

WorldMetal Holdings Limited

金屬電子交易所集團有限公司

(Incorporated in Bermuda with limited liability)

First Quarterly Report
2005/06

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This report, for which the directors (the “Directors”) of WorldMetal Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:– (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

RESULTS (UNAUDITED)

The Directors of WorldMetal Holdings Limited (the “Company”) hereby present the unaudited consolidated results of the Company and its subsidiaries (the “Group”) for the three months ended 30 June 2005, together with the comparative unaudited figures for the corresponding period in 2004, as follows:

	Notes	Three months ended 30 June	
		2005 HK\$'000	2004 HK\$'000
Turnover	2	4,314	39,464
Cost of merchandise sold		(4,270)	(39,127)
Staff costs		(659)	(808)
Amortisation of intangible assets		(29)	(29)
Depreciation		(57)	(265)
General and administrative expenses		(2,223)	(552)
Loss from operations		(2,924)	(1,317)
Other revenues		9	8
Loss before taxation		(2,915)	(1,309)
Taxation	3	-	-
Loss after taxation		(2,915)	(1,309)
Minority interests		75	113
Loss attributable to shareholders		(2,840)	(1,196)
Loss per share – Basic	4	(0.24) HK Cent	(0.12) HK Cent

Notes:

1. Basis of preparation

The unaudited consolidated results of the Group have been prepared in accordance with the accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The 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 adoption of the new HKFRSs had no material impact on the Group's results of operations and financial position.

The accounting policies adopted in preparing the unaudited consolidated results for the period under review are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2005.

2. Turnover

Analysis of turnover of the Group:

	Three months ended 30 June	
	2005 HK\$'000	2004 HK\$'000
Sales of merchandise	<u>4,314</u>	<u>39,464</u>

3. Taxation

No provision for Hong Kong profits tax has been made as the Group had no assessable profit during the three months ended 30 June 2005 (2004: Nil).

4. Loss per share

The calculation of the basic loss per share for the three months ended 30 June 2005 is based on the unaudited consolidated loss attributable to shareholders of approximately HK\$2,840,000 (2004: HK\$1,196,000) and the weighted average number of 1,184,615,385 shares in issue during the period (2004: 1,000,000,000 shares).

No diluted loss per share is presented as there were no potential dilutive ordinary shares in issue during the three months ended 30 June 2005 and 2004.

5. Reserves

Movements in reserves are as follows:

	Share premium HK\$'000	Capital reserve HK\$'000	Cumulative translation reserve HK\$'000	Total HK\$'000
As at 1 April 2004 and 30 June 2004	<u>19,865</u>	<u>15,158</u>	<u>(281)</u>	<u>34,742</u>
As at 1 April 2005	19,865	15,158	1	35,024
Share premium arising on new shares issued	3,200	-	-	3,200
Placing expenses	(111)	-	-	(111)
As at 30 June 2005	<u>22,954</u>	<u>15,158</u>	<u>1</u>	<u>38,113</u>

INTERIM DIVIDEND

The Directors do not recommend the payment of an interim dividend for the three months ended 30 June 2005 (2004: Nil).

BUSINESS REVIEW AND OUTLOOK

The Group is pleased to announce the shift of its business focus to the provision of lottery-related technology services in China.

Review

During the period under review, the management achieved great success and substantial progress in their cooperation with the Tabcorp Group of Australia, an internationally-renowned gaming and entertainment group, to introduce advanced and developed lottery technologies and products into China.

On 8 June 2005, China LotSynergy Limited, a wholly-owned subsidiary of the Group, and Tabcorp International No.1 Pty Limited entered into a JV Shareholders' Agreement for the formation of a joint venture named Tabcorp International Hong Kong Limited ("TIHK").

On 23 July 2005, TIHK, 北京中彩在線科技有限責任公司 (Beijing Lottery Online Technology Co., Ltd.) ("Beijing Lottery"), a company under 中國福利彩票發行管理中心 (China Welfare Lottery Issuance and Administration Centre of the PRC), and Tabcorp International Pty Limited entered into a Technical Cooperation Agreement ("TCA"), pursuant to which TIHK would assist Beijing Lottery to build and develop a nationwide unified platform for lottery operation that is suitable for use throughout the PRC in consideration for a service fee in a fixed proportion of the sales revenue generated from the lottery products operating on the platform. The first lottery product under the TCA is the KENO game, the contract term of the KENO game is for 10 years.

To reflect its business transformation, the Group proposes to change the Company's name from "WorldMetal Holdings Limited" to "China LotSynergy Holdings Limited", and proceed to settle its existing business when appropriate.

Outlook

The Group has perfect confidence in the huge potential of China's lottery market and the profitability prospects of the relevant businesses of the Group.

In China, the lottery business is a lawful one of a public welfare nature, enjoying rapid development and an expanding market ever since lottery was first issued in 1987. According to statistics, the total domestic lottery sales in 2004 was approximately RMB38 billion (US\$4.6 billion), representing only 0.28% of the GDP. A comparison with the figures in other countries with a more developed lottery industry, such as the United States (approximately US\$50 billion in lottery sales, representing 0.43% of the GDP), Italy (approximately US\$14 billion in lottery sales, representing 0.84% of the GDP), and France (approximately US\$8.5 billion in lottery sales, representing 0.42% of the GDP) reveals that there is still much room for China's lottery industry to develop.

Further, compared with well-developed lottery industries of other countries, there is still much room for improvement in China in terms of technology and equipment, game structure, operation and management. As such, to assist Beijing Lottery in building and developing a nationwide unified platform for lottery operation suitable for use throughout the PRC, TIHK would provide the relevant software, central system, terminals, and other forms of technical support, together with corresponding training and marketing assistance.

The Group believes that, following the building of the unified platform for lottery operation and the launch of KENO and other future products under the TCA, its lottery-related business will have very bright prospects.

ISSUE OF SHARES

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

RESIGNATION OF DIRECTOR

Mr. YU Wing Keung, Dicky had resigned as an Executive Director of the Company with effect from 11 April 2005.

APPOINTMENT OF CHIEF EXECUTIVE OFFICER

Mr. SUN Ho was appointed as the Chief Executive Officer of the Company with effect from 1 August 2005 responsible for the business planning, overall development and daily operations of the Group.

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

As at 30 June 2005, the interests and short positions of the Directors and chief executive of the Company (including those interests and short positions which were taken or deemed to have interests and short positions under the provisions of the Securities and Futures Ordinance (the "SFO") in the shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the required standards of dealing by directors of the listed issuer as referred to in Rule 5.46 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules"), were as follows:

Interests in Shares

(A) The Company

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
LAU Ting	50,288,803	72,951,773 <i>(Note 1)</i>	485,746,308 <i>(Note 2)</i>	608,986,884 <i>(Note 3)</i>	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 ("Burwill"), which is owned as to, as at 30 June 2005, 21.48% by Hang Sing, as to 20.10% by Strong Purpose, as to 2.07% by Ms. LAU Ting and as to 1.24% by Mr. CHAN Shing.
- The interests of Ms. LAU Ting and Mr. CHAN Shing were duplicated.

(B) Associated Corporation – Burwill Holdings Limited

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the issued share capital of Burwill
	Personal interests	Family interests	Corporate interests		
LAU Ting	21,776,072	13,035,472 <i>(Note 1)</i>	438,304,701 <i>(Note 2)</i>	473,116,245 <i>(Note 3)</i>	44.88%

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 30 June 2005, 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 30 June 2005, according to the register required to be kept by the Company under Section 336 of the SFO, the following persons (other than the Directors and chief executive of the Company) had interests and short positions in the shares and underlying shares of the Company:

Interests in Shares

Name of Director	Number of ordinary shares			Total	Approximate percentage interest in the Company's issued share capital
	Personal interests	Family interests	Corporate interests		
CHAN Shing	72,951,773	50,288,803 <i>(Note 1)</i>	485,746,308 <i>(Note 2)</i>	608,986,884 <i>(Note 3)</i>	50.75%
Burwill	463,831,074	-	-	463,831,074 <i>(Note 3)</i>	38.65%
YU Man Yiu, Park	658,500	-	147,800,860 <i>(Note 4)</i>	148,459,360 <i>(Note 5)</i>	12.37%
Centrix	100,000,000	-	-	100,000,000 <i>(Note 5)</i>	8.33%
DANG Xinhua	-	-	100,000,000	100,000,000 <i>(Note 6)</i>	8.33%
Wealthmost	100,000,000	-	-	100,000,000 <i>(Note 6)</i>	8.33%

Notes:

- These shares were owned by Ms. LAU Ting, the spouse of Mr. CHAN Shing and a Director of the Company.
- 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, as at 30 June 2005, 21.48% by Hang Sing, as to 20.10% by Strong Purpose, as to 2.07% by Ms. LAU Ting and as to 1.24% by Mr. CHAN Shing.
- The interests of 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 30 June 2005, there was no person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO and/or who were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the three months ended 30 June 2005.

COMPETING INTERESTS

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

AUDIT COMMITTEE

The Company has established an Audit Committee in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules. The Audit Committee comprises the three Independent Non-Executive Directors of the Company, Mr. HUANG Shenglan, Mr. KING Roger and Mr. LI Xiaojun. Its principal duties include the review of the Company's annual report and accounts, half-year report and quarterly reports, and review and supervision of the Company's financial reporting and internal control procedures. The unaudited consolidated results for the three months ended 30 June 2005 have been reviewed by the Audit Committee.

On behalf of the Board

LAU Ting
Chairman

Hong Kong, 9 August 2005

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