

iSteelAsia.com Limited



iSteelAsia.com





THIRD QUARTER RESULTS FOR THE NINE MONTHS ENDED 31ST DECEMBER, 2001

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED ("THE STOCK EXCHANGE")

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

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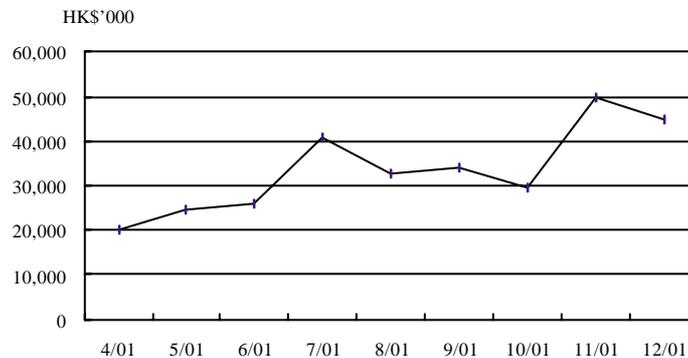
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This report, for which the directors of iSteelAsia.com Limited ("the Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange ("the GEM Listing Rules") for the purpose of giving information with regard to iSteelAsia.com Limited. 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.

HIGHLIGHTS

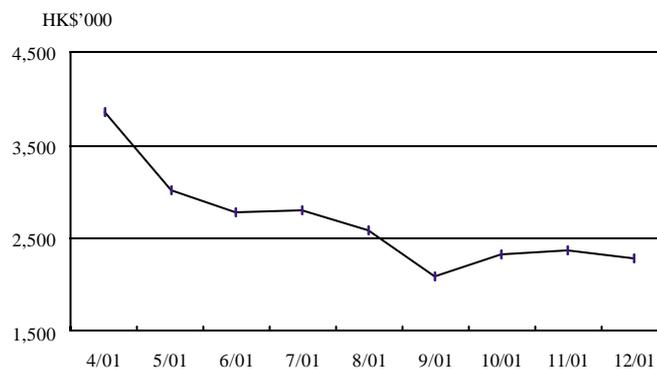
- Comparing a Q2 turnover of approximately HK\$107 million and a Q3 turnover of approximately HK\$124 million, turnover grows by over 15%.
- Monthly turnover was on the rising trend despite the poor economic environment.

Turnover



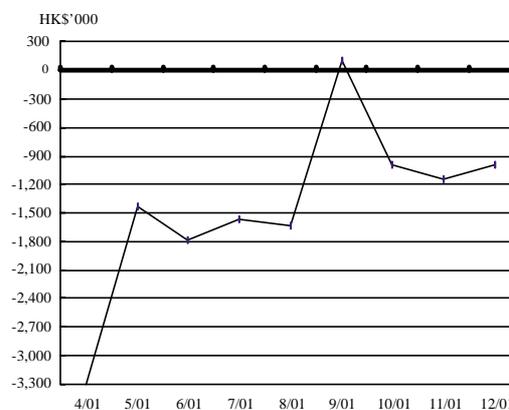
- Monthly average operating cost was maintained at a steady level, approximately HK\$2.3 million.

Average operating cost



- Although the sales revenue growth and the losses attributable to shareholders on a quarter-to-quarter basis were not as improving as satisfactorily as in Q2 due to the Group's conservative credit policy, the management is most encouraged that the Group is on track in its drive to be a profitable organisation.

Losses attributable to shareholders



RESULTS

The Board of Directors of iSteelAsia.com Limited (“the Company” or “iSteelAsia”) has the pleasure of presenting the unaudited consolidated results of the Company and its subsidiaries (together “the Group”) for the three months and nine months ended 31st December, 2001 together with the comparative unaudited figures for the corresponding period in 2000, as follows:

	Note	For the three months ended 31st December,		For the nine months ended 31st December,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover					
— Sales		123,172	28,984	297,705	126,931
— Commission		792	6,072	4,296	13,580
	1	<u>123,964</u>	<u>35,056</u>	<u>302,001</u>	<u>140,511</u>
Cost of inventories sold		(119,999)	(28,488)	(289,144)	(123,715)
Staff costs		(3,469)	(8,025)	(12,885)	(26,919)
Research and development expenses		(349)	(2,938)	(1,048)	(14,572)
Marketing and branding expenses		(18)	(1,793)	(225)	(13,061)
Amortisation of website development costs		(271)	—	(815)	(429)
Write off of website development costs		—	—	—	(4,915)
Depreciation of furniture and equipment		(177)	(176)	(537)	(365)
Other operating expenses		(2,710)	(5,948)	(8,645)	(18,579)
Loss from operations		(3,029)	(12,312)	(11,298)	(62,044)
Dividend income		69	—	69	—
Interest income		356	1,175	1,833	3,619
Interest expense		(418)	(423)	(3,192)	(657)
Loss before taxation		(3,022)	(11,560)	(12,588)	(59,082)
Taxation	2	(124)	(575)	(186)	(1,018)
Loss after taxation but before minority interests		(3,146)	(12,135)	(12,774)	(60,100)
Minority interests		29	—	29	—
Loss attributable to shareholders		<u>(3,117)</u>	<u>(12,135)</u>	<u>(12,745)</u>	<u>(60,100)</u>
Loss per share — Basic	3	<u>(0.20) cent</u>	<u>(0.83) cent</u>	<u>(0.84) cent</u>	<u>(4.17) cents</u>

Notes:

1. Turnover

Turnover comprises (i) the net invoiced value of merchandise sold after allowances for returns and discounts from steel trading operation, and (ii) commission from procurement and online steel trading services.

2. Taxation

Taxation consisted of:

	For the three months ended 31st December,		For the nine months ended 31st December,	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Current taxation				
— Hong Kong profits tax	—	575	—	1,018
— Mainland China enterprise income tax	124	—	186	—
	<u>124</u>	<u>575</u>	<u>186</u>	<u>1,018</u>

No provision for Hong Kong profits tax has been provided as the Group had no assessable profit during the three months and nine months ended 31st December, 2001 (2000 - Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong). Subsidiaries operated in Mainland China are subject to Mainland China enterprise income tax at the rates of 15%-33% (2000 - Nil).

3. Loss per share

The calculations of basic loss per share for the three months and nine months ended 31st December, 2001 were based on the unaudited consolidated loss attributable to shareholders of approximately HK\$3,117,000 (2000 - HK\$12,135,000) and HK\$12,745,000 (2000 - HK\$60,100,000) respectively, and on the weighted average number of 1,564,500,000 (2000 - 1,454,500,000) shares and 1,514,900,000 (2000 - 1,442,443,636) shares in issue during the three months and nine months ended 31st December, 2001, respectively.

Diluted loss per share for the three months and nine months ended 31st December, 2001 and for the three months and nine months ended 31st December, 2000 are not presented because the exercise of the share options granted by the Company would have an anti-dilutive effect.

4. Dividends

The Directors do not recommend the payment of an interim dividend for the nine months ended 31st December, 2001.

5. Movements in share capital and reserves

For the nine months ended 31st December, 2001, movements in share capital and reserves are as follows:

	Share capital	Reserves				Total HK\$'000
	HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Asset revaluation reserve HK\$'000	Cumulative translation adjustment HK\$'000	
Balance, 1st April, 2001	145,450	—	2,700	—	—	2,700
Issued upon allotment of shares	11,000	—	—	—	—	—
Proceeds from allotment of shares	—	11,550	—	—	—	11,550
Allotment expenses	—	(451)	—	—	—	(451)
Deficit on revaluation of long-term investment	—	—	—	(18,552)	—	(18,552)
Translation adjustment	—	—	—	—	87	87
Balance, 31st December, 2001	<u>156,450</u>	<u>11,099</u>	<u>2,700</u>	<u>(18,552)</u>	<u>87</u>	<u>(4,666)</u>



BUSINESS REVIEW

Financial and Business Performance

For the three months ("Q3") and nine months ended 31st December, 2001, the Group recorded a turnover of approximately HK\$123,964,000 and HK\$302,001,000, respectively, representing 254% and 115% increase by comparing the results in the corresponding periods last year, respectively. Loss attributable to shareholders continues to decrease by more than 74% and 79% to approximately HK\$3,117,000 and HK\$12,745,000 for the three months and nine months ended 31st December, 2001, respectively. But on a quarter-to-quarter comparison basis, the Q3 loss of approximately HK\$3,117,000 is around 0.8% slightly worse off than the results for the three months ended 30th September, 2001 ("Q2") of the current financial year as explained below.

The recent successful accession to the World Trade Organisation ("WTO") by the People's Republic of China ("PRC") in December, 2001 has tremendously changed the dynamics of the PRC steel trading industry where the Group operates in. The phenomenon is creating a very active market driven by real demands and opportunistic arbitrage activities. As such, the Group is very cautious about the risk profiles of its customers given these new activities. It is the Group's view that such phenomenon is non-sustainable and coupled with the Group's conservative policy, the management has decided to minimise the risk associated with such arbitrage activities. The Group has decided not to aggressively take full advantage of this increase in market demands. As such, the sales revenue growth on a quarter-to-quarter basis is not as encouraging - 51% growth from the results for the three months ended 30th June, 2001 ("Q1") to Q2, while only 15.6% growth from Q2 to Q3.

In more detailed terms, the worldwide economy remains tough and the Group is able to sustain a growth in the turnover. The turnover and commission from the offline steel trading business reached approximately HK\$123,726,000 while the commission received from the online steel trading business was approximately HK\$238,000. As emphasised by the Group's business objectives, the Group continues to focus developing its steel trading capability both offline and online predominantly in the PRC market. The continual trend in increase of turnover from offline steel trading business is reflective of such focus and proves that the Group is rightly directed to the profitability path. For the nine months ended 31st December, 2001, the turnover has already reached approximately HK\$302,001,000, a 65% increase by comparing the annual turnover achieved in the last year ended 31st March, 2001. During Q3, the steel demand from Mainland China is huge. This is due to the continual improvement in living standards, which indirectly drives the steel demand for the flat products in Mainland China. Flat products are the main components for white goods and technology products like computer casings, enclosure systems, etc. Also on a more macro situation with the PRC accession to the WTO, there provides a lot of arbitrage situations for the domestic players which help to increase the trading volume of the industry. In order to further strengthen the sales network in Mainland China, the Group has established 2 wholly-owned foreign enterprises in Shanghai and Tianjin, namely Yu Tai Steel (Shanghai) Co., Ltd. and Tianjin iSteelAsia International Limited. In Guangzhou, a sales office branch has been established under Yu Tai Steel (Shanghai) Co., Ltd. With this structure, the Group believes that it is now well positioned to tap the huge business opportunities in Mainland China. With the PRC's successful accession to the WTO in last year, the Group believes that more and more foreign investments will be attracted to industries like automobiles, household wares (air conditioners, refrigerators, etc.) and technology in Mainland China. The Group believes that this trend will further drive up the steel demand in Mainland China. On the other hand, the Group continues to strengthen its online steel trading capabilities to enhance the offline steel trading business. In this way, more value-added services are being provided to the steel industry participants. Due to the fact that the development pace of the Internet industry is slower than expected, the commission for Q3 from the online steel trading business decreased 67% to approximately HK\$238,000 by comparing the results in the corresponding period last year. As stated in the Group's business objectives, the Group is always exploring revenues to capitalise on its core competence, one such area is diversifying the revenue base to include various value-added services like enterprise resource planning system to the steel industry participants. As a first step to secure the business opportunity and fully capitalise the Group's internal technical competences, the Group has established the business relationship with Van Shung Chong Hong Limited under this direction. On 9th January, 2002, a wholly-owned subsidiary of the Group announced to sub-license an enterprise resource planning computer software to Van Shung Chong Hong Limited, a wholly-owned subsidiary of Van Shung Chong Holdings Limited, the holding company of a substantial shareholder of the Company at a consideration of HK\$2,180,000. The Group believes the sub-licensing is advantageous to the group of Van Shung Chong Holdings Limited in view of cost efficiency and implementation effectiveness while it provides the Group invaluable exposures in developing new revenue generating operation.

On the cost side, the total cost excluding cost of inventories sold for Q3 was approximately HK\$6,994,000, representing 63% decrease by comparing the results in the corresponding period last year. Such improved cost efficiency is mainly due to the success of a resource redeployment plan implemented last year. With major customers located in Mainland China, supporting functions like marketing and customer services were being re-deployed to Mainland China to provide more responsive and quality services.

Although the development of the Internet industry is slower than expected, the Group continues to record some statistical improvements over membership and traded transaction volume. Membership has exceeded 4,300 as at 31st December, 2001 and traded transaction volume reaching over HK\$2,192,085,000 up to 31st December, 2001 since the launching of the website. In addition, during the same period, the trading postings have exceeded 1,300.

As at 31st December, 2001, the Group recorded amounts approximately HK\$21.89 million and HK\$15.28 million due from Shunde City Dengfeng Steel Trade Co., Ltd. ("Shunde") and Evermore Steel Industrial (Hong Kong) Ltd. ("Evermore") respectively. The balances from Shunde and Evermore accounted for approximately 106% and 74% of the Group's audited net tangible assets as at 31st March, 2001, respectively. Shunde and Evermore are both customers of the Group and third parties independent of any of the Directors, chief executive of the Group, the substantial shareholders (within the meaning of the GEM Listing Rules) of the Company and their respective associates (within the meaning of the GEM Listing Rules). Sales transactions with Shunde and Evermore were conducted in the ordinary course of business of the Group and settlements of the accounts receivable were made in accordance with the credit terms entered into between the customers and the Group. No interest was charged on the trading balances within the credit terms agreed with the customers. However, interest was charged for amounts remained unsettled at interest rates pursuant to the credit terms with the customers. Both customers gave no collateral under the sales transaction. As at 31st December, 2001, the Group considers that there is no material collectibility problem from these customers.

Outlook

The Group is very optimistic with the outlook of the PRC steel trading industry. The WTO effect and the hosting of the 2008 Olympic Games in Beijing will provide the engine for growth in the PRC and hence an expanding steel market. The current market dynamics that the Group is experiencing, in the Directors' opinions, are to be short term and temporary. Nevertheless, the Group fully expects that with the PRC WTO accession, the steel industry will experience a relatively rapid consolidation. The Group is convinced that through these consolidations, a healthier and more efficient steel market in Mainland China will emerge.

As stipulated before, the Group's strategy is to capitalise on the Group's core competences, which are expertise in information technology and a significant international network. It is the Group's intention to differentiate itself by offering its core competence as value propositions to players in the region to assist them weathering out this consolidation. Given the Group's limited resources, this strategy will probably lead the Group to form more alliances both in terms of the steel industry and geographical area for the Group to flourish and further develop.

DIRECTORS' INTEREST IN SHARES

As at 31st December, 2001, the interests of the Directors and the chief executives of the Company in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Ordinary shares ("Shares") of the Company of HK\$0.10 each

Name	Type of interest	Attributable interest to the Director	Number of Shares	Total number of Shares
Mr. Andrew Cho Fai Yao	— Corporate interest held by TN (Note 1)	deemed interest (indirectly)	216,867,600	
	— Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344	
	— Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	278,000,000	
	— Corporate interest held by Right Action (Note 4)	100% (directly)	102,400,000	757,078,944
Ms. Miriam Che Li Yao	— Corporate interest held by TN (Note 1)	deemed interest (indirectly)	216,867,600	
	— Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344	
	— Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	278,000,000	654,678,944
Mr. Philip King Huen Ma	— Corporate interest held by S & S (Note 5)	—	159,324	159,324

Notes:

- As at 31st December, 2001, TN Development Limited ("TN") owns 216,867,600 Shares. Van Shung Chong (B.V.I.) Limited ("VSC BVI") owns 54% of the issued share capital of TN and Andrew Cho Fai Yao owns 10% of the issued share capital of TN. The board of directors of TN only comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.

All Shares held by TN are, or are intended to be, the subject of options exercisable, in certain circumstances, by designated employees and founding members pursuant to the share option agreements and the revenue option agreements, respectively as disclosed in the Company's prospectus dated 14th April, 2000. The sole purpose of TN is to provide an avenue to motivate the Company's employees and founding members while at the same time not incurring any dilution effect to the public investors of the Company.

- As at 31st December, 2001, Huge Top Industrial Ltd. ("Huge Top") owns 159,811,344 Shares. Andrew Cho Fai Yao directly and indirectly owns more than one-third of the issued share capital of Huge Top. The board of directors of Huge Top only comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.
- As at 31st December, 2001, VSC BVI owns 278,000,000 Shares and Huge Top owns approximately 57.64% of the issued share capital of Van Shung Chong Holdings Limited ("VSC"). Andrew Cho Fai Yao and Miriam Che Li Yao are directors of VSC. VSC BVI is a wholly-owned subsidiary of VSC. The board of directors of VSC BVI comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.
- As at 31st December, 2001, Right Action Offshore Inc. ("Right Action") owns 102,400,000 Shares. Andrew Cho Fai Yao owns the entire issued share capital of Right Action and is also the sole director of that company. These interests were corporate interests in the Company.
- As at 31st December, 2001, S & S Management Co. Ltd. ("S & S") owns 159,324 Shares. Philip King Huen Ma is deemed to be interested in these 159,324 Shares.

(b) Employee options to purchase Shares from TN:

Name	Shares to be acquired under the employee options
Ms. Drina C. Yue (<i>Note 1</i>)	30,720,000
Mr. Daniel Takuen Shih (<i>Note 1</i>)	2,000,000

Note:

- Each of Drina C. Yue and Daniel Takuen Shih has been granted an option to purchase 30,720,000 Shares and 2,000,000 Shares respectively from TN, at an exercise price per Share of HK\$0.054, under separate share option agreements both dated 13th April, 2000. The option shall vest starting on 13th April, 2001 and may be exercised in whole or in part in the following manner:
 - During the period starting from 13th April, 2001 to 12th April, 2002, the option may be exercised up to one-third of such Shares.
 - During the period starting from 13th April, 2002 to 12th April, 2003, the option may (to the extent not be exercised in accordance with (a) above) be exercised up to two-thirds of such Shares.
 - During the period starting from 13th April, 2003 to 12th April, 2004, the option may (to the extent not be exercised in accordance with (a) and (b) above) be exercised in full.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option scheme approved by the shareholders on 13th April, 2000 ("the Share Option Scheme"), the Board of Directors of the Company may, at their discretion, invite any employees of the Company or any of the group companies, including any executive directors, to take up options to subscribe for Shares in the Company. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of the Company. The subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the Shares, (ii) the quoted closing price of the Company's Shares on the trade day immediately preceding the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's Shares on the five trading days immediately preceding the date of offer of the options. The scheme became effective upon the listing of the Company's Shares on 20th April, 2000.

Pursuant to the Share Option Scheme of the Company, the share options granted to and held by the Directors up to 31st December, 2001 were as follows:

Name	Date of grant	Exercise price per Share	Exercise period	No. of shares options
Ms. Drina C. Yue	3rd July, 2000	HK\$0.360	1st October, 2001 to 12th April, 2010	2,000,000
	7th November, 2000	HK\$0.485	8th November, 2001 to 12th April, 2010	5,000,000
Ms. Miriam Che Li Yao	3rd July, 2000	HK\$0.360	1st October, 2001 to 12th April, 2010	2,500,000
	7th November, 2000	HK\$0.485	8th November, 2001 to 12th April, 2010	5,000,000
Mr. Andrew Cho Fai Yao	7th November, 2000	HK\$0.485	8th November, 2001 to 12th April, 2010	5,000,000

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of Shares in, or debt securities (including debentures) of, the Company or any other body corporate.

Other than disclosed above, as at 31st December, 2001, neither the Directors nor their associates, had any interests in any securities of the Company or any or its associated corporations as defined in the SDI Ordinance, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, according to the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, those shareholders (other than those interests of Directors disclosed above) having an interest of 10% or more of the issued share capital of the Company were as follows:

Name		Number of Shares	Total number of Shares	Notes
VSC BVI	— directly	278,000,000	494,867,600	1
	— indirect deemed interest through TN	216,867,600		
VSC	— indirectly through VSC BVI	278,000,000	494,867,600	1 & 2
	— indirect deemed interest through TN	216,867,600		
Huge Top	— directly	159,811,344	654,678,944	1, 2 & 3
	— indirectly through VSC BVI	278,000,000		
	— indirect deemed interest through TN	216,867,600		
TN	— directly	216,867,600	216,867,600	4
Mr. Leroy Lin Yuen Kung	— indirectly through Grand Bridge	204,800,000	204,800,000	5
Galaface Limited	— indirectly through Grand Bridge	204,800,000	204,800,000	5
Asian Gold Associates Limited	— indirectly through Grand Bridge	204,800,000	204,800,000	5
iMerchants Group Limited	— indirectly through Grand Bridge	204,800,000	204,800,000	5
Grand Bridge Enterprises Limited	— directly	204,800,000	204,800,000	5

Notes:

- VSC BVI owns 54% of the share capital of TN and is deemed to be interested in the 216,867,600 Shares held by TN. VSC BVI directly owns 278,000,000 Shares. VSC BVI is therefore interested in an aggregate of 494,867,600 Shares.
- VSC owns the entire issued share capital of VSC BVI, VSC is therefore deemed to be interested in an aggregate of 494,867,600 Shares.
- Huge Top is beneficially interested in approximately 57.64% of the issued share capital of VSC as at 31st December, 2001 and is therefore deemed to be interested in the 216,867,600 Shares held by TN and the 278,000,000 Shares held by VSC BVI. Huge Top also directly owns 159,811,344 Shares. Huge Top is therefore interested in an aggregate of 654,678,944 Shares.
- All Shares held by TN are, or are intended to be, the subject of options exercisable, in certain circumstances, by designated employees and founding members pursuant to the share option agreements and the revenue option agreements, respectively as disclosed in the Company's prospectus dated 14th April, 2000. The sole purpose of TN is to provide an avenue to motivate the Company's employees and founding members while at the same time not incurring any dilution effect to the public investors of the Company.
- Grand Bridge Enterprises Limited ("Grand Bridge") directly owns 204,800,000 Shares. Grand Bridge is a wholly-owned subsidiary of iMerchants Group Limited which is a wholly-owned subsidiary of Asian Gold Associates Limited ("AGA"). AGA is a company in which Galaface Limited is entitled to exercise more than one-third of its voting power. Galaface Limited is a company owned and controlled by Mr. Leroy Lin Yuen Kung.

SPONSOR'S INTERESTS

The Company and BNP Paribas Peregrine Capital Limited (formerly known as BNP Prime Peregrine Capital Limited) have mutually agreed to terminate their sponsorship agreement dated 14th April, 2000 with effect from 16th August, 2001 and ICEA Capital Limited ("ICEA") has been appointed as the new sponsor to the Company from 16th August, 2001.

As at 31st December, 2001 and as updated and notified by ICEA:

1. Neither ICEA nor its associates have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe such securities);
2. No director or employee of ICEA who is involved in providing advice to the Company has any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe such securities);
3. Neither ICEA nor its associates expect to have accrued any material benefit as a result of the successful outcome of any transaction, including by way of example, the repayment of material outstanding indebtedness and payment of any underwriting commissions or success fees; and
4. No director or employee of ICEA has a directorship in the Company or any other company in the Group.

Pursuant to the agreement dated 3rd August, 2001 entered into between the Company and ICEA, ICEA would receive a fee for acting as the Company's retained sponsor for the period from 16th August, 2001 to 30th April, 2003.

COMPETING INTERESTS

Mr. Ralph David Oppenheimer, is a non-executive director of the Company, and is the chairman and chief executive of Stemcor Holdings Limited whose business is principally engaged in the international steel trading. The Directors believe that there is a risk that such business may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Oppenheimer in the steel industry will complement the development of the Group's business.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31st December, 2001.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Society of Accountants. The duties of the audit committee include reviewing the Company's annual reports and quarterly reviews and providing advice and comments thereon to the Board of Directors. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee comprises two independent non-executive directors, namely Mr. Yeung Kwok Keung and Mr. Philip King Huen Ma.

On behalf of the Board of Directors
DRINA C. YUE
Director

Hong Kong, 5th February, 2002