issuing countries in the world, China ranks only 97th in terms of lottery spending per capita. The Directors believe that the PRC's lottery market has huge potential and are highly confident in its business outlook.

Given China's rapid economic growth and the increasing purchasing power of the Chinese population, the lottery market in the PRC is endowed with enormous potential. Considering the market potential of such business in the PRC, the Directors believe that such business would contribute to the Group's future results positively.

### GEM LISTING RULES

The entering into of the JV Shareholders' Agreement constitutes a major transaction for the Company and requires Shareholders' approval under the GEM Listing Rules. As no Shareholder has a special interest in the JV Shareholders' Agreement, no Shareholder would be required to abstain from voting thereon if a general meeting is convened to consider such agreement. Application has been made to the Stock Exchange for a waiver from the requirement to approve the JV Shareholders' Agreement at a general meeting under Rule 19.44 of the GEM Listing Rules. Written approvals were received from Ms. LAU Ting, Mr. CHAN Shing, Hang Sing Overseas Limited (a company owned as to 51% by Orient Strength Limited which in turn was wholly-owned by Ms. LAU Ting and Mr. CHAN Shing), Strong Purpose Corporation (a company wholly-owned by Ms. LAU Ting and Mr. CHAN Shing) and Burwill Holdings Limited (a listed company in Hong Kong owned as to approximately 21.5% by Hang Sing Overseas Limited, as to approximately 20.1% by Strong Purpose Corporation, as to approximately 2.1% by Ms. LAU Ting and as to approximately 1.2% by Mr. CHAN Shing) on 10 June 2005 who in aggregate owned 608,986,884 Shares, representing approximately 50.75% of the issued share capital of the Company on the same day for approving the JV Shareholders' Agreement.

## LETTER FROM THE BOARD

### TAKEOVERS CODE IMPLICATIONS

Pursuant to the announcement of the Company dated 30 March 2005, the Company announced that it was in discussions with certain independent third parties on the business development of the Company, which may involve a possible issue of new Shares and the introduction of new substantial Shareholder(s). It was also stated that it was uncertain whether the possible transactions may give rise to an obligation to make a mandatory general offer under the Takeovers Code over the Shares. As the discussions led to the conclusion of the JV Shareholders' Agreement which does not involve any issue of new securities in the Company nor change in control of the Company, no obligation to make a mandatory general offer under the Takeovers Code over the Shares has arisen.

### PROPOSED CHANGE OF COMPANY NAME

The Directors propose that the name of the Company be changed from "WorldMetal Holdings Limited" to "China LotSynergy Holdings Limited" and a new Chinese name "華彩控股有限公司" be adopted for the Company for registration in Hong Kong to reflect the new business focus of the Group as a result of the entering into of the JV Shareholders' Agreement and the Cooperation Agreement.

The proposed change of the Company's name is subject to:

- (i) the passing of a special resolution to be proposed at the SGM by the Shareholders; and
- (ii) the approval of the Registrar of Companies in Bermuda;

and shall take effect from the date on which the Registrar of Companies in Bermuda enters the Company's new English name on the register in place of its existing name.

The proposed adoption of a Chinese name for the Company is subject to:

- (i) the passing of a special resolution to be proposed at the SGM by the Shareholders;
- (ii) the registration of the proposed English name by the Registrar of Companies in Bermuda being completed; and
- (iii) the registration of the same by the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong);

and shall take effect from the date on which the proposed Chinese name is registered by the Hong Kong Companies Registry.



## LETTER FROM THE BOARD

The change of the Company's name and the adoption of a Chinese name for the Company will not affect any of the rights of the Shareholders. All existing share certificates in issue bearing the existing name of the Company will, after the change of name of the Company, continue to be evidence of title to the Shares and will be valid for trading, settlement and delivery for the same number of Shares in the new name of the Company on the Stock Exchange. As such, there will not be any arrangement for free exchange of existing share certificates for new share certificates under the new name of the Company. Should the holders of the existing share certificates wish to exchange for the new share certificates, there will be payment of a fee of HK\$2.5 (or such higher amount as may be allowed by the Stock Exchange from time to time) for each existing share certificate cancelled or each new share certificate issued, whichever number of certificates being cancelled/issued is higher, at their own expenses.

Further announcement(s) will be made by the Company when the change of the Company's name and the adoption of a Chinese name for the Company take effect and a new stock short name is adopted for trading in the Shares.

### SGM

A notice of the SGM is set out on pages 62 to 63 of this circular for the purpose of considering and, if thought fit, approving the change of the Company's name and the adoption of a Chinese name for the Company. A form of proxy for use at the SGM is accompanied with this circular. Information on your right to demand a poll on the resolutions at the SGM is set out in Appendix IV to this circular.

Whether or not you intend to be present at the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the principal place of business of the Company at Unit 1406, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof (as the case may be) should you so wish.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
For and on behalf of the Board  
**WorldMetal Holdings Limited**  
**LAU Ting**  
*Chairman*

**1. SUMMARY OF FINANCIAL INFORMATION**

A summary of the audited results and assets and liabilities of the Group as extracted from the annual reports of the Company is set out below:

**RESULTS**

	<b>Year ended 31 March</b>		
	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Turnover	<u>52,641</u>	<u>262,756</u>	<u>45,698</u>
Loss before taxation	(12,390)	(4,705)	(8,523)
Taxation credit/(charge)	<u>–</u>	<u>1,500</u>	<u>(1,358)</u>
Loss after taxation	(12,390)	(3,205)	(9,881)
Minority interests	<u>710</u>	<u>(1)</u>	<u>3,039</u>
Loss attributable to Shareholders	<u>(11,680)</u>	<u>(3,206)</u>	<u>(6,842)</u>
Dividends	<u>–</u>	<u>–</u>	<u>–</u>
Loss per Share	<u>(1.17) HK cents</u>	<u>(0.32) HK cent</u>	<u>(0.68) HK cent</u>
Dividend per Share	<u>–</u>	<u>–</u>	<u>–</u>

**ASSETS AND LIABILITIES**

	<b>As at 31 March</b>		
	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>	<b>2003</b> <i>HK\$'000</i>
Total assets	47,194	60,641	66,212
Total liabilities	(2,172)	(3,793)	(6,640)
Minority interests	<u>(16,357)</u>	<u>(16,785)</u>	<u>(16,555)</u>
Shareholders' funds	<u>28,665</u>	<u>40,063</u>	<u>43,017</u>

## 2. SUMMARY OF AUDITED FINANCIAL STATEMENTS

Set out below are the audited consolidated income statement, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and notes to the financial statements of the Group, and the balance sheet of the Company as extracted from pages 20 to 48 of the annual report of the Company for the year ended 31 March 2005. References to page numbers in this appendix are made to the page numbers of such annual report of the Company.

**Consolidated Profit and Loss Account**

*For the year ended 31 March 2005*

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Turnover	4	52,641	262,756
Cost of merchandise sold		(52,363)	(256,591)
Staff costs	9	(3,938)	(5,185)
Amortisation of intangible assets		(116)	(800)
Depreciation		(429)	(1,944)
Advertising and promotion expenses		–	(2)
(Provision for)/Reversal of bad and doubtful debts		(6,260)	1
Write-off of accounts receivable		–	(2)
General and administrative expenses		(2,497)	(3,594)
Loss from operations		(12,962)	(5,361)
Other revenues	4	572	590
Gain on disposal of subsidiaries		–	66
Loss before taxation	5	(12,390)	(4,705)
Taxation credit	6	–	1,500
Loss after taxation		(12,390)	(3,205)
Minority interests		710	(1)
Loss attributable to shareholders	7	(11,680)	(3,206)
Loss per share – Basic	8	(1.17) HK cent	(0.32) HK cent

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP****Balance Sheets***As at 31 March 2005*

		<b>Group</b>		<b>Company</b>	
		<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current assets</b>					
Intangible assets	<i>11</i>	1,842	1,958	–	–
Furniture and equipment	<i>12</i>	827	1,256	–	–
Investments in subsidiaries	<i>13</i>	–	–	27,430	37,608
Long-term investment	<i>14</i>	390	390	–	–
		<u>3,059</u>	<u>3,604</u>	<u>27,430</u>	<u>37,608</u>
Total non-current assets					
<b>Current assets</b>					
Accounts receivable	<i>15</i>	18,699	30,214	–	–
Prepayments, deposits and other receivables		1,662	6,125	–	–
Amount due from a related company	<i>17</i>	1,557	–	–	–
Deposit with a financial institution	<i>18&amp;19</i>	15,095	15,095	–	–
Cash and bank balances	<i>19</i>	7,122	5,603	1,785	2,785
		<u>44,135</u>	<u>57,037</u>	<u>1,785</u>	<u>2,785</u>
Total current assets					
<b>Current liabilities</b>					
Accounts payable	<i>16</i>	–	(95)	–	–
Accruals and other payables		(1,304)	(1,678)	(50)	(100)
Amounts due to related companies	<i>17</i>	(193)	(1,345)	–	–
Taxation payable		(496)	(496)	–	–
		<u>(1,993)</u>	<u>(3,614)</u>	<u>(50)</u>	<u>(100)</u>
Total current liabilities					
Net current assets		<u>42,142</u>	<u>53,423</u>	<u>1,735</u>	<u>2,685</u>
Total assets less current liabilities		<u>45,201</u>	<u>57,027</u>	<u>29,165</u>	<u>40,293</u>

**APPENDIX I****FINANCIAL INFORMATION ON THE GROUP****Balance Sheets***As at 31 March 2005*

	<i>Note</i>	<b>Group</b>		<b>Company</b>	
		<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Representing:					
Share capital	20	10,000	10,000	10,000	10,000
Reserves	22	35,024	34,742	36,074	36,074
Accumulated loss	23	(16,359)	(4,679)	(16,909)	(5,781)
Shareholders' funds		<u>28,665</u>	<u>40,063</u>	<u>29,165</u>	<u>40,293</u>
<b>Non-current liabilities</b>					
Deferred taxation	24	<u>179</u>	<u>179</u>	<u>–</u>	<u>–</u>
Total non-current liabilities		<u>179</u>	<u>179</u>	<u>–</u>	<u>–</u>
<b>Minority interests</b>		<u>16,357</u>	<u>16,785</u>	<u>–</u>	<u>–</u>
		<u>45,201</u>	<u>57,027</u>	<u>29,165</u>	<u>40,293</u>

**Consolidated Statement of Changes in Equity***For the year ended 31 March 2005*

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Total equity as at 1 April		40,063	43,017
Exchange differences arising on translation of the accounts of foreign subsidiaries	22	282	252
Loss for the year	23	<u>(11,680)</u>	<u>(3,206)</u>
Total equity as at 31 March		<u><u>28,665</u></u>	<u><u>40,063</u></u>

**Consolidated Cash Flow Statement***For the year ended 31 March 2005*

	<i>Note</i>	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
<b>Net cash inflow/(outflow) from operations</b>	25(a)	628	(10,985)
Hong Kong profits tax refunded		<u>–</u>	<u>6</u>
Net cash inflow/(outflow) from operating activities		<u>628</u>	<u>(10,979)</u>
<b>Investing activities</b>			
Sale of furniture and equipment		–	43
Interest income from bank deposits		327	343
Disposal of subsidiaries	25(b)	–	300
Decrease in pledged bank deposits		<u>–</u>	<u>124</u>
Net cash inflow from investing activities		<u>327</u>	<u>810</u>
Increase/(decrease) in cash and cash equivalents		955	(10,169)
Cash and cash equivalents as at 1 April		20,698	30,420
Effect of foreign exchange rate changes		<u>564</u>	<u>447</u>
Cash and cash equivalents as at 31 March		<u><u>22,217</u></u>	<u><u>20,698</u></u>
Analysis of balances of cash and cash equivalents			
Cash and bank balances		7,122	5,603
Deposit with a financial institution		<u>15,095</u>	<u>15,095</u>
		<u><u>22,217</u></u>	<u><u>20,698</u></u>

## Notes to the Accounts

### 1. CORPORATE INFORMATION

The Company was incorporated in Bermuda with limited liability. The shares of the Company are listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company is an investment holding company. Its subsidiaries are principally engaged in (i) operation of metal exchange portals for the provision of online steel trading services, (ii) metal trading, (iii) provision of consultancy and logistics services, and (iv) provision of application software development services.

### 2. IMPACT OF RECENTLY ISSUED HONG KONG FINANCIAL REPORTING STANDARDS

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“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. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

#### (a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the HKICPA. They have been prepared under the historical cost convention.

#### (b) Group accounting

##### (i) Consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31 March.

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than half of the voting power; has the power to govern the financial and operating policies; to appoint or remove the majority of the members of the board of directors; or to cast majority of votes at the meetings of the board of directors.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company’s balance sheet, investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.



*(ii) Translation of foreign currencies*

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheets of subsidiaries expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at an average rate. Exchange differences are dealt with as a movement in reserves.

**(c) Intangible assets***(i) Domain names and trademarks*

Acquisition costs of domain names and legal costs related to the registration of trademarks are capitalised and amortised on a straight-line basis over a period of twenty years.

*(ii) Portal development costs*

Costs directly associated with the development of internal-use portals, which include the external direct cost of materials and services consumed in developing or obtaining portals, are capitalised. The capitalisation of such costs ceases no later than the point at which the portals are substantially completed and ready for their intended purpose. Portal development costs are amortised on a straight-line basis over a period of three years, which represents the expected useful lives of the portals.

Research and other portal maintenance costs are expensed as incurred.

*(iii) Impairment of intangible assets*

The Directors and management review and evaluate, taking into consideration current results and future prospects, the carrying value of intangible assets periodically and provision is made for impairment loss where appropriate.

**(d) Furniture and equipment**

Furniture and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

*(i) Depreciation*

Furniture and equipment are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	10% – 50% (over the period of leases)
Computer equipment and software	20% – 25%
Office equipment and furniture	10% – 25%
Motor vehicles	10%

Improvements are capitalised and depreciated over their expected useful lives to the Group.

*(ii) Impairment and gain or loss on sale*

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that furniture and equipment are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a furniture and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

**(e) Assets under leases***(i) Finance leases*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets are accounted for as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased assets or the present value of the minimum lease payments. Each lease payment is allocated between the capital and finance charges so as to achieve a constant rate on the capital balances outstanding. The corresponding rental obligations, net of finance charges, are included in long-term liabilities. The finance charges are charged to the profit and loss account over the lease periods.

Assets held under finance leases are depreciated over the shorter of their estimated useful lives or the lease periods.

*(ii) Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

**(f) Investments in securities**

Investment securities are stated at cost less any provision for impairment losses.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to their fair value. The impairment loss is recognised as an expense in the profit and loss account. This impairment loss is written back to the profit and loss account when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

**(g) Accounts receivable**

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

**(h) Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and financial institutions, and bank overdrafts.

**(i) Provisions**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

**(j) Employee benefits****(i) Employee leave entitlements**

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

**(ii) Bonus plans**

The expected cost of bonus payments are recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

**(iii) Retirement benefits**

The Group operates a number of defined contribution plans. The Group's contributions to the defined contribution retirement schemes are expensed as incurred and are reduced by contributions forfeited by those employees who leave the scheme prior to vesting fully in the contributions. The assets of the scheme are held separately from those of the Group in independently administered funds.

**(k) Taxation**

The charge for taxation in the income statement for the year comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(l) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

**(m) Revenue recognition**

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following bases:

- (i) Income from sale of merchandise is recognised when the significant risks and rewards of ownership of the goods have been transferred to customers.
- (ii) Advertising income is recognised when the advertisements are published.
- (iii) Commission income is recognised when the related services are rendered.
- (iv) Application software development service fees, net of applicable business tax, are recognised by reference to the stage of completion of the related development work. Stage of completion is generally determined by reference to the services performed to date as a proportion of total services to be performed. No work-in-progress was recognised as at 31 March 2004 and 2005 as there were no material direct costs attributable to these services.
- (v) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

**(n) Borrowing costs**

All borrowing costs are charged to the profit and loss account in the year in which they are incurred.

**(o) Segment reporting**

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of intangible assets, furniture and equipment, inventories, receivables and operating cash, and mainly exclude investments in securities. Segment liabilities comprise operating liabilities and exclude items such as taxation. Capital expenditure comprises additions to intangible assets and furniture and equipment.

In respect of geographical segment reporting, sales are based on the destination of delivery of merchandise or where services are delivered. Total assets and capital expenditure are where the assets are located.

**4. TURNOVER, REVENUES AND SEGMENT INFORMATION**

The Group is principally engaged in operations of metal exchange portals for metal trading and ancillary value-chain services, metal trading, provision of consultancy and logistics services and application software development services.

Revenues recognised during the year are as follows:

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

## (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) provision of application software development services.

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

# APPENDIX I

# FINANCIAL INFORMATION ON THE GROUP

			2004		
	Metal exchange portals <i>HK\$'000</i>	Metal trading <i>HK\$'000</i>	Consultancy and logistics services <i>HK\$'000</i>	Application software development services <i>HK\$'000</i>	Total <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 expenses					(2,279)
Other revenues					590
Gain on disposal of subsidiaries					66
Taxation					<u>1,500</u>
Loss after taxation					(3,205)
Minority interests					<u>(1)</u>
Loss attributable to 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 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 HK\$'000
	Korea HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	
Turnover	52,637	4	–	52,641
Operating results	(938)	(10,971)	(1,053)	(12,962)
Total assets	4,909	23,257	19,028	47,194
Capital expenditures	–	–	–	–
	2004			Total HK\$'000
	Korea HK\$'000	Hong Kong HK\$'000	Mainland China HK\$'000	
Turnover	257,959	4,140	657	262,756
Operating results	(159)	(4,938)	(264)	(5,361)
Total assets	5,436	31,601	23,604	60,641
Capital expenditures	–	–	–	–

There are no sales between the geographical segments.



**5. LOSS BEFORE TAXATION**

Loss before taxation is stated after charging and crediting the following:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
<i>Charging</i>		
Depreciation of owned assets	429	1,944
Loss on disposal of furniture and equipment	–	247
Operating lease rentals in respect of		
– a motor vehicle	–	44
– land and buildings	168	1,521
Auditors' remuneration	250	200
Amortisation of intangible assets		
– domain names and trademarks	116	118
– portal development costs	–	682
Provision for bad and doubtful debts	6,260	–
Write-off of accounts receivable	–	2
Net exchange losses	269	49
	<u>          </u>	<u>          </u>
<i>Crediting</i>		
Reversal of bad and doubtful debts	–	1
	<u>          </u>	<u>          </u>

**6. TAXATION CREDIT**

The amount of taxation credited to the consolidated profit and loss account represents:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Current taxation		
– Hong Kong profits tax	–	–
– People's Republic of China enterprise income tax	–	–
– overseas taxation	–	–
Over provisions in prior years	–	1,500
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </u>
	<u>          </u>	<u>          </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.

SteelMetal.com Limited, an equity joint venture established and operating in Korea, is subject to Korean corporation income tax at a rate of 15% on the first 100 million Korean WON taxable income and 27% on the remaining amount. No corporation income tax has been provided as SteelMetal.com Limited incurred a taxation loss for the years ended 31 March 2004 and 2005.

北京威銘商網資訊技術有限公司(“北京威銘”), a sino-foreign equity joint venture established and operating in the People’s Republic of China (the “PRC”), is subject to PRC enterprise income tax. As 北京威銘 is qualified as “high technology enterprise” in the PRC, it is allowed to apply for exemption from PRC enterprise income tax for three years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. No enterprise income tax has been provided as 北京威銘 incurred a taxation loss for the year ended 31 March 2005 and last year was the third year of profitable operations after offsetting prior year losses.

上海漢絡馬口鐵貿易有限公司(“上海漢絡”), a wholly foreign owned enterprise established and operating in the PRC, is subject to PRC enterprise income tax at a rate of 15%. No enterprise income tax has been provided as 上海漢絡 incurred a taxation loss for the years ended 31 March 2004 and 2005.

## 7. LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders includes a loss of approximately HK\$11,128,000 (2004: HK\$1,768,000) dealt with in the accounts of the Company.

## 8. 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 ordinary shares in issue (2004: 1,000,000,000 shares) during the year.

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

## 9. STAFF COSTS

Staff costs including directors’ remuneration comprise:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Wages and salaries	3,763	5,036
Unutilised annual leave	–	(100)
Social security costs	15	23
Pension costs – defined contribution plans	90	186
Provision for long service payment	45	18
Other staff welfare	25	22
	<u>3,938</u>	<u>5,185</u>

**10. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS**

**(a) Directors' emoluments**

The aggregate amounts of emoluments paid/payable to Directors of the Company during the year are as follows:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Fees for Non-Executive Directors	360	360
Other emoluments to Executive Directors		
Basic salaries, housing allowances, other allowances and benefits in kind	892	1,788
Contributions to pensions schemes for Directors	24	60
	<u>1,276</u>	<u>2,208</u>

No Director waived any emoluments during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any Directors during the year.

The emoluments of the Directors fell within the following bands:

<b>Emoluments bands</b>	<b>Number of Directors</b> <b>2005</b>	<b>2004</b>
HK\$ nil – HK\$1,000,000	<u>9</u>	<u>10</u>

For the year ended 31 March 2005, the Non-Executive Directors received individual emoluments of HK\$120,000 (2004: HK\$120,000), HK\$120,000 (2004: HK\$120,000), HK\$60,000 (2004: HK\$Nil) and HK\$60,000 (2004: HK\$120,000) respectively, while the Executive Directors received individual emoluments of approximately HK\$9 (2004: HK\$14), HK\$Nil (2004: HK\$385,000), HK\$Nil (2004: HK\$556,000), HK\$13 (2004: HK\$14), HK\$529,000 (2004: HK\$539,000), HK\$387,000 (2004: HK\$368,000) and HK\$13 (2004: HK\$14) respectively.

**(b) Five highest paid individuals**

Of the five individuals with the highest emoluments in the Group, two (2004: three) were Directors of the Company whose emoluments are included in Note 10(a) to the accounts. The emoluments of the remaining three (2004: two) individuals were as follows:

	<b>2005</b> <i>HK\$'000</i>	<b>2004</b> <i>HK\$'000</i>
Basic salaries, housing allowances, other allowances and benefits in kind	1,237	780
Contributions to pensions schemes	48	36
	<u>1,285</u>	<u>816</u>

Their emoluments were within the following bands:

Emoluments bands	Number of employees	
	2005	2004
HK\$ nil – HK\$1,000,000	<u>3</u>	<u>2</u>

# 11. INTANGIBLE ASSETS

	Domain names and trademarks <i>HK\$'000</i>	Group Portal development costs <i>HK\$'000</i>	Total <i>HK\$'000</i>
For the year ended 31 March 2005			
Opening net book amount	1,958	–	1,958
Amortisation charge	<u>(116)</u>	<u>–</u>	<u>(116)</u>
Closing net book amount	<u>1,842</u>	<u>–</u>	<u>1,842</u>
As at 31 March 2005			
Cost	2,347	5,422	7,769
Accumulated amortisation	<u>(505)</u>	<u>(5,422)</u>	<u>(5,927)</u>
Net book amount	<u>1,842</u>	<u>–</u>	<u>1,842</u>
As at 31 March 2004			
Cost	2,347	5,422	7,769
Accumulated amortisation	<u>(389)</u>	<u>(5,422)</u>	<u>(5,811)</u>
Net book amount	<u>1,958</u>	<u>–</u>	<u>1,958</u>

## 12. FURNITURE AND EQUIPMENT

	Leasehold improvements <i>HK\$'000</i>	Computer equipment and software <i>HK\$'000</i>	Group Office equipment and furniture <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Cost</b>					
As at 1 April 2004	46	5,981	865	296	7,188
Translation adjustments	–	63	1	–	64
	<u>46</u>	<u>6,044</u>	<u>866</u>	<u>296</u>	<u>7,252</u>
As at 31 March 2005	46	6,044	866	296	7,252
	<u>46</u>	<u>6,044</u>	<u>866</u>	<u>296</u>	<u>7,252</u>
<b>Accumulated depreciation</b>					
As at 1 April 2004	25	5,436	308	163	5,932
Charge for the year	15	273	88	53	429
Translation adjustments	–	63	1	–	64
	<u>40</u>	<u>5,772</u>	<u>397</u>	<u>216</u>	<u>6,425</u>
As at 31 March 2005	40	5,772	397	216	6,425
	<u>40</u>	<u>5,772</u>	<u>397</u>	<u>216</u>	<u>6,425</u>
<b>Net book value</b>					
As at 31 March 2005	<u>6</u>	<u>272</u>	<u>469</u>	<u>80</u>	<u>827</u>
As at 31 March 2004	<u>21</u>	<u>545</u>	<u>557</u>	<u>133</u>	<u>1,256</u>

## 13. INVESTMENTS IN SUBSIDIARIES

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Unlisted shares, at cost	23,909	23,909
Provision for impairment	(10,000)	–
	<u>13,909</u>	<u>23,909</u>
Due from subsidiaries	13,521	13,699
	<u>27,430</u>	<u>37,608</u>

The underlying value of investments in subsidiaries is, in the opinion of the directors, not less than their carrying value as at 31 March 2005.

The amounts due from subsidiaries are unsecured, interest-free and are not repayable within the next twelve months from the balance sheet date.

The following is a list of the subsidiaries as at 31 March 2005:

Name of company	Place of incorporation/ establishment (Note (iv))	Issued and fully paid up share capital/ registered capital	Interest Held	Principal activities
Held directly:				
Harrogate Group Limited	British Virgin Islands	US\$2,500,000	100%	Investment holding
Profit Talent Investments Limited	British Virgin Islands	US\$1	100%	Investment holding
Held indirectly:				
Flynn Technology Limited	British Virgin Islands	US\$1,000	100%	Investment holding
WorldMetal.com Limited	Hong Kong	US\$500,000	100%	Operation of a metal exchange portal
WorldMetal Logistics Limited	Hong Kong	HK\$2	100%	Provision of ancillary value-chain services
Rusmet.com Limited	Hong Kong	US\$2	100%	Operation of a metal exchange portal
SteelInMetal.com Limited (Note (i))	Korea	Won1,000,000,000	50% (Note (v))	Operation of a metal exchange portal and metal trading
北京威銘商網資訊技術有限公司 ("北京威銘") (Note (ii))	PRC	US\$4,080,000	50% (Note (v))	Provision of consultancy services for e-commerce technology
上海漢絡馬口鐵貿易有限公司 ("上海漢絡") (Note (iii))	PRC	US\$200,000	100%	Inactive/dormant

*Notes:*

- (i) SteelInMetal.com Limited is an equity joint venture established in Korea.
- (ii) 北京威銘 is a sino-foreign equity joint venture established in the PRC to be operated for a period of 30 years up to October 2030.
- (iii) 上海漢絡 is a wholly foreign owned enterprise established in the PRC to be operated for a period of 50 years up to September 2052.
- (iv) The subsidiaries operate principally in their places of incorporation/establishment.
- (v) The Company has the power to control the composition of the respective boards of directors and govern the financial and operating policies of these companies. Accordingly, these companies are considered as subsidiaries.
- (vi) None of the subsidiaries had any loan capital in issue at any time during the year ended 31 March 2005.

**14. LONG-TERM INVESTMENT**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted guarantee fund, at cost	390	390
	<u>390</u>	<u>390</u>

The underlying value of long-term investment was, in the opinion of the directors, not less than the carrying value of the investment as at 31 March 2005.

**15. ACCOUNTS RECEIVABLE**

The Group offers an average credit period ranging from one month to three months to its trade customers who have good payment records and well-established relationships with the Group. As at 31 March 2005, the ageing analysis of the accounts receivable was as follows:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	–	3,250
91 – 180 days	–	400
181 days – one year	–	2,221
Over one year and less than two years	639	13,662
Over two years	32,995	19,356
	<u>33,634</u>	<u>38,889</u>
<i>Less: Provision for bad and doubtful debts</i>		
– on amounts due from related companies	(8,929)	(8,422)
– on others	(6,006)	(253)
	<u>(14,935)</u>	<u>(8,675)</u>
	<u>18,699</u>	<u>30,214</u>

**16. ACCOUNTS PAYABLE**

As at 31 March 2005, the ageing analysis of the accounts payable was as follows:

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 90 days	–	95
	<u>–</u>	<u>95</u>

**17. AMOUNTS DUE FROM/(TO) RELATED COMPANIES**

The amounts due are unsecured, interest-free and have no fixed repayment terms.

**18. DEPOSIT WITH A FINANCIAL INSTITUTION**

This represents a fixed deposit (in Renminbi) placed with a registered financial institution in the PRC. This deposit bears interest rate of 1.6% per annum.

**19. CASH AND CASH EQUIVALENTS**

As at 31 March 2005, the Group had deposit placed with a financial institution (see Note 18) and other cash and bank balances of approximately HK\$15,389,000 (2004: HK\$15,452,000) which are denominated in Renminbi. The remittance of these funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

**20. SHARE CAPITAL**

	2005 HK\$'000	2004 HK\$'000
<i>Authorised:</i>		
2,000,000,000 ordinary shares of HK\$0.01 each	<u>20,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>		
1,000,000,000 ordinary shares of HK\$0.01 each	<u>10,000</u>	<u>10,000</u>

**21. EMPLOYEE SHARE OPTIONS**

At the annual general meeting of the Company held on 30 July 2002, shareholders of the Company approved the adoption of a share option scheme (the "Option Scheme") in compliance with the amended Chapter 23 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

Under the Option Scheme, the Company may grant options to employees (including executive directors) of the Group to subscribe for shares in the Company, subject to a maximum of 30% of the issued share capital of the Company from time to time excluding for this purpose shares issued on exercise of options. The subscription price will be determined by the Company's board of directors and will not be less than the highest of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheets on the date of the grant of the option, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of the grant of the option, and (iii) the nominal value of the shares. A nominal consideration at HK\$1 is payable for each of the options granted. Share options can be exercised within a period of not exceeding 10 years commencing on the date of grant or such later date as the board of directors may determine and expiring on the last day of the period.

No share options were granted under the Option Scheme its adoption.



## 22. RESERVES

	<b>Share premium HK\$'000</b>	<b>Group Capital reserve (Note (b)) HK\$'000</b>	<b>Cumulative translation reserve HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 April 2003	19,865	15,158	(533)	34,490
Translation adjustments	—	—	252	252
As at 31 March 2004 and 1 April 2004	19,865	15,158	(281)	34,742
Translation adjustments	—	—	282	282
As at 31 March 2005	<u>19,865</u>	<u>15,158</u>	<u>1</u>	<u>35,024</u>
		<b>Share premium HK\$'000</b>	<b>Company Contributed surplus (Note (c)) HK\$'000</b>	<b>Total HK\$'000</b>
As at 1 April 2003, 31 March 2004 and 2005		<u>19,865</u>	<u>16,209</u>	<u>36,074</u>

*Notes:*

- (a) On 6 September 2001, the Company became the holding company of the other companies comprising the Group pursuant to a group reorganisation (the “Reorganisation”) at the time of listing of the Company’s shares on GEM.
- (b) Capital reserve represents the difference between the nominal value of the ordinary shares issued by the Company and the share capital of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation.
- (c) Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of a subsidiary acquired through an exchange of shares pursuant to the Reorganisation.

**23. ACCUMULATED LOSS**

	<b>Group</b>		<b>Company</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April	(4,679)	(1,473)	(5,781)	(4,013)
Loss for the year	<u>(11,680)</u>	<u>(3,206)</u>	<u>(11,128)</u>	<u>(1,768)</u>
As at 31 March	<u><u>(16,359)</u></u>	<u><u>(4,679)</u></u>	<u><u>(16,909)</u></u>	<u><u>(5,781)</u></u>

**24. DEFERRED TAXATION**

	<b>Group</b>	
	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
As at 1 April 2004 and 31 March 2005	<u>179</u>	<u>179</u>

Deferred taxation represents the taxation effect of accelerated depreciation allowances.

As at 31 March 2005, deferred tax assets not recognised in respect of tax losses amounted to approximately HK\$1,000,000 (2004: HK\$190,000).

**25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT****(a) Reconciliation of loss before taxation to net cash inflow/(outflow) from operations**

	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss before taxation	(12,390)	(4,705)
Depreciation	429	1,944
Amortisation of intangible assets	116	800
Loss on disposal of furniture and equipment	–	247
Interest income from bank deposits	(327)	(343)
Gain on disposal of subsidiaries	<u>–</u>	<u>(66)</u>
Loss before taxation and working capital changes	(12,172)	(2,123)
Working capital changes:		
– Inventories	–	2,018
– Accounts receivable	11,515	(5,198)
– Prepayments, deposits and other receivables	4,463	(5,028)
– Amount due from a related company	(1,557)	617
– Accounts payable	(95)	(1,810)
– Accruals and other payables	(374)	420
– Amounts due to related companies	<u>(1,152)</u>	<u>119</u>
Net cash inflow/(outflow) from operations	<u><u>628</u></u>	<u><u>(10,985)</u></u>

**(b) Disposal of subsidiaries**

For the year ended 31 March 2004, the Group disposed of its entire equity interests in Everfame Technologies Limited and its subsidiary at a consideration of approximately HK\$370,000.

Summary of the effects of disposal of subsidiaries is as follows:

	<b>2004</b> <i>HK\$'000</i>
Furniture and equipment	108
Accounts receivable	236
Prepayments, deposits and other receivables	11
Cash and bank balances	7
Accruals and other payables	(82)
Cumulative translation reserve	24
	<hr/>
	304
Gain on disposal of subsidiaries	66
	<hr/>
	370
	<hr/> <hr/>
Satisfied by:	
Cash	307
Consideration receivable	63
	<hr/>
	370
	<hr/> <hr/>
Net cash inflow arising from disposal:	
Cash and bank balances disposed of	(7)
Cash consideration received	307
	<hr/>
	300
	<hr/> <hr/>

**26. COMMITMENTS**

As at 31 March 2005, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	<b>Land and buildings</b>		<b>A motor vehicle</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Not later than one year	–	81	–	46
Later than one year and not later than five years	–	–	–	85
	<hr/>	<hr/>	<hr/>	<hr/>
	–	81	–	131
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The Company does not have significant operating lease commitments as at 31 March 2005 (2004: Nil).

## 27. EMPLOYEE RETIREMENT BENEFITS

The Group has arranged for its Hong Kong employees to participate in a defined contribution retirement scheme (the “Original Scheme”), which is managed by independently administered funds. The Group’s monthly contributions are based on 5% of employees’ monthly salaries. The employees are entitled to receive 100% of the Group’s contribution and the accrued interest thereon upon retirement or leaving the Group after completing ten years of service or at a reduced scale of 30% to 90% after completing three to nine years of services.

For the Hong Kong employees employed after 1 December 2000, the Group has arranged for these employees to join the Mandatory Provident Fund Scheme (the “MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme at 5% of the employees’ earnings as defined under the Mandatory Provident Fund legislation, subject to a maximum of HK\$1,000 per month per employee.

As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement plans for its employees in the PRC. The Group contributes to the retirement plans at rates ranging from approximately 8% to 19% of the basic salaries of its employees, and has no further obligations for the actual payment of pensions or post-retirement benefits. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

As stipulated by Korean labour law, employees with more than one year of service are entitled to receive a lump sum payment upon voluntary or involuntary termination of their employment. The amount of the benefit is based on the terminated employee’s length of employment and rate of pay prior to termination. The Group records the vested benefit obligation assuming all employees were to terminate their employment at balance sheet date.

During the year, the aggregate amount of the Group’s contributions to the aforementioned schemes was approximately HK\$90,000 (2004: HK\$186,000), with approximately HK\$12,000 (2004: Nil) deduction of forfeited contributions. As at 31 March 2005, there was no material forfeited contribution available to reduce the Group’s employer contribution payable in future periods.

The Group did not have contribution payable as at 31 March 2005 (2004: Nil).

## 28. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) Material related party transactions, which were carried out in the normal course of the Group’s business and in accordance with terms as agreed with the related parties, are as follows:

<b>Nature of transaction</b>	<b>2005</b> <i>HK\$’000</i>	<b>2004</b> <i>HK\$’000</i>
Commission income earned from subsidiaries of a substantial shareholder	—	3,775
Purchases from a subsidiary’s minority shareholder and its subsidiaries	12,366	38,562
Sales to a subsidiary’s minority shareholder and its subsidiaries	—	13,252

- (b) Included in accounts receivable as at 31 March 2005 are accounts receivable balances due from related companies of approximately HK\$27,628,000 (2004: HK\$32,797,000). As at 31 March 2005, provisions of approximately HK\$8,929,000 (2004: HK\$8,422,000) were made on accounts receivable balance due from related companies. All outstanding balances with related companies are unsecured and non-interest bearing.

**29. POST BALANCE SHEET EVENTS**

The following events occurred subsequent to 31 March 2005 and up to the date of approval of these accounts by the board of directors:

- (i) On 7 March 2005, the Company entered into the placing agreements with Wealthmost Holdings Limited and Centrix Investments Limited (the “Placees”), pursuant to which the Company agreed conditionally to issue and allot an aggregate of 200,000,000 ordinary shares to the Placees at a price of HK\$0.026 per share. Completion of the placing took place on 8 April 2005.
- (ii) On 8 June 2005, China LotSynergy Limited (“CLL”), a wholly-owned subsidiary of the Company, Tabcorp International No. 1 Pty Limited (“TI”), a wholly-owned subsidiary of Tabcorp Holdings Limited in Australia, and others entered into a shareholders’ agreement, pursuant to which CLL and TI agreed to form a joint venture company namely Tabcorp International Hong Kong Limited to provide certain advanced and developed lottery operating systems, terminals, proprietary intellectual property rights and other technological support services to, and cooperate with, the PRC government authorised organisation(s) for issuance of lottery and operation of a lottery business. Further details of the aforesaid transaction are set out in the announcement of the Company dated 10 June 2005.

**30. APPROVAL OF ACCOUNTS**

The accounts were approved by the board of directors on 23 June 2005.

**3. INDEBTEDNESS****Borrowings and contingent liabilities**

As at the close of business on 30 June 2005, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no outstanding borrowings or material contingent liabilities.

**Capital commitment**

Subject to and at Completion, the Group will be committed to contributing to TIHK by way of equity in cash an amount of A\$9,999,670 (equivalent to HK\$59,998,020).

**Disclaimer**

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Group did not have, as at the close of business on 30 June 2005, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans, debentures or other similar indebtedness, liabilities under acceptance (other than normal trade bills), acceptance credits, debentures, mortgages, charges, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

**No material change**

The Directors have confirmed that there has not been any material change in the indebtedness and contingent liabilities of the Group since 30 June 2005.

**4. WORKING CAPITAL**

Taking into account the internal and financial resources of the Group and the availability of Shareholders' loans to the Group, the Directors are of the opinion that, in the absence of unforeseen circumstances, the Group will have sufficient working capital for its requirements in the next twelve months from the date of this circular.

**5. MATERIAL ADVERSE CHANGE**

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 March 2005 (the date to which the latest published audited consolidated financial statements of the Group were made up).

*The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the reporting accountants of TIHK, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong:*



Chartered Accountants  
Certified Public Accountants

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

1 August 2005

The Directors  
**WorldMetal Holdings Limited**

Dear Sirs,

We set out below our report on the financial information relating to Tabcorp International Hong Kong Limited (“TIHK”) for the period from 26 April 2005 (date of incorporation) to 30 June 2005 (the “Relevant Period”) for inclusion in the circular of WorldMetal Holdings Limited (the “Company”) dated 1 August 2005 (the “Circular”).

TIHK was incorporated in the British Virgin Islands on 26 April 2005 in the name of Acmetop Investments Limited and subsequently changed its name to TIHK on 8 June 2005. Pursuant to the shareholders’ agreement entered into amongst Tabcorp International No. 1 Pty Limited (“TI”), China LotSynergy Limited (“CLL”, a wholly-owned subsidiary of the Company), TIHK, Tabcorp International Pty Limited (“Tabcorp International”) and the Company on 8 June 2005 (the “JV Shareholders’ Agreement”), CLL and TI agreed, inter alia, to form a joint venture company namely TIHK which is owned as to approximately 33% by CLL and approximately 67% by TI, and to cooperate to develop a nationwide lottery related business in the People’s Republic of China (the “PRC”).

Since incorporation and up to the date of this report, TIHK has not yet commenced operation except for the entering into of the JV Shareholders’ Agreement on 8 June 2005 and the Cooperation Agreement (as defined in the Circular) on 23 July 2005. Further details relating to the JV Shareholders’ Agreement and the Cooperation Agreement are set out in the Circular.

No separate audited statutory financial statements of TIHK have been prepared since its date of incorporation and up to the date of this report as TIHK was a newly incorporated company.

For the purpose of this report, the directors of TIHK have prepared the unaudited management accounts of TIHK for the Relevant Period in accordance with International Financial Reporting Standards for which the directors of TIHK are solely responsible. The profit and loss account, statement of changes in equity and cash flow statement of TIHK for the Relevant Period and the balance sheet of TIHK as at 30 June 2005 together with the notes thereto (the “Financial Information”) set out in this report have been prepared on the basis as set out in section E below.

For the purpose of this report, we have undertaken an independent audit of the Financial Information in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 “Prospectuses and the reporting accountant” issued by the HKICPA.

The directors of TIHK are responsible for the Financial Information, together with the notes thereto. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently. The directors of the Company are responsible for the contents of the Circular in which this report is included. It is our responsibility to form an independent opinion, based on our examination, on the Financial Information.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of TIHK as at 30 June 2005 and of the results and cash flows of TIHK for the Relevant Period.



**A. PROFIT AND LOSS ACCOUNT***For the period from 26 April 2005 (date of incorporation) to 30 June 2005**(Expressed in Australian dollars)*

	<i>Notes</i>	<i>A\$</i>
<b>Revenue</b>		—
<b>Expenses</b>		—
		<hr/>
<b>Profit/(loss) before tax</b>	2	—
<b>Income tax</b>	3	—
		<hr/>
<b>Profit/(loss) for the period</b>		—
		<hr/> <hr/>

**B. BALANCE SHEET***As at 30 June 2005**(Expressed in Australian dollars)*

	<i>Notes</i>	<i>A\$</i>
<b>Current assets</b>		
Prepayments		2,748
Cash		1,000
		<hr/>
		3,748
<b>Less: Current liabilities</b>		
Amount due to a shareholder	4	(2,748)
		<hr/>
<b>Net assets</b>		1,000
		<hr/> <hr/>
<i>Representing:</i>		
<b>Issued share capital</b>	5	1,000
		<hr/> <hr/>

**C. STATEMENT OF CHANGES IN EQUITY**

*For the period from 26 April 2005 (date of incorporation) to 30 June 2005*

*(Expressed in Australian dollars)*

	<b>Issued share capital</b> A\$	<b>Retained profits</b> A\$	<b>Total</b> A\$
Issue of share capital	1,000	–	1,000
Profit/(loss) for the period	<u>–</u>	<u>–</u>	<u>–</u>
As at 30 June 2005	<u><u>1,000</u></u>	<u><u>–</u></u>	<u><u>1,000</u></u>

**D. CASH FLOW STATEMENT**

*For the period from 26 April 2005 (date of incorporation) to 30 June 2005*

*(Expressed in Australian dollars)*

	A\$
<b>Cash flow from operating activities</b>	
Profit/(loss) before tax	–
Increase in prepayments	(2,748)
Increase in amount due to a shareholder	<u>2,748</u>
	<u>–</u>
<b>Cash flow from financing activities</b>	
Issue of share capital	<u>1,000</u>
<b>Net cash generated from financing activities</b>	<u>1,000</u>
<b>Increase in cash and balance as at 30 June 2005</b>	<u><u>1,000</u></u>

**E. NOTES TO FINANCIAL INFORMATION**

*(Expressed in Australian dollars)*

**1. Principal accounting policies***Basis of preparation*

The financial statements have been prepared in accordance with International Financial Reporting Standards published by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

*Related parties*

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

*Translation of foreign currencies*

Transactions in foreign currencies are translated at rates of exchange ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

*Income tax*

The charge for taxation in the profit and loss account for the period comprises current and deferred tax.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Initial recognition of assets or liabilities that affect neither accounting nor taxable profit is regarded as a temporary difference which is not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the unused tax losses and credits can be used. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

*Provisions*

Provisions are recognised when TIHK has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where TIHK expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

*Contingent liabilities and contingent assets*

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of TIHK. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of TIHK. A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## 2. Profit/(loss) before tax

TIHK has not yet commenced operation and did not generate any revenue nor incur any expenses for the Relevant Period.

No directors' emoluments were paid by TIHK and no directors had waived or agreed to waive any of their emoluments during the Relevant Period.

## 3. Income tax

No provision for Hong Kong profits tax has been made as TIHK did not have any assessable profits arising in Hong Kong for the Relevant Period.

No deferred tax assets and liabilities are recognised in the financial statements as TIHK did not have material temporary difference arising between the tax bases of assets and liabilities and their carrying amounts as at 30 June 2005.

## 4. Amount due to a shareholder

The amount due to a shareholder is unsecured, interest-free and has no fixed terms of repayment.

## 5. Share capital

	<b>As at 30 June 2005</b>
Authorised 30,000,000 shares of A\$1 each	A\$30,000,000
Issued and fully paid 1,000 shares of A\$1 each	A\$1,000

TIHK was incorporated with an initial authorised capital of US\$50,000 divided into 50,000 shares of US\$1 each. Pursuant to a resolution passed by the directors of TIHK on 8 June 2005, the authorised share capital of TIHK was increased from US\$50,000 to A\$30,000,000 (equivalent to approximately US\$23,090,000).

On 8 June 2005, TIHK issued 1,000 shares of A\$1 each at par for cash to provide the initial capital of TIHK.

## 6. Contingent liabilities

TIHK did not have any significant contingent liabilities as at 30 June 2005.

**F. ULTIMATE HOLDING COMPANY**

As at 30 June 2005, the directors of TIHK consider the ultimate holding company to be Tabcorp Holdings Limited, a company incorporated in Australia and the shares of which are quoted on the Australian Stock Exchange.

**G. SIGNIFICANT SUBSEQUENT EVENTS**

Subsequent to the balance sheet date, on 23 July 2005, TIHK entered into the Cooperation Agreement with Beijing Lottery Online Technology Co., Ltd. (北京中彩在線科技有限責任公司) ("Beijing Lottery") and Tabcorp International. Under the Cooperation Agreement, TIHK agreed to assist Beijing Lottery to build and develop the first nationwide unified platform for lottery operation that is suitable for use throughout the PRC, in consideration for a service fee calculated at a fixed percentage of the sales revenue generated from the lottery product (KENO) under the nationwide unified platform. Further details relating to the Cooperation Agreement are set out in the Circular.

**H. SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared for TIHK in respect of any period subsequent to 30 June 2005.

Yours faithfully,  
**HLB Hodgson Impey Cheng**  
*Chartered Accountants*  
*Certified Public Accountants*  
Hong Kong

# 1. UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP

The following is a summary of the unaudited pro forma statement of assets and liabilities of the Group, assuming the Group's investment in approximately 33% of the share capital in TIHK had been completed as at 31 March 2005, for the purpose of illustrating how such investment might have affected the financial position of the Group. As the statement has been prepared for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group as at 31 March 2005 or at any future date or at Completion.

The unaudited pro forma statement of assets and liabilities of the Group has been prepared based on the audited assets and liabilities of the Group as at 31 March 2005 as extracted from the annual report of the Company for the year ended 31 March 2005 as set out in Appendix I to this circular, and the audited results and assets and liabilities of TIHK as at and for the period ended 30 June 2005 as extracted from the accountants' report on TIHK as set out in Appendix II to this circular, and adjusted for transactions resulting from the above-mentioned investment.

	<b>Audited balances as at 31 March 2005 HK\$'000</b>	<b>Pro forma adjustments</b>		<b>Pro forma balances as at 31 March 2005 HK\$'000</b>
		<b>Note 1 HK\$'000</b>	<b>Note 2 HK\$'000</b>	
<b>Assets</b>				
Intangible assets	1,842	–	–	1,842
Furniture and equipment	827	–	–	827
Interest in an associated company, TIHK	–	2	–	2
Long-term investment	390	–	–	390
Accounts receivable	18,699	–	–	18,699
Prepayments, deposits and other receivables	1,662	–	–	1,662
Amount due from a related company	1,557	–	–	1,557
Deposit with a financial institution	15,095	–	–	15,095
Cash and bank balances	7,122	(2)	–	7,120
<b>Total assets</b>	<b>47,194</b>	<b>–</b>	<b>–</b>	<b>47,194</b>
<b>Liabilities</b>				
Accounts payable	–	–	–	–
Accruals and other payables	1,304	–	–	1,304
Amounts due to related companies	193	–	–	193
Taxation payable	496	–	–	496
Deferred taxation	179	–	–	179
<b>Total liabilities</b>	<b>2,172</b>	<b>–</b>	<b>–</b>	<b>2,172</b>
<b>Minority interests</b>	<b>16,357</b>	<b>–</b>	<b>–</b>	<b>16,357</b>
	<b>28,665</b>	<b>–</b>	<b>–</b>	<b>28,665</b>

*Notes:*

1. The amount represents the cash consideration of A\$330 (equivalent to HK\$1,980) paid by the Group for the allotment and issue of 330 shares of A\$1 each in TIHK at par for cash to the Group. This pro forma adjustment reflects the decrease in cash and bank balances as if the payment had taken place on 31 March 2005.
2. TIHK will be accounted for as an associated company of the Company, the results of which will be equity accounted for in the Group's financial statements. As TIHK has not yet commenced operation and did not generate any revenue nor incur any expenses for the period from 26 April 2005 (date of incorporation of TIHK) to 30 June 2005, no adjustment for the Group's share of results in TIHK is necessary.
3. Subject to and at Completion, the Group will be committed to contributing to TIHK by way of equity in cash an amount of A\$9,999,670 (equivalent to HK\$59,998,020). The Company intends to finance this funding requirement either by equity or debt including, but not limited to, shareholders' loans and/or bank borrowings, the proportion of which has not yet been decided by the Company. No pro forma adjustment regarding such amount has been made as the above did not constitute a capital commitment of the Group as at the Latest Practicable Date and the Company's future decisions as to the means of funding relate to actions to be taken subject to and after Completion.

**2. COMFORT LETTER ON UNAUDITED PRO FORMA STATEMENT OF ASSETS AND LIABILITIES OF THE GROUP**

*The following is the text of a letter, prepared for the sole purpose of inclusion in this circular, received from the auditors of the Company, HLB Hodgson Impey Cheng, Chartered Accountants, Certified Public Accountants, Hong Kong.*



Chartered Accountants  
Certified Public Accountants

31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central  
Hong Kong

1 August 2005

The Directors  
**WorldMetal Holdings Limited**

Dear Sirs,

**WorldMetal Holdings Limited (the “Company”) and its subsidiaries (collectively referred to herein as the “Group”)**

We report on the unaudited pro forma statement of assets and liabilities of the Group (the “Pro Forma Financial Information”) set out in Appendix III of the circular of the Company dated 1 August 2005 (the “Circular”), which has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the Group’s investment in approximately 33% of the share capital in Tabcorp International Hong Kong Limited might have affected the assets and liabilities of the Group.

**Responsibilities**

It is the responsibility solely of the directors of the Company to prepare the Pro Forma Financial Information in accordance with Rule 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

It is our responsibility to form an opinion as required by Rule 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.



**Basis of opinion**

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants and accordingly, we do not express any such assurance on the Pro Forma Financial Information.

The Pro Forma Financial Information has been prepared in accordance with the basis set out in Appendix III of the Circular for illustrative purposes only and, because of its nature, it may not give a true picture of the financial position of the Group as at 31 March 2005 or at any future date.

**Opinion**

In our opinion:

- a. the Pro Forma Financial Information has been properly compiled on the basis stated;
- b. such basis is consistent with the accounting policies of the Group; and
- c. the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to Rule 7.31(1) of the GEM Listing Rules.

Yours faithfully,  
**HLB Hodgson Impey Cheng**  
*Chartered Accountants*  
*Certified Public Accountants*  
Hong Kong

**RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

As at the Latest Practicable Date, 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 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 pursuant to the required standards of dealing by directors of the listed issuer as referred to in Rule 5.46 of 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 (Note 1)	485,746,308 (Note 2)	608,986,884 (Note 3)	50.75%
CHEN Aizheng	2,310,000	330,000	–	2,640,000	0.22%
NG Man Fai, Matthew	660,000	–	–	660,000	0.06%

*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, which is owned as to 21.94% by Hang Sing, as to 20.53% by Strong Purpose, as to 2.11% by Ms. LAU Ting and as to 1.26% by Mr. CHAN Shing.
- The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

**(B) Associated corporation – Burwill Holdings Limited (“Burwill”)**

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 (Note 1)	438,304,701 (Note 2)	473,116,245 (Note 3)	45.84%

*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.

Save as otherwise disclosed above, as at the Latest Practicable Date, 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 the Latest Practicable Date, 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:

### 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)	50.75%
Burwill	463,831,074	–	–	463,831,074 (Note 3)	38.65%
YU Man Yiu, Park	658,500	–	147,800,860 (Note 4)	148,459,360 (Note 5)	12.37%
Centrix Investments Limited ("Centrix")	100,000,000	–	–	100,000,000 (Note 5)	8.33%
DANG Xinhua	–	–	100,000,000	100,000,000 (Note 6)	8.33%
Wealthmost Holdings Limited ("Wealthmost")	100,000,000	–	–	100,000,000 (Note 6)	8.33%

#### Notes:

- These Shares were owned by Ms. LAU Ting, a Director and the spouse of Mr. CHAN Shing.
- 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 21.94% by Hang Sing, as to 20.53% by Strong Purpose, as to 2.11% by Ms. LAU Ting and as to 1.26% by Mr. CHAN Shing.
- The interests of Mr. CHAN Shing, Ms. LAU Ting and Burwill were duplicated.
- 47,800,860 Shares were held by Good Talent Trading Limited which is owned as to 35% by Mr. YU Man Yiu, Park and 100,000,000 Shares were held by Centrix, a company which is wholly-owned by Mr. YU Man Yiu, Park.
- The interests of Mr. YU Man Yiu, Park and Centrix were duplicated.
- These Shares were held by Wealthmost which is wholly-owned by Mr. DANG Xinhua. The interests of Mr. DANG Xinhua and Wealthmost were duplicated.

Save as disclosed above, as at the Latest Practicable Date, 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 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.

**PROCEDURES BY WHICH A POLL MAY BE DEMANDED**

Pursuant to bye-law 70 of the bye-laws of the Company, at any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded:—

- (i) by the chairman of the meeting; or
- (ii) by at least three Shareholders present in person or by a duly authorised corporate representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) by any Shareholder or Shareholders present in person or by its duly authorised corporate representative or by proxy and representing not less than one-tenth of the total voting rights of all the Shareholders having the right to vote at the meeting; or
- (iv) by any Shareholder or Shareholders present in person or by its duly authorised corporate representative or by proxy and holding Shares in the Company conferring a right to vote at the meeting being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.

Unless a poll be so demanded and the demand is not withdrawn, a declaration by the chairman that a resolution has on a show of hands been carried or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour or against such resolution.

**EXPERT AND CONSENT**

HLB Hodgson Impey Cheng (“HLB”) is a firm of chartered accountants and certified public accountants which has given its opinion contained in this circular.

HLB has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its reports as set out in this circular and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, HLB was not beneficially interested in the share capital of any member of the Group, nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either direct or indirect, in any assets which had been since 31 March 2005 (being the date to which the latest published audited consolidated financial statements of the Group were made up) acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to any member of the Group.

**COMPETING INTERESTS**

The Directors believe that none of the Directors, the management Shareholders (as defined under 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 as at the Latest Practicable Date.

**LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group.

**SERVICE CONTRACTS**

Each of the executive Directors has entered into a service contract with the Company with an initial term of two years from the date of appointment and will continue thereafter until terminated by not less than three to six months' notice (subject to individual contract) in writing served by either party on the other. Such contracts are terminable by the Company within 12 months without payment of compensation (other than statutory compensation).

Save as disclosed above, none of the Directors has any existing or proposed service contract with any member of the Group which does not expire or is not terminable by the Group within one year without payment of compensation (other than statutory compensation).

**MATERIAL CONTRACTS**

The following contracts, not being contracts in the ordinary course of business, were entered into by the Group within two years immediately preceding the Latest Practicable Date, and are or may be material:

- (i) the placing agreement dated 7 March 2005 entered into between the Company and Wealthmost for the placing of 100,000,000 Shares;
- (ii) the placing agreement dated 7 March 2005 entered into between the Company and Centrix for the placing of 100,000,000 Shares;
- (iii) the JV Shareholders' Agreement; and
- (iv) the Cooperation Agreement.

**AUDIT COMMITTEE**

In compliance with Rules 5.28 and 5.29 of the GEM Listing Rules, the Company has established an audit committee which comprises the three independent non-executive Directors. Its principal duties include the review of the Company's annual report and accounts, half-yearly report and quarterly reports, and review and supervision of the Company's financial reporting and internal control procedures.

**Biographies of the members of the audit committee**

**Mr. KING Roger**, aged 64, joined the Group in December 2000. Mr. KING has extensive experience in corporate management, computing engineering and management consultancy. He was the chief executive officer and an executive director of SaSa International Holdings Limited, a Hong Kong listed company offering beauty and health products and services in Asia, during the period from 1999 to April 2002. He is a non-executive director of Orient Overseas International Ltd, a Hong Kong listed company and a director of Arrow Electronics Inc., a US listed company. Mr. KING also served as the executive chairman of System-Pro Computers Ltd., a major Hong Kong personal computer retailer. He holds a bachelor's degree in electrical engineering from the University of Michigan and a master's degree in electrical engineering from New York University. He is also a graduate of the Harvard Business School.

**Mr. HUANG Shenglan**, aged 53, joined the Group in October 2002. Mr. HUANG was an executive director and the deputy governor of China Everbright Bank, Head Office and was an executive director and the general manager of China Everbright Technology Limited. Mr. HUANG holds a diploma in arts from Huazhong Normal University and in international economics from Huadong Normal University and a certificate in international economic law from Xiamen University and in advanced management programme from the Business School of Harvard University, USA.

**Mr. LI Xiaojun**, aged 30, joined the Group in September 2004. Mr. LI is a practising lawyer in the PRC at East Associates, focusing his area of practice in corporate and capital market matters and has represented a number of domestic state-owned enterprises, private-owned enterprises and foreign invested companies in restructuring and reorganisation, mergers and acquisitions, and initial public offerings exercises and provided legal services to the establishment of a Sino-foreign joint venture public securities investment fund, which is the first of its kind in the PRC. Mr. LI graduated from Zhongnan University of Economic and Law and is a member of All-China Lawyers Association and Beijing Bar Association.

**GENERAL**

- (i) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shop Nos. 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (ii) The compliance officer of the Company is Mr. NG Man Fai, Mathew, an executive Director, who holds a bachelor's degree in business administration from the University of East Asia in Macau and a master's degree in accountancy from Charles Sturt University in Australia. Mr. NG is also a certified public accountant, a fellow member of the Association of Chartered Certified Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants, the Taxation Institute of Hong Kong, the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administration in the United Kingdom.

- (iii) The company secretary of the Company is Ms. NG Lai Ping, Grace, who is an associate member of the Hong Kong Institute of Company Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.
- (iv) The qualified accountant of the Company is Mr. TAN Yung Kai, Richard, who holds a bachelor's degree in commerce from McGill University, Canada and a master's degree in corporate finance from the Hong Kong Polytechnic University. Mr. TAN is also an associate member of the Hong Kong Institute of Certified Public Accountants and a member of the American Institute of Certified Public Accountants.
- (v) Save as disclosed in this circular:
  - (a) none of the Directors has any direct or indirect interest in any assets which were, since 31 March 2005 (the date to which the latest published audited consolidated financial statements of the Group were made up) to the Latest Practicable Date, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
  - (b) none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.
- (vi) The English text of this circular and the accompanying form of proxy shall prevail over their Chinese texts.

#### **DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the principal place of business of the Company at Unit 1406, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours on any weekdays other than public holidays up to and including 29 September 2005:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) the accountants' report on TIHK, the text of which is set out in Appendix II to this circular;
- (iii) the comfort letter from HLB on the unaudited pro forma statement of assets and liabilities of the Group, the text of which is set out in Appendix III to this circular;
- (iv) the written consent referred to in the paragraphs headed "Expert and consent" in this appendix;
- (v) the service contracts referred to in the paragraphs headed "Service contracts" in this appendix;
- (vi) the material contracts referred to in the paragraphs headed "Material contracts" in this appendix; and
- (vii) the annual reports of the Company for the two years ended 31 March 2004 and 2005.



## NOTICE OF SGM

# 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)

**Notice is hereby given** that a special general meeting of WorldMetal Holdings Limited (the “Company”) will be held at Concord Rooms 2 & 3, 8/F., Renaissance Harbour View Hotel, 1 Harbour Road, Wanchai, Hong Kong at 10:30 a.m. (or so soon thereafter as the annual general meeting of the Company convened on the same day and at the same place shall have concluded or adjourned (as the case may be)) on Thursday, 29 September 2005 for the purpose of considering and, if thought fit, the following resolutions as special resolutions of the Company:

### SPECIAL RESOLUTION NO. 1

“**THAT** subject to, and conditional upon, the approval of the Registrar of Companies in Bermuda being obtained, the name of the Company be and is hereby changed from “WorldMetal Holdings Limited” to “China LotSynergy Holdings Limited” and the Directors and/or the Company Secretary of the Company be and are hereby authorised to do all such acts and things and execute all documents they consider necessary or expedient to give effect to the change of name of the Company.”

### SPECIAL RESOLUTION NO. 2

“**THAT** subject to, and conditional upon, the registration of “China LotSynergy Holdings Limited” by the Registrar of Companies in Bermuda being completed and the registration of the same by the Hong Kong Companies Registry under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong):

- (i) “金屬電子交易所集團有限公司” be and is hereby cancelled as the Chinese name of the Company, which was adopted for the purpose of identification only; and
- (ii) “華彩控股有限公司” be and is hereby adopted as the Chinese name of the Company and THAT such Chinese name be filed and/or registered with the Companies Registry in Hong Kong under Part XI of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);

and the Directors and/or the Company Secretary of the Company be and are hereby authorised to do all such acts and things and execute all documents they consider necessary or expedient to give effect to the adoption of Chinese name of the Company.”

By Order of the Board  
**NG Lai Ping, Grace**  
*Company Secretary*

Hong Kong, 1 August 2005

\* For identification only

## NOTICE OF SGM

*Notes:*

- (1) A member entitled to attend and vote at the special general meeting is entitled to appoint another person as his proxy to attend and vote instead of him. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company. In the event that a member appoints more than one proxy, on a show of hands, all such proxies shall collectively have one vote unless otherwise provided for in the bye-laws of the Company.
- (2) A form of proxy for use at the special general meeting is enclosed. To be valid, the form of proxy together with the power of attorney or other authority (if any) under which it is signed or notarially certified copy thereof must be deposited at the principal place of business of the Company at Unit 1406, 14th Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong as soon as possible and, in any event, not less than 48 hours before the time appointed for the holding of the meeting. Completion and deposit of the form of proxy will not preclude a member from attending and voting in person.
- (3) If two or more persons are joint holders of a share, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the share.