WellNet Holdings Limited

(incorporated in Bermuda with limited liability)

FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2001

Summary

- Turnover for the year was HK$2.97 billion, a surge of 14% over last year
- Profit attributable to shareholders was HK$30,133,000, an increase of 450% over last year
- Net asset value of the Group stood at HK$760 million, an increase of 20% over last year
- Recommended a final dividend of 2 HK cents per share
- International metal trading business achieved a comprehensive procurement capability of multi-channels, multiple countries and diverse products
- Completed the spin-off and the listing of WorldMetal Holdings Limited on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
- Yangzhou Times Square, a large-scale shopping mall, has been delivered for occupancy and is scheduled for soft opening at the end of April, 2002
- Proposed joint ventures with enterprises under the Yunnan Provincial Government for development of flower and agricultural products businesses

FINANCIAL RESULTS

The Directors of WellNet Holdings Limited (the "Company") are pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2001, together with the comparative figures for 2000, as follows:–

	Notes	2001 HK$'000	2000 HK$'000 (Note 8)
Turnover	2	**2,974,517**	2,601,705
Cost of sales		**(2,790,382)**	(2,477,033)
Gross profit		**184,135**	124,672
Other revenue		**3,690**	5,748
Selling and distribution expenses		**(29,891)**	(36,396)
General and administrative expenses		**(89,673)**	(83,530)
(Loss)/Gain on investments, net		**(2,921)**	14,539
Impairment of goodwill		**–**	(5,381)
Profit from operations	2 & 3	**65,340**	19,652
Gain on disposal of a subsidiary		**26,494**	3,863
Interest income		**5,063**	8,817
Finance costs		**(42,671)**	(23,079)
Share of (loss)/profit of an associate		**(1,012)**	2,135
Profit before taxation		**53,214**	11,388
Taxation			
Company and subsidiaries	4	**(15,473)**	(4,982)
Associate		**197**	(367)
		(15,276)	(5,349)
Profit after taxation but before minority interests		**37,938**	6,039
Minority interests		**(7,805)**	(565)
Profit attributable to the shareholders		**30,133**	5,474
Retained profits, beginning of year			
– As previously reported		**182,076**	171,221
– Prior year adjustment	5	**(5,381)**	–
– As restated		**176,695**	171,221
Dividends	6	**(29,982)**	–
Transfer from contributed surplus		**5,381**	–
Retained profits, end of year		**182,227**	176,695
Earnings per share	7		
– basic		**3.26 HK cents**	0.61 HK cent
– diluted		**3.21 HK cents**	0.60 HK cent

Notes:–

1. **Adoption of new/revised Statements of Standard Accounting Practice**

During the year ended 31 December 2001, the Group adopted, for the first time, the following Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants:

SSAP 9 (revised)	Events after the balance sheet date
SSAP 10 (revised)	Accounting for investments in associates
SSAP 14 (revised)	Leases
SSAP 26	Segment reporting
SSAP 28	Provisions, contingent liabilities and contingent assets
SSAP 29	Intangible assets
SSAP 30	Business combinations
SSAP 31	Impairment of assets
SSAP 32	Consolidated financial statements and accounting for investments in subsidiaries

The effect on the prior year financial statements from the adoption of the above accounting standards is detailed in Note 5.

2. **Segment information**

(a) Analysis by business segments is as follows:

	2001 External sales HK$'000	2001 Internal segment sales HK$'000	2000 External sales HK$'000	2000 Internal segment sales HK$'000
Turnover				
Metal trading	**2,622,021**	**26,636**	2,288,728	676
Metal manufacturing	**208,603**	**–**	222,945	–
Property development	**103,034**	**–**	51,852	–
Property investment	**9,404**	**–**	9,418	–
Metal exchange portals	**30,605**	**12,062**	26,270	2,655
Others	**850**	**–**	2,492	–
	2,974,517	**38,698**	2,601,705	3,331
Inter-segment elimination	**–**	**(38,698)**	–	(3,331)
	2,974,517	**–**	2,601,705	–

	2001 HK$'000	2000 HK$'000
Profit from operations		
Metal trading	**24,713**	8,031
Metal manufacturing	**17,169**	14,024
Property development	**47,207**	16,315
Property investment	**6,580**	6,553
Metal exchange portals	**11,137**	500
Others	**(2,862)**	(3,113)
Unallocated expenses	**(38,604)**	(22,658)
	65,340	19,652

(b) Analysis by geographical segments is as follows:

	2001 HK$'000	2000 HK$'000
Turnover		
Mainland China	**2,750,814**	1,769,058
Hong Kong	**41,825**	101,957
Asia (other than Mainland China and Hong Kong)	**74,259**	640,899
Europe	**62,504**	40,394
Australia	**30,068**	28,350
Others	**15,047**	21,047
	2,974,517	2,601,705
Profit from operations		
Mainland China	**79,167**	29,420
Hong Kong	**10,583**	7,627
Asia (other than Mainland China and Hong Kong)	**5,703**	2,208
Europe	**2,268**	150
Australia	**6,021**	2,827
Others	**202**	78
Unallocated expenses	**(38,604)**	(22,658)
	65,340	19,652

3. **Profit from operations**

Profit from operations is stated after charging and crediting the following:–

	2001 HK$'000	2000 HK$'000
Depreciation of fixed assets	**(14,716)**	(14,723)
Amortisation of intangible assets	**(2,593)**	(1,324)
(Loss)/Gain on disposal of investments, net	**(2,921)**	14,539
Loss on disposal of fixed assets	**(1,327)**	(413)

4. **Taxation – Company and subsidiaries**

	2001 HK$'000	2000 HK$'000
Current taxation		
– Hong Kong profits tax	**702**	54
– Overseas taxation		
– Mainland China	**14,123**	4,453
– Others	**726**	–
	15,551	4,507
Under/(Over) provision in prior years		
– Hong Kong profits tax	**500**	–
– Overseas taxation	**–**	(424)
	500	(424)
	16,051	4,083
Deferred taxation		
– (Write-back of)/Provision for net timing differences	**(578)**	899
	15,473	4,982

The Company 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 Acts of the British Virgin Islands and, accordingly, are exempted from British Virgin Islands income taxes. Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. A subsidiary of the Group is subject to Mainland China enterprise income tax at 33% (2000: 33%) on its taxable income determined according to Mainland China tax laws. Other overseas taxation has been calculated on the estimated assessable profits for the year at the rates prevailing in the respective jurisdictions.

Under the relevant tax rules in Mainland China, the Group is subject to Mainland China land appreciation tax. However, up to the year ended 31 December 2001, the Group had not been required by the local tax bureau to make any tax payments in respect of the land appreciation tax. Taking into account the common practice of the levy of land appreciation tax in various cities in Mainland China, the Company's Directors consider it is unlikely that the Group will be required to make any payment in respect of Mainland China land appreciation tax.

5. **Prior year adjustment**

Prior to 1 January 2001, goodwill was eliminated against available reserves when it arose. With the adoption of SSAP 30, the Group has adopted the transitional provisions prescribed therein. Goodwill which arose prior to 1 January 2001 will continue to be held in reserves and no restatement has been made. However, any impairment arising on such goodwill is recognised in the income statement in accordance with the newly issued SSAP 31 "Impairment of assets". Goodwill arising after 1 January 2001 is capitalised as an asset and is amortised to the income statement on a straight-line basis over its estimated economic life.

The Group treats the recognition of impairment loss as a change in accounting policy in accordance with SSAP 2 since the Group has not previously followed a policy of recognising impairment loss in respect of goodwill written off against reserves. In this connection, the Group has performed an assessment of the fair value of goodwill that had previously been eliminated against reserves as at 31 December 2000. The Group has thus retrospectively restated its previously reported net profit for impairment loss of goodwill arising from the acquisition of a subsidiary in 1999. As a result, the Group's profit attributable to shareholders for the year ended 31 December 2000 and the opening retained profits as at 31 December 2000 was decreased by HK$5,381,000.

6. **Dividends**

	2001 HK$'000	2000 HK$'000
Special dividend in specie of shares in WorldMetal Holdings Limited	**11,201**	–
Proposed final dividend of 2 HK cents per ordinary share	**18,781**	–
	29,982	–

7. **Earnings per share**

The calculation of basic earnings per share is based on the consolidated profit attributable to shareholders of approximately HK$30,133,000 (2000: HK$5,474,000, as restated for the prior year adjustment as detailed in Note 5) and the weighted average number of 924,985,160 shares (2000: 902,992,890 shares) in issue during the year. The calculation of diluted earnings per share is based on the consolidated profit attributable to shareholders of approximately HK$30,133,000 (2000: HK$5,551,000, as restated for the prior year adjustment as detailed in Note 5) and the weighted average number of 939,983,325 shares (2000: 920,228,639 shares) in issue after adjusting for the effects of all dilutive potential shares.

A reconciliation of the weighted average number of shares used in calculating the basic earnings per share and the diluted earnings per share is as follows:

	2001 Number of shares	2000 Number of shares
Weighted average number of shares used in calculating basic earnings per share	**924,985,160**	902,992,890
Adjustment for potential dilutive effect in respect of		
– outstanding employee share options	**14,998,165**	14,559,425
– outstanding convertible bonds	**–**	2,676,324
Weighted average number of shares used in calculating diluted earnings per share	**939,983,325**	920,228,639

8. **Prior year comparative figures**

Prior year comparative figures presented herein have incorporated the effect of adjustments, where applicable resulting from the adoption of new/revised SSAP.

DIVIDEND

The Directors recommended a final dividend of 2 HK cents (2000: Nil) per share totalling approximately HK$18,781,000 (2000: Nil) based on the total number of shares in issue at the date of the announcement of the final results. The final dividend will be payable on 24 July 2002 to shareholders whose names appear on the Register of Members of the Company at the close of business on 6 June 2002.

CLOSURE OF REGISTERS

The Register of Members of the Company will be closed from Tuesday, 4 June 2002 to Thursday, 6 June 2002, both days inclusive, during which period no transfer of shares will be registered.

To qualify for the final dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Central Registration Hong Kong Limited, at Rooms 1901-05, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:00 p.m. on Monday, 3 June 2002. Transferees in Singapore may lodge their transfer documents accompanied by the relevant share certificates for registration no later than 4:00 p.m. on Monday, 3 June 2002 with the Company's Share Transfer Agent, Lim Associates (Pte) Ltd., at 10 Collyer Quay, #19-08 Ocean Building, Singapore 049315.

REVIEW AND OUTLOOK

1. International Metal Trading

Competition in the steel market was extremely fierce last year. The total global steel production reached 1 billion tonnes and the supply was well above demand. The "911" terrorist attack on the US and the global economic recession drove the market price to the lowest trough in the third quarter of the year.

GDP in China, however, continued in its upward trend and had spearheaded strong demands in steel raw materials and finished products. Domestic steel plants boosted up their production, with the total production volume surged by over 15% as compared to 2000 while imported steel increased to approximately 18 million tonnes.

International metal trading, particularly in steel products, is one of the core businesses of the Group where we are well-equipped with enormous business experience and competitive strengths. The business keeps on expanding and consolidating its customer base and sales network and has established its credibility and goodwill. In the past few years, the Group had made great effort in maintaining a larger import share to China, a major steel consumption market in the world.

During the year under review, improvement was achieved in profits. In addition to consolidating the existing sourcing channels in the main steel producing countries in Europe and Asia, in 2001 the Group became one of the major dealers in China of the LNM Group, a renowned multinational steel producing enterprise, to distribute its Ispat Karmet JSC products. The business supported our development of rail transport trade at China-Russia border and has now come to a size. The Group has also become the sole agent of Novolipetsk Iron & Steel Works for the import of steel slabs into China. Furthermore, the Group exploited the fluctuation and devaluation of the Japanese Yen and currencies of South American countries to make purchases in places such as Japan, Argentina and Brazil, and to cultivate stable relationship with local major steel plants to obtain dealership for their products to China. Significant breakthroughs had been achieved in the arena of sale and distribution through such efforts. Notwithstanding the adverse conditions of international trade protectionism and constant fluctuation of oil prices and currencies, the Group can enhance its comprehensive procurement capabilities in securing multi-channels, multiple countries and diverse products in response to market demands.

In the first quarter of 2002, prices of steel began to move upwards in major markets, especially the US. Orders from China surged upwards with corresponding gradual increase in prices. The total value of executed and pending contracts surpassed the amount for the same period last year to HK$1.1 billion.

Following China's accession into the WTO and the lowering of tariffs, there will be further opening up and expansion of the market and thus will give the impetus to the commencement of numerous infrastructure projects. By virtue of the Group's excellent market position and competitiveness, it is envisaged that the business will attain greater advancements.

2. Metal Manufacturing

The Group's wholly owned steel pipes processing plant in Dongguan, China maintains steady growth in its production, sales and profitability. Despite the unfavourable situation of decreasing export orders to Europe and America and the fierce price competition, the investment in setting up a new production line for steel pipes with a wider diameter went into production in the latter half of the year as planned. With an outstanding product quality, the ability to secure more orders was likewise enhanced, thereby achieving the objective of economy of scale and reduction of production cost.

In view of the relatively limited room for expansion of the export sales market and to adapt to changes in competition in the business, the Group, while continuing to improve the operation and management efficiency of the steel pipes processing plant, had acquired an enterprise in Dongguan with the rights to domestic sales in Renminbi in January 2002 and reorganised it into a wholly-owned enterprise. This would enable the Group to gain entry into the growing domestic market in China and change the business model, as restrictions imposed on operation rights, of having to rely solely on the processing of import material and export of end products. Such measure would safeguard the long-term development and profitability of the industry.

3. WorldMetal Holdings Limited

The Group saw the successful spin-off by way of reorganisation and listing of the WorldMetal Holdings Limited on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited in October 2001. This has laid the foundation for its independent operation, brand building and future development.

The principal activities of WorldMetal are the provision of Internet-based metal trading platforms and related value-added services, metal industry information, IT consultancy and application software development services. During the year under review, the Group exercised stringent operational cost control and proper utilization of resources to explore the most appropriate direction to move forward.

In addition to actively preserving the sustainability of its existing business, the Group plans to launch itself into the territory of metal products logistics and related areas through acquisitions or investments in the coming year, with the aim of establishing a diversified business model and strengthening its long-term profits base.

4. Property Development and Investment

The Group's joint venture investment, the Yangzhou Times Square, is currently the shopping mall with the largest commercial floor area in Jiangsu, China that has all with it: shops, entertainments, restaurants, exhibition facilities, car parks as well as indoor and outdoor concourse. After nearly three years of project development, including negotiation, design, construction, electrical and mechanical works, internal fitting out and leasing, the Yangzhou Times Square is scheduled for a soft opening at the end of April, 2002.

As the Yangtze River Delta is the most affluent area in China with flourishing economic development, the project had adopted a strategy of part-sale and part-lease. Buyers of the premises can retain the services of the developer for sub-lease agency and centralised property management. With its majority interests are held for long term operations and management, the project should ensure a stable and long-term return through rental income, while it would also enjoy the potential appreciation in value of the property. All these are set for the best returns for the shareholders.

In the year under review, sale and leasing was also conducted in places such as Jiangsu, Zhejiang and Shanghai. As at the end of March 2002, 363 shop units with a total area of approximately 12,000 square metres had been sold, bringing a handsome investment return at an average selling price of around RMB10,000 per square metre. At the same time, the leasing rights of some of the sold units have been reverted to the project developer for centralised management of sub-leasing.

At present, the stage for the trial operation has been set. The functional layout of the shopping mall with a mix of local and foreign brands is expected to be able to fulfill the demands generated by local spending powers. Following the opening of the shopping mall and with the ensuring meticulous operation, it is envisaged that the project will continue to create satisfactory investment returns and appreciation in asset values for the Group.

The In's Square in Mongkok, Hong Kong, a long-term investment of the Group, has not been affected by the economic slowdown and managed to retain a stable rental income, with existing leases signed up to year 2004.

5. Others

In early 2002, the Group had signed memoranda of understanding with enterprises under the Yunnan Provincial Government for establishing joint ventures to branch into the flower and agricultural products businesses. This is to gain entry into a high growth industry that is closely related to a robust economy and with increasing consumption, thereby to reach a new milestone for our shareholders. The realisation of this objective will depend on the hard work and dedication of the management and staff of the Group. As ever, we would continue to take up the challenges and advance to our objective in full stride.

LIQUIDITY AND FINANCE RESOURCES

The Group continues to be in a stable financial position with cash and bank balance of HK$216 million as at 31 December 2001. As at 31 December 2001, the Group's current ratio, as a ratio of current assets to current liabilities, was 1.39 (2000: 1.51) and the gearing ratio, as a ratio of total liabilities to total assets, was 0.49 (2000: 0.52).

The bank borrowings of the Group as at 31 December 2001 were approximately HK$456 million, including long term borrowings of approximately HK$113 million, which were denominated in Hong Kong Dollar, US Dollar and Renminbi, bearing interest at prevailing market rates. The short-term bank borrowings were mainly loans on trade finance and construction loans and the long-term borrowings were mainly mortgage loans.

FOREIGN EXCHANGE CONTRACTS

The Group has policy to minimise the exchange rate risk. When necessary, the Group would make use of exchange rate contract to hedge against foreign exchange exposure.

As at 31 December 2001, the Group had entered into forward exchange contracts to buy Japanese Yen 193,500,000 and US Dollar 1,513,790 at various rates totalling approximately HK$23,610,000 to hedge against currency fluctuations against firm purchase orders of metal products and certain outstanding payables denominated in those currencies.

CONTINGENT LIABILITIES

As at 31 December 2001, the Group had the following contingent liabilities: (i) guarantee for general banking facilities granted to an associate amounted to HK$21,730,000 (2000: HK$24,930,000); (ii) Mainland China land appreciation tax amounted to HK$11,872,000 (2000: HK$2,905,000); (iii) guarantees given to banks for mortgage facilities granted to the buyers of the Group's properties amounted to HK$9,337,000 (2000: HK$2,805,000); and (iv) shipping guarantees amounted to HK$6,827,000 (2000: HK$11,287,000).

CHARGE ON ASSETS

As at 31 December 2001, the following assets were pledged: (i) certain leasehold land and buildings with a net book value of approximately HK$124,662,000 (2000: HK$129,328,000); (ii) certain motor vehicles and office equipment of approximately HK$3,290,000 (2000: HK$4,592,000); (iii) investment properties with a net book value of approximately HK$350,881,000 (2000: HK$173,500,000); (iv) certain properties held for sale of approximately HK$24,305,000 (2000: HK$23,749,000); (v) certain inventories of approximately HK$9,571,000 (2000: HK$14,353,000) released under trust receipts bank loans; and (vi) bank deposits amounting to approximately HK$40,790,000 (2000: HK$54,400,000).

ISSUE OF SHARES

(1) During the year ended 31 December 2001, the Company issued a total of 10,848,843 new ordinary shares upon the exercise of share options by the optionholders.

(2) During the year ended 31 December 2001, the Company issued a total of 7,475,929 new ordinary shares upon the conversion of bonds into shares by the bondholders.

(3) Pursuant to the deed for the sale and purchase of shares in Best Praise Holdings Limited ("Best Praise") dated 21 May 2001, the Company issued and allotted 30,000,000 new ordinary shares of HK$0.10 each to Best Praise credited as fully paid at HK$0.90 per share on 31 May 2001 as consideration in the amount of HK$27,000,000 for the acquisition of 6,750,000 shares in Best Praise, representing 15% of the total issued share capital of Best Praise.

STAFF

As at 31 December 2001, the Group employed 490 staff. Staff remuneration packages are normally reviewed annually. The Group also provides other staff benefits which include year end double pay, discretionary bonus, contributory provident fund and medical insurance. Training programmes for staff are provided as and when required.

CHANGES IN BOARD OF DIRECTORS

(i) Ms. LU Jian resigned as an Executive Director of the Company and Mr. YANG Da Wei was appointed as an Executive Director of the Company both with effect from 23 March 2001.

(ii) Mr. FANG Hung, Kenneth resigned as a Non-Executive Director of the Company and Mr. SUN Ho was appointed as an Executive Director of the Company both with effect from 30 May 2001.

(iii) Mr. XIE Bing has been appointed as an Executive Director of the Company with effect from 18 March 2002.

SHARE OPTION SCHEMES

The Company has adopted a share option scheme on 23 July 1999, which became effective on 2 August 1999, under which the Directors, at their discretion, are authorised to grant options for new ordinary shares of the Company to employees, including executive directors, of the Company or its subsidiaries.

In compliance with the amendments to Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") which came into effect on 1 September 2001 and Chapter 23 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited which came into effect on 1 October 2001, both the directors of the Company and WorldMetal Holdings Limited ("WorldMetal"), a subsidiary of the Company, proposed for the adoption of a new option scheme and termination of the existing scheme at their respective forthcoming annual general meetings.

Pursuant to Chapter 17 of the Listing Rules, all schemes involving the grant by a listed issuer or any of its subsidiaries of options over new shares or other new securities of the listed issuer or its subsidiaries must be approved by shareholders of the listed issuer in general meeting. Accordingly, resolution will be proposed for the approval of the new share option scheme of WorldMetal at the forthcoming annual general meeting of the Company.

A circular containing summaries of the principal terms of the new share option schemes of the Company and WorldMetal will be sent to the shareholders as soon as practicable.

ANNUAL GENERAL MEETING

The 2002 Annual General Meeting of the Company will be held on 6 June 2002. Notice convening the meeting will be issued in due course.

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

During the year ended 31 December 2001, the Company repurchased a total of 21,332,000 shares in the Company on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the general mandate granted by the shareholders at the annual general meeting held on 19 April 2000, details of which were as follows:–

Month/Year	Number of Share Repurchased	Price per share Lowest *HK$*	Price per share Highest *HK$*	Total consideration (before expense) *HK$*
04/2001	21,332,000	0.155	0.40	4,784,767.60

All shares repurchased were cancelled and accordingly the Company's issued share capital was reduced by the nominal value of these shares. The repurchases were effected for the benefit of the shareholders as a whole by enhancing the net assets and earnings per share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 December 2001.

CODE OF BEST PRACTICE

The Company has complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules throughout the year, except that the non-executive directors are not appointed for a specific term, as they have to retire by rotation at the annual general meeting of the Company when they are due for re-election pursuant to the Bye-laws of the Company.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

A detailed results containing all the information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By Order of the Board
CHAN Shing
Chairman

Hong Kong, 18 April 2002