

iSteelAsia Holdings Limited

亞鋼集團有限公司*



iSteelAsia

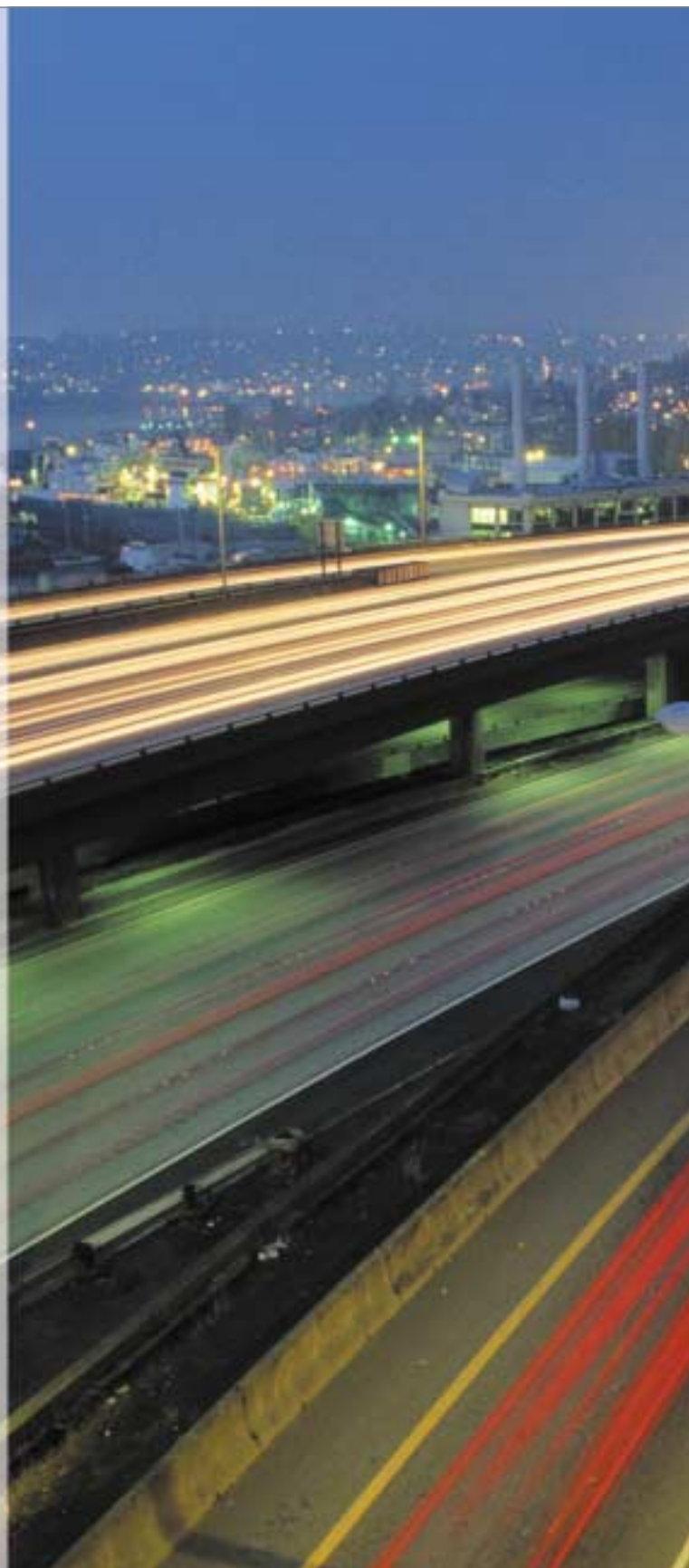
2004/05 年報
Annual Report

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.

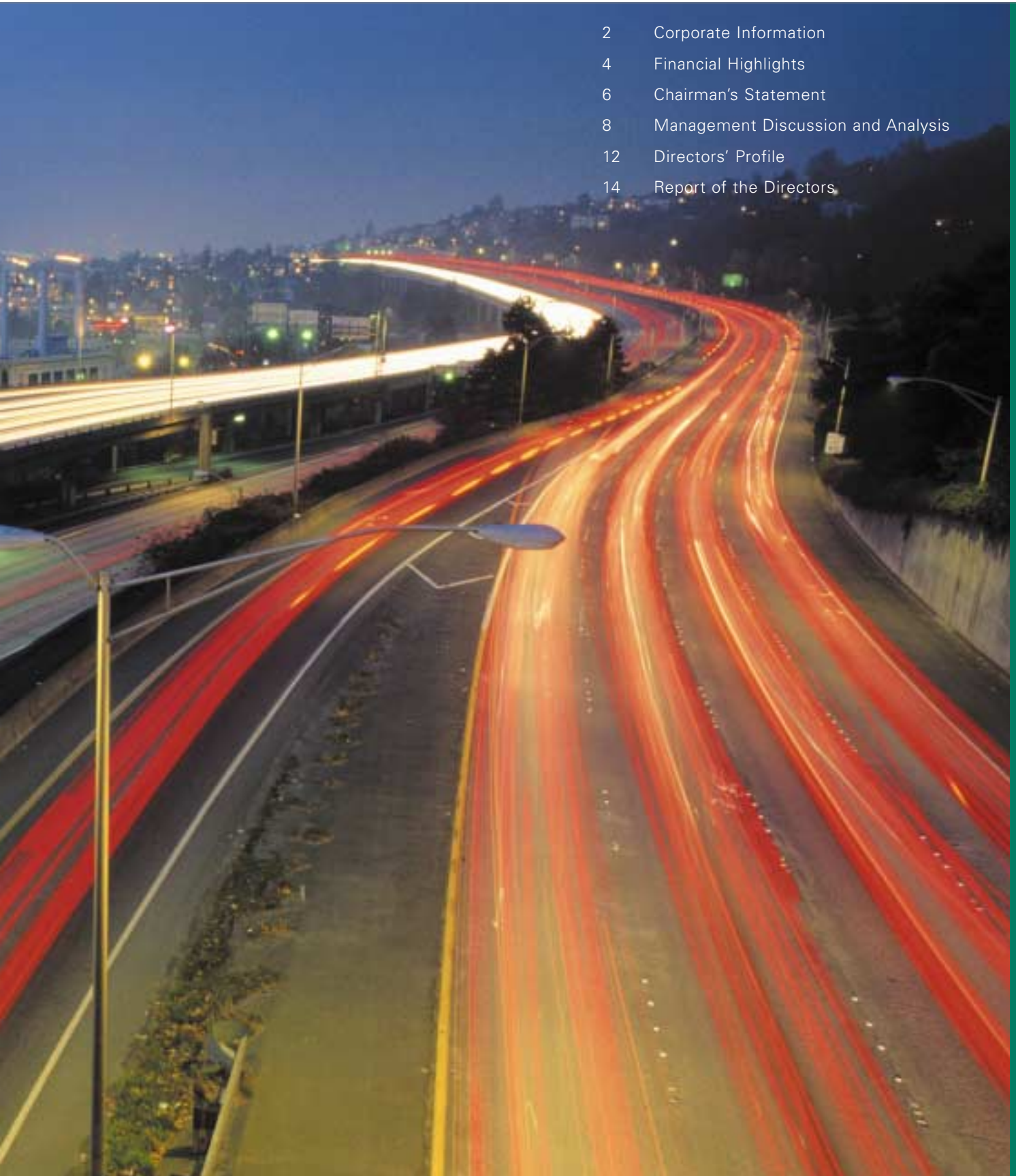
Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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 at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.



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Corporate Information

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BOARD OF DIRECTORS

Mr. Andrew Cho Fai Yao, *Chairman*

Mr. Desmond Hay Ching Fu

Mr. David Michael Faktor*

Mr. Kennedy Ying Ho Wong**

Mr. Philip King Huen Ma**

Mr. Kenny King Ching Tam**

* *Non-Executive Director*

** *Independent Non-Executive Directors*

COMPLIANCE OFFICER

Mr. Desmond Hay Ching Fu

COMPANY SECRETARY

Ms. Tse Sau Wai, *FCS, FCIS*

QUALIFIED ACCOUNTANT

Mr. Ng Pan, *FCCA*

AUDIT COMMITTEE

Mr. Kennedy Ying Ho Wong

Mr. Philip King Huen Ma

Mr. Kenny King Ching Tam

AUDITORS

PricewaterhouseCoopers

Certified Public Accountants

SOLICITORS

K.C. Ho & Fong (on Hong Kong Laws)

Conyers Dill & Pearman (on Bermuda Laws)

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Rooms 4902-8, Hopewell Centre

183 Queen's Road East

Wanchai, Hong Kong



WEBSITE OF THE COMPANY

www.isteelasia.com

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

**PRINCIPAL SHARE REGISTRAR AND
TRANSFER OFFICE IN BERMUDA**

Butterfield Fund Services (Bermuda) Limited
Rosebank Centre
11 Bermudiana Road
Pembroke
Bermuda

**HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKERS

Hang Seng Bank Limited
The Bank of East Asia Limited — Shanghai Branch
First Sino Bank — Shanghai Branch
Banco Weng Hang, S.A. Macau

STOCK CODE

8080 (Shares)
8356 (Warrants), to be expired on 17th June 2005





Financial Highlights

The following is a summary of the audited consolidated accounts of iSteelAsia Holdings Limited (the "Company" or "iSteelAsia") and its subsidiaries (collectively the "Group" or "iSteelAsia Group") for the respective years as hereunder stated.

CONSOLIDATED PROFIT AND LOSS ACCOUNTS

	Years ended 31st March				
	2001	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	183,329	428,345	811,142	1,429,443	859,685
(Loss)/Profit before taxation	(112,034)	(18,811)	8,464	(25,042)	(4,497)
Taxation	(20)	1,472	(1,840)	(889)	(5,946)
(Loss)/Profit after taxation but before minority interests	(112,054)	(17,339)	6,624	(25,931)	(10,443)
Minority interests	—	(1)	(34)	220	—
(Loss)/Profit attributable to shareholders	(112,054)	(17,340)	6,590	(25,711)	(10,443)

Notes:

- No dividends have been paid or declared by the Company since its incorporation.
- The consolidated profit and loss account of the Group for the year ended 31st March 2001 was prepared on the assumption that the current structure of the Group had been in existence throughout that year.



CONSOLIDATED BALANCE SHEETS

	As at 31st March				
	2001	2002	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Fixed assets	3,223	2,306	3,230	2,922	1,411
Website development costs	3,788	2,165	918	43	21
Long-term investments	24,974	28,201	685	2,136	780
Deferred tax assets	—	—	—	4,483	—
Current assets	66,302	194,354	333,885	377,603	163,536
Current liabilities	(74,573)	(215,660)	(324,033)	(374,542)	(163,611)
Net assets	23,714	11,366	14,685	12,645	2,137
Capital and reserves:					
Share capital	145,450	156,450	156,450	159,638	159,659
Reserves	2,700	(4,608)	(7,913)	13,904	13,818
Accumulated losses	(124,436)	(141,776)	(135,186)	(160,897)	(171,340)
Shareholders' equity	23,714	10,066	13,351	12,645	2,137
Minority interests	—	1,300	1,334	—	—
	23,714	11,366	14,685	12,645	2,137

Note:

- The consolidated balance sheet of the Group as at 31st March 2001 was prepared on the assumption that the current structure of the Group had been in existence throughout that year.



Chairman's Statement

On behalf of the Board of Directors, I hereby present the audited consolidated results of iSteelAsia Holdings Limited (the "Company" or "iSteelAsia") and its subsidiaries (collectively the "Group" or "iSteelAsia Group") for the year ended 31st March 2005.

During the year, turnover of the Group decreased when compared to the corresponding periods in last year. Such decline in turnover is principally due to the lasting adverse effect of the PRC central government's continuous austerity policies to limit the excessive investments in several overheated industries including the steel, aluminum, automobile and cement industries as well as the real estate sector. Despite such adverse conditions, the Group was able to achieve an increase in gross margin primarily due to the successful implementation of efforts in focusing the Group's resources to selected higher margin products. The Group has continued to service its ultimate customer base through being an efficient supply chain provider. We believe that efficient sales channels and lowering costs can raise the Group's competitiveness and enhance its profitability. To achieve these goals, we have implemented some measures that include focusing our sales network, strengthening its distribution efficiency, enhancing the control of operating costs and improving the quality of customer services to suit the needs of the new and old customers. These have created a good

foundation for the long-term development of the Group while efforts will also be invested to reinforce and leverage the well-established connection with our suppliers and customers. Although we have a tough year in 2004/2005, we will continue our best to focus on improving the cost efficiency and effectiveness of the Company's businesses. Our ultimate goal is to generate better returns to our shareholders.

This is the fifth annual report of the Company since the listing of iSteelAsia on the GEM of the Stock Exchange in April 2000. The financial year ended 31st March 2005 was a challenging year for the Group. Despite the introduction of macroeconomic controls and higher interest rates during the year to rein in the pace of growth, the PRC economy has shown few signs of easing, expanding at a brisk rate of 9.5% in the first quarter of 2005. The Company experienced many challenges during the year under review, like price volatility and unanticipated macro-control measures, coupled with an interest rate uptrend. The management has initiated and will continue efforts to address these external challenges, and try to identify and execute the right strategy.

OUTLOOK

As stated before, given the current difficult operating environment coupled with an interest rate uptrend, there is an imminent need for the Company to strengthen its financial positions,



including its balance sheet and cash flows, and also explore additional business models to enhance the revenue base of the Group thus maximising return to the shareholders. The board of iSteelAsia has seriously considered certain fund raising exercises and introducing new strategic partners. We are of the view that such exercise would improve the Group's balance sheet and financial position and in addition allow the Group to leverage the experience and resources of the new coming strategic partner to strengthen the Group's business prospects by exploring new investment opportunities so as to put the Company in a much more sound position to meet different challenges in future. As of the date of this statement, we are pleased to report that on 19th May 2005, the Group entered into an agreement with a group of strategic investors with respect to a cash investment and strategic partnership. With reference to the announcement made by the Group dated 19th May 2005, the consortiums of the investors (the "Investors") are North Asia Strategic Acquisition Corp. and Mr. Moses Kwok Tai Tsang. The series of transactions which are inter-conditional of one another involve a capital reorganisation of the Company's existing shares, an open offer to the Company's registered shareholders as of the date of close of register, a subscription of new shares, and a convertible bond by the Investors. Subject to the approvals by the regulators and the Company's shareholders, this series of transactions when completed will

enhance the Company's cash position by more than HK\$30 million, with the Investors becoming the majority shareholder of the Company. The management of the Company believes the exercise is beneficial to the Company in the long run, as it will substantially enhance the Company's financial position, coupled with the opportunity to leverage off the expertise of a very seasoned and well connected group of international professional investors and managers. Accordingly, all shareholders are advised to carefully review all relevant announcements and information made by the Company. The Company will use its best effort to release the materials to the shareholders as timely as practicable.

APPRECIATION

On behalf of the Board of Directors, I would like to express my sincere gratitude to our worldwide suppliers and customers for their trust and support in our products and services throughout the years. I also wish to take this opportunity to offer my appreciation to our shareholders for their confidence in iSteelAsia, as well as our staff for their dedication and diligence. From such overwhelming commitment, we will continue to pace our efforts towards the long-term development of iSteelAsia.

Andrew Cho Fai Yao
Chairman

9th June 2005



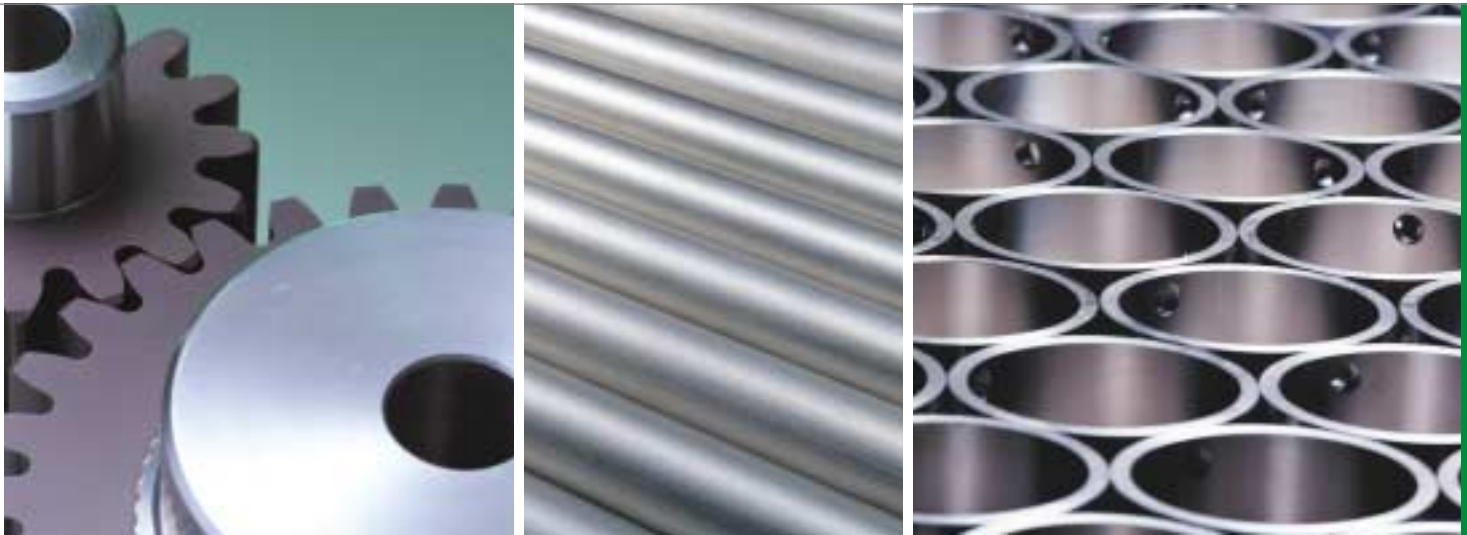
Management Discussion and Analysis

FINANCIAL AND BUSINESS PERFORMANCE

The management of iSteelAsia Holdings Limited (the “Company” or “iSteelAsia”) and its subsidiaries (collectively the “Group” or “iSteelAsia Group”) reports its annual results for the financial year ended 31st March 2005. For the year ended 31st March 2005, the iSteelAsia Group recorded a turnover of approximately HK\$860 million, representing a 40% decrease by comparing the results in last year.

For the year under review, the iSteelAsia Group recorded a loss attributable to shareholders of approximately HK\$10,443,000, an approximately 59% decline from last financial year’s loss figure of approximately HK\$25,711,000. However, on a closer analysis of the figures, the iSteelAsia Group’s performance of its core trading operations as represented by the operating loss of HK\$352,000 (after excluding the gain on disposal of investments, net of approximately HK\$911,000) for the year reflected a reduction in profit of approximately HK\$3,646,000 as compared to the similar figure of approximately HK\$3,294,000 (after excluding the impairment loss of an investment of approximately HK\$20,414,000) for the previous year ended 31st March 2004. This

weakening of operational profitability was mainly due to the continued challenging operating environment caused by the volatility in the steel prices and the selective austerity measures implemented by the PRC Central government during the financial year. Under such circumstances, the management proactively implemented efforts in consolidating the Group’s limited financial resources to focus more on the selected higher margin steel products and selected geographic areas that could have brought greater returns. During the year under review, the Group has consolidated the coverage of the Beijing and Tianjin markets with its Shanghai office through the exiting of the two local offices there. The result of these efforts could be evidenced from the fact that, despite the decrease in turnover, the gross margin for the year increased 33% to approximately 3.6% by comparing the previous year’s gross margin of 2.7%. On the investment front, the Group has also divested various investments including the receiving of the initial invested capital from its investment in Stemcor Holdings Limited (“Stemcor”), and also divested its investment in AcrossAsia Limited (formerly known as AcrossAsia Multimedia Limited), and reallocating these capitals for its



core operations. At the same time, in light of the poor market condition and the risks so associated with, the management of the iSteelAsia Group has also taken a prudent review on the carrying value of its assets and the operations and made necessary provisions for diminution in value relating to inventories, receivables, deferred tax assets and deposits in dispute amounting to approximately HK\$9,889,000. Such provisions have been made on a conservative scenario basis.

In the meantime, the management of the Group successfully made its efforts in optimising resources for the economy of scale to achieve business growth over the year. It was mainly done through decreasing total cost excluding cost of inventories sold and finance costs ("Operating Cost") from approximately HK\$36,573,000 in last year to approximately HK\$32,633,000 this year, representing a decrease of about 11% over the same period. Although turnover decreased, interest expense from the year amounts to approximately HK\$5,056,000 representing approximately 0.59% of the turnover, while interest expense represented only 0.55% of the turnover for the previous financial year due to an increasing interest rate.

FINANCIAL RESOURCES AND LIQUIDITY

As at 31st March 2005, the iSteelAsia Group's aggregate short-term bank borrowings, comprising trust receipts bank loans and short-term working capital bank loans, were approximately HK\$24,360,000 (2004: HK\$51,426,000). The short-term working capital bank loans amounted to approximately HK\$21,735,000 (2004: HK\$24,570,000) with interest rates ranging from 5.5% to 5.6% per annum (2004: 4.5% to 5.4% per annum). As at 31st March 2005, the gearing ratio (short-term bank borrowings divided by the shareholders' equity) was approximately 11.40 (2004: 4.07). The alarmingly large jump (180%) in the gearing ratio reflects the Group has significantly increased its leverage during the year under review. Although short-term bank borrowings has decreased resulting from a decrease in the Group's inventory level, it is still not sufficient to compensate for the Group's decrease in its equity value. The decrease in equity value caused by the Group's losses over the years, coupled with the macro sentiment of an increasingly risky profile for the volatile steel sector has prompted a tightening of banking resources available to the Group. As at 31st March 2005, the iSteelAsia Group had aggregated

Management Discussion and Analysis

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banking facilities of approximately HK\$88,125,000 (2004: HK\$159,155,000) derived mainly from several banks for overdrafts, loans, and trade financing. Unused facilities as at the same date amounted to approximately HK\$63,765,000 (2004: HK\$69,691,000). These facilities were secured by (a) corporate guarantees provided by iSteelAsia and/or (b) the iSteelAsia Group's inventories held under trust receipts bank loan arrangement and pledged bank deposits.

In addition to the above said banking facilities, the Group also relies substantively from its largest shareholder — Van Shung Chong Holdings Limited ("VSC") (Stock code: 1001) together with its subsidiaries ("the VSC Group") by leveraging off the VSC Group's aggregate purchasing power. Using the VSC Group as a supplier to the Group, the Company is able to enjoy much more favorable terms from the steel mills. As of the financial year end of 2004/05, the Group had outstanding balance due to the VSC Group in excess of HK\$118,000,000 (2003/04: in excess of HK\$205,000,000).

CASH AND CASH EQUIVALENTS

As at 31st March 2005, bank deposits of approximately HK\$16,080,000 (2004: HK\$34,439,000) were pledged as collateral for the Group's banking facilities.

As at 31st March 2005, the iSteelAsia Group's cash and bank deposits amounted to approximately HK\$29,343,000 (2004: HK\$89,872,000), of which approximately HK\$11,701,000 was denominated in Renminbi and deposited with the banks in China.

INVESTMENTS

During the year, investments comprised equity interests in Stemcor.

Under a share subscription agreement with Stemcor, Stemcor has granted the iSteelAsia Group a put option under which the iSteelAsia Group may require Stemcor to repurchase all of the shares subscribed by the iSteelAsia Group for HK\$23,400,000 (equivalent to US\$3,000,000). The put option will be exercisable by the iSteelAsia Group no earlier than the date on which the amount of shareholders' equity of Stemcor falls below £15,000,000 as shown in the management accounts of Stemcor from time to time or 30th April 2002, whichever is earlier, and no later than 31st October 2002 according to the Put Option Agreement. The due date for exercising the put option has been extended from 31st October 2002 to 31st October 2003 and further to 31st October 2004. At 13th May 2004, the iSteelAsia Group exercised its put option to sell its 3.5% equity interest in Stemcor for HK\$23,400,000 which was satisfied by a nine-month promissory note issued by Stemcor. Subsequently, the promissory note was realised at the maturity date on 1st March 2005.

During the year ended 31st March 2005, the iSteelAsia Group had received dividend income of approximately HK\$659,000 (2004: HK\$421,000) from Stemcor. The return on investment was approximately 2.82% (2004: 1.80%).

FOREIGN CURRENCY EXPOSURE

The foreign currency exposure of the iSteelAsia Group is mainly driven by its business operations. The sales receipts are collected in Renminbi, United States dollars and Hong Kong dollars, mainly depending on the locations of the customers. On the other hand, the steel products purchases are mainly denominated in United States dollars and Renminbi. Therefore, with a comparatively minimal fluctuation in exchange rates between United States dollars with

Management Discussion and Analysis

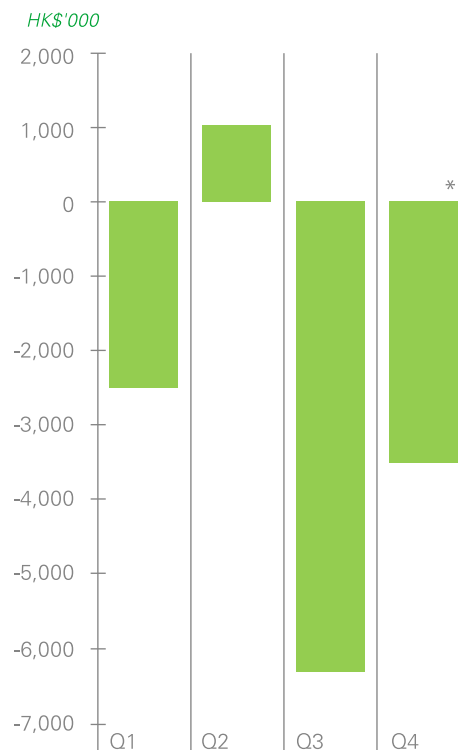
Renminbi and Hong Kong dollars, the iSteelAsia Group considers the foreign currency exposure is minimal for the year under review. The iSteelAsia Group will continue to exert efforts in managing its potential currency risk profile in the future.

NUMBER OF EMPLOYEES, REMUNERATION POLICIES AND SHARE OPTION SCHEME

As at 31st March 2005, the iSteelAsia Group employed 42 (2004: 80) staff. Salaries and annual bonuses are determined according to positions and performance of the employees. The iSteelAsia Group provides on-the-job training and training subsidies to its employees in addition to pension schemes and medical insurance. Total staff costs including contribution to retirement benefit schemes incurred during the year under review amounted to approximately HK\$9,416,000 (2004: HK\$15,232,000).

On 10th June 2002, the Company adopted an employee share option scheme (the "New Scheme") under which the Company's Board of Directors may at its discretion offer stock option to any employee/agent/consultant or representative, including any executive or non-executive director, of any member of the Group or any other person who satisfies the selection criteria as set out in the New Scheme. The principal purposes of the New Scheme are to provide incentives to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group. The New Scheme shall be valid and effective for a period of ten years commencing on the adoption date (i.e. 10th June 2002). No options were granted under the New Scheme up to the date of this report. The New Scheme was adopted to replace the previous old scheme, with all options granted under the old scheme continue to be exercisable in accordance with the old terms.

Profit/(Loss) Attributable to Shareholders (by Quarter)



* The amount does not include the gain on disposal of investment, net of approximately HK\$911,000.

Directors' Profile

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EXECUTIVE DIRECTORS (As at 31st March 2005)

Mr. Andrew Cho Fai Yao

Mr. Andrew Cho Fai Yao, aged 39, is the Chairman of the Board. He primarily focuses on formulating strategic business alliances for the Group. He has been with the Group since the formal establishment of the trading operation in April 1997. He graduated from the University of California, Berkeley with a bachelor degree in finance and obtained a master of business administration degree from the Harvard University Graduate School of Business Administration. Mr. Yao has extensive experience in the steel trading business and is the chairman of Van Shung Chong Holdings Limited ("VSC"). He serves as a member of Hong Kong Housing Society and the chairman of the construction material for Federation of Hong Kong Industries. He also sits on the Shanghai People's Political Consultative Conference, deputy chairman of Shanghai Youths Federation, deputy chairman of the Hong Kong United Youth Association Limited and director of the Shanghai Fudan University.

Mr. Desmond Hay Ching Fu

Mr. Desmond Hay Ching Fu, aged 49, is a Director and the Chief Executive Officer of the Group. He joined the Group in May 2000 and is now responsible for managing the Group's operations. Mr. Fu has over 20 years of experience in China related steel business and investment with several multi-national steel companies including British Steel Corporation (now known as Corus), TradeArbed (now known as Arcelor) and Fletcher Challenge (the biggest private company in New Zealand). Mr. Fu holds a bachelor degree in Civil Engineering with honor from the University of London and a master degree in E-commerce from the University of Hong Kong.

NON-EXECUTIVE DIRECTOR (As at 31st March 2005)

Mr. David Michael Faktor

Mr. David Michael Faktor, aged 44, is a Director. He joined the Group in February 2004. In November 2000, he was appointed Managing Director International Trading for the Stemcor Group. He has been a director of Stemcor Holdings Limited ("Stemcor") since 1995. Stemcor's principal business is the international distribution of steel. Their worldwide network of offices provides services for all aspects of international steel trading, including marketing, logistics, finance and after sales support. Mr. Faktor is currently based in London, and is responsible for the Stemcor Group's trading activities in the Far East, South Asia, Northern Africa, Middle East, Caribbean and CIS.

INDEPENDENT NON-EXECUTIVE DIRECTORS (As at 31st March 2005)

Mr. Kennedy Ying Ho Wong

Mr. Kennedy Ying Ho Wong, J.P., aged 42, is a Director. He joined the Group in August 2003. Mr. Wong is a solicitor and a China Appointed Attesting Officer. He is the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He is a National Committee Member of the Chinese People's Political Consultative Conference (year 2003-2008). He is also a director of the following listed companies in Hong Kong - Raymond Industrial Ltd., China Overseas Land & Investment Ltd., Far Eastern Polychem Industries Limited, Goldlion Holdings Limited, Qin Jia Yuan Media Services Company Limited and Capinfo Company Limited. Mr. Wong has a BA in Law from University of Kent in United Kingdom.

Directors' Profile

Mr. Philip King Huen Ma

Mr. Philip King Huen Ma, aged 48, is a Director. Mr. Ma is the group managing director of The Sincere Company Limited, a listed company on the Stock Exchange. He joined the Group in March 2000. Mr. Ma holds a masters degree in business administration from McMaster University in Canada. Mr. Ma is also very active in his community services and was the Chairman of the Hong Kong Retail Management Association ("HKRMA") from 1996-2000. HKRMA is the major association representing Hong Kong's retail industry with over 600 member companies which employs over 200,000 people.

Mr. Kenny King Ching Tam

Mr. Kenny King Ching Tam, aged 55, is a Director. He joined the Group in September 2004. Mr. Tam graduated from Concordia University, Canada with a bachelor degree in commerce. He is a qualified accountant in Hong Kong and Canada. Mr. Tam is a practicing accountant in Hong Kong and is the owner of Kenny Tam & Co., Certified Public Accountants. He is also a registered Insolvency Practitioner of the Official Receiver's Office. Mr. Tam has substantial experience in the accounting and insolvency fields. He serves on a number of advisory committees in the Accountancy and Insolvency Profession and has been active in community work in Hong Kong for many years. Mr. Tam is also an independent non-executive director of Shougang Concord Grand (Group) Limited, Kingmaker Footwear Holdings Limited, CCT Telecom Holdings Limited, Starlite Holdings Limited and VSC.

Report of the Directors

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The board of Directors (the "Board") have the pleasure of presenting their annual report together with the audited accounts of iSteelAsia Holdings Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31st March 2005.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the trading of steel products, provision of procurement services for steel products, operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services, and investment holding.

SEGMENT INFORMATION

An analysis of the Group's turnover and segment results by business segment and geographical segment for the year ended 31st March 2005 is set out in Note 26 to the accompanying accounts.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31st March 2005, the five largest customers of the Group accounted for approximately 22% of the Group's total turnover while the five largest suppliers of the Group accounted for approximately 80% of the Group's total purchases.

For the year ended 31st March 2005, Van Shung Chong Hong Limited ("VSCHL"), a subsidiary of Van Shung Chong (B.V.I.) Limited ("VSC BVI") which is a substantial shareholder and an initial management shareholder of the Company as defined in the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules"), was the largest supplier of the Group and accounted for approximately 50% of the Group's total purchases. VSCHL has granted the Group a normal credit period with respect to such purchases and has agreed not to demand repayment of overdue balances but charge interest on the overdue balances based on commercial lending rates.

Save as disclosed above, none of the Directors, their associates, or any shareholders (which to the knowledge of the Directors owned more than 5% of the Company's share capital) had a beneficial interest in the Group's five largest customers and suppliers.

RESULTS AND APPROPRIATIONS

Details of the Group's results for the year ended 31st March 2005 are set out in the consolidated profit and loss account on page 35 of this annual report.

The Directors do not recommend the payment of a dividend and recommend that the accumulated losses of approximately HK\$171,340,000 as at 31st March 2005 be carried forward.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in share capital and share options of the Company are set out in Notes 21 and 23 respectively, to the accompanying accounts.

There are no provisions for pre-emptive rights under the Bye-laws of the Company or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Report of the Directors

RESERVES AND ACCUMULATED LOSSES

Movements in reserves of the Group and the Company during the year are set out in Note 24 to the accompanying accounts.

As at 31st March 2005, the Company did not have any distributable reserves.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 14 to the accompanying accounts.

FIXED ASSETS

Details of movements in fixed assets during the year are set out in Note 11 to the accompanying accounts.

BANK BORROWINGS

Particulars of bank borrowings as at 31st March 2005 are set out in Note 18 to the accompanying accounts.

PENSION SCHEMES

Details of the pension schemes are set out in Note 27 to the accompanying accounts.

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive directors

Mr. Andrew Cho Fai Yao, *Chairman*

Ms. Miriam Che Li Yao, *Deputy Chairman* (Resigned on 30th June 2004)

Mr. Desmond Hay Ching Fu, *CEO*

Non-executive directors

Mr. David Michael Faktor

Mr. Daniel Takuen Shih (Resigned on 29th April 2004)

Independent non-executive directors

Mr. Philip King Huen Ma

Mr. Kennedy Ying Ho Wong

Mr. Kenny King Ching Tam (Appointed on 30th September 2004)

In accordance with Bye-laws 86(2) and 87(1) of the Company's Bye-laws, Mr. Kenny King Ching Tam and Mr. Philip King Huen Ma will retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Report of the Directors

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DIRECTORS' SERVICE CONTRACTS

Mr. Andrew Cho Fai Yao has entered into a service contract with the Group commencing from 1st April 2000 and his service contract is continuous. Mr. Desmond Hay Ching Fu joined the Group in May 2000 and was appointed as an executive Director on 20th February 2004. Mr. Fu's service contract is valid for the duration up to 31st December 2005. All the abovementioned service contracts can be terminated by not less than three months' notice in writing served by either party on the other without payment of compensation other than statutory compensation.

Save as disclosed above, none of the Directors has a service contract with the Company which is not terminable by the employing company within one year without payment of compensation other than statutory compensation.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31st March 2005, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares and underlying shares of the Company

Name	Nature of interest	Attributable interest to the Director	Number of Shares and approximate % of shareholding (Note 1)		Number of Warrants (Note 2)	Number of options	Aggregate interest
Mr. Andrew Cho Fai Yao	— Corporate interest held by TN Development (Note 3)	deemed interest (indirectly)	163,367,600	(10.23%)	39,260,320	—	202,627,920
	— Corporate interest held by Huge Top (Note 4)	more than one-third (indirectly)	159,811,344	(10.01%)	31,962,268	—	191,773,612
	— Corporate interest held by VSC BVI (Note 5)	through Huge Top (indirectly)	301,026,000	(18.86%)	60,205,200	—	361,231,200
	— Corporate interest held by Right Action (Note 6)	100% (directly)	102,400,000	(6.41%)	20,480,000	—	122,880,000
	— Personal interest (Note 7)	100% (directly)	—	(—)	—	5,000,000	5,000,000
			726,604,944	(45.51%)	151,907,788	5,000,000	883,512,732
Mr. Desmond Hay Ching Fu	— Personal interest (Note 7)	100% (directly)	—	(—)	—	11,750,000	11,750,000

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Cont'd)

Long positions in the Shares and underlying shares of the Company (Cont'd)

Notes:

1. These shares are the ordinary shares ("Shares") of HK\$0.10 each in the issued share capital of the Company.
2. The warrants of the Company ("Warrants") are listed and entitle the holders to subscribe in cash for Shares at a subscription price of HK\$0.10 each (subject to adjustment) and are exercisable between 18th June 2002 and 17th June 2005. These Warrants represent physically settled equity derivatives.
3. As at 31st March 2005, TN Development Limited ("TN Development") owns 163,367,600 Shares and 39,260,320 Warrants. Van Shung Chong (B.V.I.) Limited ("VSC BVI") owns 54% of the issued share capital of TN Development and Mr. Andrew Cho Fai Yao owns 10% of the issued share capital of TN Development. Mr. Andrew Cho Fai Yao is one of the two directors of TN Development. These interests of the aforesaid Director in the securities of the Company were corporate interests.

All Shares held by TN Development 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 Development 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.

4. As at 31st March 2005, Huge Top Industrial Ltd. ("Huge Top") owns 159,811,344 Shares and 31,962,268 Warrants. Mr. Andrew Cho Fai Yao directly holds approximately 11.91% and indirectly through Perfect Capital International Corp. ("Perfect Capital") owns approximately 42.86% of the issued share capital of Huge Top and is entitled to exercise more than one-third of the voting power at general meetings of Huge Top. Mr. Andrew Cho Fai Yao owns the entire issued share capital of Perfect Capital. Mr. Andrew Cho Fai Yao is one of the two directors of Huge Top. These interests of the aforesaid Director in the securities of the Company were corporate interests.
5. As at 31st March 2005, VSC BVI owns 301,026,000 Shares and 60,205,200 Warrants and Huge Top owns approximately 47.05% of the issued share capital of Van Shung Chong Holdings Limited ("VSC"). VSC BVI is a wholly-owned subsidiary of VSC. Mr. Andrew Cho Fai Yao is one of the two directors from time to time of VSC BVI. These interests of the aforesaid Director in the securities of the Company were corporate interests.
6. As at 31st March 2005, Right Action Offshore Inc. ("Right Action") owns 102,400,000 Shares and 20,480,000 Warrants. Mr. 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.
7. The interests of the Directors in the share options of the Company are separately disclosed in the section headed "Share Option Scheme" below.

Report of the Directors

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Cont'd)*

Long positions in the Shares and underlying shares of the Company *(Cont'd)*

For the year ended 31st March 2005, the Company had complied the Model Code adopted on 31st March 2004 as the required standard against which Directors must measure their conduct regarding transactions in securities of the Company according to Rule 5.46 of the GEM Listing Rules.

Save as disclosed above, as at 31st March 2005, none of the Directors and the chief executives of the Company or their respective associates had 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 Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (include interests and short positions which they are taken or deemed to have under provisions of SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange as referred in Rules 5.46 to 5.67 of the GEM Listing Rules.

DIRECTORS' INTERESTS IN CONTRACTS

No contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Company's Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at 31st March 2005, so far as is known to the Directors the following persons (other than the Directors and chief executives of the Company the interests of which were disclosed above) had an interest or short position in the Shares and underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which a Director is taken or deemed to have under such provisions of the SFO) and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group together with particulars of any options in respect of such capital:

Long positions

Name	Nature of interest	Number of Shares and approximate % of shareholding	Number of Warrants	Aggregate interest	Notes
Substantial shareholders of the Company					
VSC BVI	— directly	301,026,000 (18.86%)	60,205,200	361,231,200	
	— indirect deemed interest through TN Development	163,367,600 (10.23%)	39,260,320	202,627,920	
		<u>464,393,600 (29.09%)</u>	<u>99,465,520</u>	<u>563,859,120</u>	1
VSC	— indirectly through VSC BVI	301,026,000 (18.86%)	60,205,200	361,231,200	
	— indirect deemed interest through TN Development	163,367,600 (10.23%)	39,260,320	202,627,920	
		<u>464,393,600 (29.09%)</u>	<u>99,465,520</u>	<u>563,859,120</u>	1 & 2
Huge Top	— directly	159,811,344 (10.01%)	31,962,268	191,773,612	
	— indirectly through VSC BVI	301,026,000 (18.86%)	60,205,200	361,231,200	
	— indirect deemed interest through TN Development	163,367,600 (10.23%)	39,260,320	202,627,920	
	<u>624,204,944 (39.10%)</u>	<u>131,427,788</u>	<u>755,632,732</u>	1, 2 & 3	

Report of the Directors

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PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions (Cont'd)

Name	Nature of interest	Number of Shares and approximate % of shareholding	Number of Warrants	Aggregate interest	Notes
Substantial shareholders of the Company					
Perfect Capital					
	— indirectly through Huge Top	159,811,344 (10.01%)	31,962,268	191,773,612	
	— indirectly through VSC BVI	301,026,000 (18.86%)	60,205,200	361,231,200	
	— indirect deemed interest through TN Development	163,367,600 (10.23%)	39,260,320	202,627,920	
		<u>624,204,944 (39.10%)</u>	<u>131,427,788</u>	<u>755,632,732</u>	1, 2 & 3
Ms. Miriam Che Li Yao					
	— indirect deemed interest through Huge Top	159,811,344 (10.01%)	31,962,268	191,773,612	
	— indirect deemed interest through VSC BVI	301,026,000 (18.86%)	60,205,200	361,231,200	
	— indirect deemed interest through TN Development	163,367,600 (10.23%)	39,260,320	202,627,920	
		<u>624,204,944 (39.10%)</u>	<u>131,427,788</u>	<u>755,632,732</u>	1,2,3 & 4
TN Development	— directly	163,367,600 (10.23%)	39,260,320	202,627,920	5
Other shareholder of the Company					
Right Action	— directly	102,400,000 (6.41%)	20,480,000	122,880,000	

Report of the Directors

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH ARE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO (Cont'd)

Long positions (Cont'd)

Notes:

1. VSC BVI owns 54% of the share capital of TN Development and is deemed to be interested in the 163,367,600 Shares and 39,260,320 Warrants held by TN Development as at 31st March 2005. VSC BVI directly owns 301,026,000 Shares and 60,205,200 Warrants as at 31st March 2005. VSC BVI is therefore directly and indirectly interested in an aggregate of 464,393,600 Shares and 99,465,520 Warrants.
2. VSC owns the entire issued share capital of VSC BVI, VSC is therefore deemed to be interested in an aggregate of 464,393,600 Shares and 99,465,520 Warrants.
3. Perfect Capital owns approximately 42.86% of the issued share capital of Huge Top as at 31st March 2005. Huge Top is beneficially interested in approximately 47.05% of the issued share capital of VSC as at 31st March 2005 and Perfect Capital and Huge Top are therefore deemed to be interested in the 163,367,600 Shares and 39,260,320 Warrants held by TN Development and the 301,026,000 Shares and 60,205,200 Warrants held by VSC BVI as at 31st March 2005. As at the same date, Huge Top also directly owns 159,811,344 Shares and 31,962,268 Warrants. Huge Top is therefore directly and indirectly interested in an aggregate of 624,204,944 Shares and 131,427,788 Warrants, and Perfect Capital is indirectly interested in the same aggregate interests.
4. As at 31st March 2005, Ms. Miriam Che Li Yao is one of the two directors for TN Development and Huge Top while the remaining director of these two companies is Mr. Andrew Cho Fai Yao who is the brother of Ms. Miriam Che Li Yao. Ms. Miriam Che Li Yao is therefore through Huge Top indirectly interested in an aggregate of 624,204,944 Shares and 131,427,788 Warrants.
5. All Shares held by TN Development 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 Development 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.

Save as disclosed above, as at 31st March 2005, the Directors were not aware of any other person (other than the Directors and chief executives of the Company the interests of which were disclosed above) who had an interest or short position in the Shares and underlying shares of the Company which were disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO (including interests or short positions which a Director is taken or deemed to have under such provisions of the SFO) and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group together with particulars of any options in respect of such capital.

Report of the Directors

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SHARE OPTION SCHEME

Under the terms of the Company's share option scheme approved by the shareholders on 13th April 2000 (the "Old Scheme"), the Board of Directors of the Company may at their discretion, invite any full-time employees of the Company or any of the companies of the Group, including any executive Directors, to take up options to subscribe for Shares. The Old Scheme became effective upon the listing of the Shares on 20th April 2000 and was terminated on 10th June 2002. A new share option scheme has been adopted by the Company since 10th June 2002 (the "New Scheme") to replace the Old Scheme to comply with the current statutory requirements. The Company may grant options to the participants as set out in the New Scheme. Summary of the Old Scheme and the New Scheme was as follows:

	Old Scheme	New Scheme
1. Purpose of the Old and New Schemes	As an incentive to employees.	To provide incentives to participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group.
2. Participants of the Old and New Schemes	Any full-time employee including any executive director of the Group.	Employee/agent/consultant or representative, including any executive or non-executive director, of any member of the Group or any other person who satisfies the selection criteria as set out in the New Scheme.

Report of the Directors

SHARE OPTION SCHEME *(Cont'd)*

	Old Scheme	New Scheme
3. Total number of Shares available for issue under the Old and New Schemes and percentage of issued share capital as at the date of this annual report	52,750,000 Shares (approximately 3.3% of issued share capital), being the outstanding options unexercised as at the date of this annual report.	The Company may initially grant options representing 156,450,000 Shares under the New Scheme (i.e. 10% of the issued share capital of the Company as at the date of approval of the New Scheme and approximately 9.8% of the issued share capital as at the date of this annual report).
	The total number of Shares subject to the Old Scheme and any other schemes must not, in aggregate, exceed 10% of the issued share capital of the Company from time to time excluding (i) Shares issued upon the exercise of options granted pursuant to the Old Scheme and any other schemes; and (ii) any pro rata entitlements to further Shares issued in respect of those Shares mentioned in (i) during a specified period of 10 consecutive years.	The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Scheme and any other schemes of the Company and/or its subsidiary (including the Old Scheme) must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company or its subsidiary if this would result in the 30% limit being exceeded.
4. Maximum entitlement of each participant under the Old and New Schemes	25% of the aggregate number of Shares for the time being issued and issuable under the Old Scheme.	The total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) within any twelve-month period under the New Scheme and any other share option scheme(s) of the Company and/or any subsidiary must not exceed 1% of the number of Shares in issue.

Report of the Directors

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SHARE OPTION SCHEME *(Cont'd)*

	Old Scheme	New Scheme
5. The period within which the Shares must be taken up under an option	Must not be less than three years and not more than ten years from the date upon the option is accepted in accordance with the Old Scheme but subject to the provisions for early termination contained therein.	Must not be more than ten years from the date of offer of grant of the option.
6. The minimum period for which an option must be held before it can be exercised	No such minimum period specified under the Old Scheme but the Directors can grant options at terms and conditions as they may think fit to offer.	No such minimum period specified and an option may be exercised in accordance with the terms of the New Scheme at any time during a period to be notified by the Board of Directors to each grantee.
7. The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be paid	HK\$1 is to be paid as consideration for the grant of option and the option shall be accepted within 28 days from the date of grant.	The acceptance of an option, if accepted, must be made within 28 days from the date of grant with a non-refundable payment of HK\$10 in cash from the grantee to the Company on acceptance of the offer.

Report of the Directors

SHARE OPTION SCHEME *(Cont'd)*

	Old Scheme	New Scheme
8. The basis of determining the exercise price	<p>The exercise price of an option will be at least the highest of:</p> <ul style="list-style-type: none"> a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of the option, which must be a business day; b. 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 offer of the grant of the option; and c. the nominal value of the Shares. 	<p>The exercise price of an option will be at least the highest of:</p> <ul style="list-style-type: none"> a. the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer of the grant of the option, which must be a business day; b. 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 offer of the grant of the option; and c. the nominal value of the Shares.
9. The remaining life of the Old and New Schemes	<p>The Old Scheme was adopted on 13th April 2000 and was originally effective until 12th April 2010. On 10th June 2002, the Old Scheme was resolved by the shareholders of the Company to have been terminated thereon.</p>	<p>The New Scheme shall be valid and effective for a period of ten years commencing on the adoption date i.e. 10th June 2002.</p>

Report of the Directors

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SHARE OPTION SCHEME (Cont'd)

Details of movement in the share options to subscribe for Shares granted to and held by certain Directors during the year ended 31st March 2005 under the Old Scheme were as follows:

Name	Date of grant	Exercise price per Share	Vesting period	Exercise period	Number of options		
					Beginning of year	Lapsed during the year	End of year
					'000	'000	'000
Directors:—							
Mr. Andrew Cho Fai Yao	7th November 2000	HK\$0.485	7th November 2000 to 7th November 2001	8th November 2001 to 12th April 2010	5,000	—	5,000
Mr. Desmond Hay Ching Fu	3rd July 2000	HK\$0.360	3rd July 2000 to 30th September 2001	1st October 2001 to 12th April 2010	250	—	250
	7th November 2000	HK\$0.485	7th November 2000 to 7th November 2001	8th November 2001 to 12th April 2010	11,500	—	11,500
Sub-total					16,750	—	16,750
Employees:—							
In aggregate	3rd July 2000	HK\$0.360	3rd July 2000 to 30th September 2001	1st October 2001 to 12th April 2010	19,600	(7,500)	12,100
In aggregate	7th November 2000	HK\$0.485	7th November 2000 to 7th November 2001	8th November 2001 to 12th April 2010	38,900	(13,000)	25,900
Sub-total					58,500	(20,500)	38,000
Total of Old Scheme					75,250	(20,500)	54,750

No options under the Old Scheme were granted, exercised or cancelled during the year. Upon termination of the Old Scheme on 10th June 2002, no further options were granted thereunder but in all other respects, the provisions of the Old Scheme remain in force and all options granted prior to such termination continue to be valid and exercisable in accordance therewith. Up to the date of this annual report, no options have been granted pursuant to the New Scheme. All the above-mentioned options are unlisted and represent physically settled equity derivatives.

Report of the Directors

CONNECTED TRANSACTIONS

Details of related party transactions are set out in Note 2 to the accompanying accounts.

During the year ended 31st March 2005, the Group has the following continuing connected transactions ("the Transactions") in accordance with Chapter 20 of the GEM Listing Rules. The Transactions had been approved by the shareholders of the Company on 17th April 2003 and the details of the Transactions had been disclosed in the circular of the Company dated 31st March 2003 ("the Circular"):

1. Under the arrangement of a procurement services agreement dated 13th April 2000 entered into between Metal Logistics Company Limited ("ML"), a wholly-owned subsidiary of the Company, and VSCHL, a wholly-owned subsidiary of VSC BVI, a substantial shareholder of the Company, ML agreed to provide and/or procure any of its subsidiaries, if applicable, to provide sourcing, purchasing and quality control services on steel coils to the VSC Group's (as defined below) coil centre operation in return for a procurement service fee is calculated at the rate of US\$5.00 per tonne for the first 24,000 tonnes and US\$2.00 per tonne in excess of 24,000 tonnes of steel coils sourced which represents a similar rate chargeable for such service in the market. The amount payable by the VSC Group has been capped at HK\$2,800,000 for the year ended 31st March 2004 and at HK\$3,000,000 for the year ended 31st March 2005 and at HK\$3,500,000 for the year ending 31st March 2006 according to the Circular.
2. Under the arrangement of a steel supply agreement dated 13th April 2000 entered into between ML and VSCHL, the VSC Group (as defined below) agreed to source and supply steel to the Group on and subject to the standard terms and conditions of purchase of the Group and the Group will reimburse the VSC Group at cost (including, but not limited to, insurance, transportation, warehousing costs incurred in respect of such supply, etc.). The total purchases made by the Group from the VSC Group have been capped at HK\$350 million for the year ended 31st March 2004 and at HK\$410 million for the year ended 31st March 2005 and at HK\$500 million for the year ending 31st March 2006 according to the Circular.
3. VSC (the holding company of VSC BVI) and its subsidiaries and its associated companies (collectively the "VSC Group") may from time to time source/procure/distribute/sell steel products via the Group's iSteelAsia.com website, but there is no signed agreement between the VSC Group and the Group regarding these transactions. For each of the three years ending 31st March 2006, the annual sales of the VSC Group transacted via the trading platform at iSteelAsia.com have been capped at HK\$667 million per annum while the commission which may be earned by iSteelAsia.com from the VSC Group has been capped at HK\$10 million per annum according to the Circular.

Report of the Directors

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CONNECTED TRANSACTIONS *(Cont'd)*

The Directors, including the independent non-executive Directors, are of the view that the Transactions are essential for the efficient and continuous operation of the Group. Given the Transactions will occur on a regular and continuing basis, the Directors consider that it would not be practicable to announce, or if necessary, obtain prior approval from the shareholders of the Company on each occasion they arise. Accordingly, the Company convened and held a special general meeting on 17th April 2003 and the ordinary resolution to approve the Transactions and the relevant caps for a further 3-year period ending 31st March 2006 was approved by the independent shareholders of the Company. Details of the Transactions had been disclosed in this annual report as described in Rules 20.45(1) to (5) of the GEM Listing Rules.

The independent non-executive Directors have confirmed that the Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also confirmed that the Transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policy of the Group if those transactions involve the provision of goods or services by the Group; (c) have been entered into in accordance with the relevant agreements governing the Transactions; and (d) have not exceeded the respective caps agreed with the Stock Exchange.

COMPETING INTERESTS

Mr. David Michael Faktor ("Mr. Faktor"), a non-executive Director of the Company, is a director of Stemcor Holdings Limited ("Stemcor") whose business is principally engaged in international steel trading. As at 31st March 2005, Mr. Faktor holds 252,500 shares in Stemcor which represents 3.8% of the issued share capital of Stemcor.

Report of the Directors

COMPETING INTERESTS *(Cont'd)*

Mr. Andrew Cho Fai Yao ("Mr. Yao") is the chairman of the Board of the Company, and also the chairman of the board of directors of VSC (listed on the main board of the Stock Exchange), and VSC is also engaged in steel trading business. As at 31st March 2005, the interests and short positions of Mr. Yao in the shares, underlying shares or debentures of VSC or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required pursuant to the Model Code to be notified to the Stock Exchange, were as follows:

Nature of interest	Attributable interest to Mr. Yao	Number of shares <i>(Note 1)</i>	Approximate percentage
— Corporate interest held by Huge Top <i>(Note 2)</i>	deemed interest (indirectly)	173,424,000	47.05%
— Personal interest	100% (directly)	1,614,000	0.44%

Notes:

1. These shares are the ordinary shares of HK\$0.10 each in the issued share capital of VSC.
2. As at 31st March 2005, Huge Top holds 173,424,000 shares of VSC. Mr. Yao is one of the two directors of Huge Top. Mr. Yao directly holds approximately 11.91% and indirectly through Perfect Capital owns approximately 42.86% of the issued shares of Huge Top and is entitled to exercise more than one-third of the voting power at general meetings of Huge Top. Mr. Yao owns the entire issued share capital of Perfect Capital.

The Directors believe that there is a risk that such businesses may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Faktor and Mr. Yao 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 or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or has any other conflict of interests with the Group.

Report of the Directors

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 year ended 31st March 2005.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

Each of the independent non-executive Directors has made an initial/annual confirmation of independence pursuant to Rules 5.09 or 5.11 of the GEM Listing Rules. The Company is of the view that all independent non-executive Directors meet the independence guidelines set out in Rule 5.09 of the GEM Listing Rules and are independent in accordance with the terms of the guidelines.

CORPORATE GOVERNANCE

In the opinion of Directors, the Company had complied with the "Board Practices and Procedures" as set out in Rules 5.34 to 5.45 of the GEM Listing Rules in force prior to 31st December 2004 throughout the year under review, except that the non-executive Directors are not appointed for a specific term. However, the non-executive Directors are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's Bye-laws.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The audit committee held four meetings during the year. 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. The Audit Committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The Audit Committee comprises three independent non-executive Directors, namely Mr. Philip King Huen Ma, Mr. Kennedy Ying Ho Wong and Mr. Kenny King Ching Tam. One of the members of the Audit Committee is an appropriate professional accounting expertise as required under Rule 5.08 of the GEM Listing Rules. These audited accounts for the year ended 31st March 2005 of the Company now reported on have been reviewed by the Audit Committee.

Report of the Directors

AUDITORS

Arthur Andersen & Co were auditors of the Company for the year ended 31st March 2002. PricewaterhouseCoopers were auditors of the Company for the three years ended 31st March 2005.

The accompanying accounts were audited by PricewaterhouseCoopers. A resolution for their re-appointment as the Company's auditors for the ensuing year is be proposed at the forthcoming annual general meeting.

On behalf of the Board,
Desmond Hay Ching Fu
Director and Chief Executive Officer

Hong Kong, 9th June 2005

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Auditors' Report 核數師報告



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

致亞鋼集團有限公司 全體股東之核數師報告

(於百慕達註冊成立之有限公司)

AUDITORS' REPORT TO THE SHAREHOLDERS OF iSTEELASIA HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

本核數師已完成審核刊載於第35頁至第76頁
按照香港普遍採納之會計原則編製的賬目。

We have audited the accounts on pages 35 to 76 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

董事及核數師的責任

貴公司的董事須負責編製真實與公平的賬目。在編製該等真實與公平的賬目時，董事必須選擇及貫徹地採用合適的會計政策。

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The company's directors are responsible for the preparation of accounts which give a true and fair view. In preparing accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

本核數師的責任是根據審核工作之結果，對該等賬目作出獨立意見，並按照百慕達1981年《公司法》第90條僅向整體股東報告，除此之外本報告別無其他目的。本核數師不會就本報告的內容向任何其他人士負上或承擔任何責任。

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

意見的基礎

本核數師已按照香港會計師公會頒佈的核數準則進行審核工作。審核範圍包括以抽查方式查核與賬目所載數額及披露事項有關的憑證，亦包括評估董事於編製該等賬目時所作之重大估計和判斷，所採用之會計政策是否適合 貴公司與 貴集團之具體情況，及有否貫徹應用並足夠披露該等會計政策。

BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

Auditors' Report 核數師報告

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意見的基礎 (續)

本核數師在策劃和進行審核工作時，均以取得所有本核數師認為必需之資料及解釋為目標，以便獲得充份憑證，就該等賬目是否存在重要錯誤陳述，作出合理之確定。在作出意見時，本核數師已評估該等賬目所載之資料在整體上是否足夠。本核數師相信我們之審核工作已為下列意見建立合理之基礎。

意見

本核數師認為，上述之賬目足以真實兼公平地顯示 貴公司與 貴集團於二零零五年三月三十一日結算時之財務狀況及 貴集團截至該日止年度之虧損及現金流量，並根據香港公司條例之披露規定妥為編製。

羅兵咸永道會計師事務所
執業會計師

香港，二零零五年六月九日

BASIS OF OPINION (Cont'd)

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

OPINION

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group as at 31st March 2005 and of the group's loss and cash flows for the year then ended, and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 9th June 2005

Consolidated Profit and Loss Account 綜合損益表

For the year ended 31st March 2005 截至二零零五年三月三十一日止年度

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			二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
營業額	Turnover	3	859,685	1,429,443
銷售成本	Cost of sales		(828,580)	(1,390,654)
毛利	Gross profit		31,105	38,789
其他收入	Other revenue	3	1,239	1,078
銷售及分銷支出	Selling and distribution expenses		(7,494)	(7,891)
一般及行政支出	General and administrative expenses		(25,139)	(28,682)
出售投資之 淨收益	Gain on disposal of investments, net	13	911	—
一項投資減值虧損	Impairment loss of an investment		—	(20,414)
出售附屬公司 之淨虧損	Loss on disposal of subsidiaries, net	25(c)	(63)	—
經營溢利／(虧損)	Operating profit/(loss)	4	559	(17,120)
財務費用	Finance costs	5	(5,056)	(7,922)
除稅前虧損	Loss before taxation		(4,497)	(25,042)
稅項	Taxation	8	(5,946)	(889)
除稅後但未計少數 股東權益前虧損	Loss after taxation but before minority interests		(10,443)	(25,931)
少數股東權益	Minority interests		—	220
股東應佔虧損	Loss attributable to shareholders	9	(10,443)	(25,711)
每股虧損－基本	Loss per share — Basic	10	HK(0.65) cents	HK(1.63) cents

Balance Sheets 資產負債表

As at 31st March 2005 於二零零五年三月三十一日

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		附註 Note	綜合 Consolidated		本公司 Company	
			二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
非流動資產	Non-current assets					
固定資產	Fixed assets	11	1,411	2,922	—	—
網站開發成本	Website development costs	12	21	43	—	—
長期投資	Long-term investment	13	780	2,136	—	2,136
遞延稅項資產	Deferred tax assets	20	—	4,483	—	—
於附屬公司之投資	Investments in subsidiaries	14	—	—	1	1
非流動資產總額	Total non-current assets		2,212	9,584	1	2,137
流動資產	Current assets					
短期投資	Short-term investment	13	—	23,400	—	—
存貨	Inventories	15	94,936	131,082	—	—
購貨按金	Deposits for purchase of inventories		27,387	89,321	—	—
預付款項、按金及 其他應收款項	Prepayments, deposits and other receivables		7,893	12,735	30	53
應收賬款及票據	Accounts and bills receivable	16	3,977	31,193	—	—
有抵押銀行存款	Pledged bank deposits	17	16,080	34,439	13,049	13,645
現金及其他 銀行存款	Cash and other bank deposits	17	13,263	55,433	12	3,961
流動資產總額	Total current assets		163,536	377,603	13,091	17,659
流動負債	Current liabilities					
短期銀行借貸	Short-term bank borrowings	18	(24,360)	(51,426)	—	—
應付賬款及票據	Accounts and bills payable	2 & 19	(121,018)	(284,445)	—	—
其他應付款項	Other payables		(1,807)	(517)	—	—
應計負債	Accruals		(5,634)	(2,082)	(71)	(50)
預收款項	Receipts in advance		(5,256)	(30,065)	—	—
應繳稅項	Taxation payable		(5,536)	(6,007)	—	—
流動負債總額	Total current liabilities		(163,611)	(374,542)	(71)	(50)
流動(負債)/ 資產淨額	Net current (liabilities)/assets		(75)	3,061	13,020	17,609
非流動負債	Non-current liabilities					
應付附屬 公司款項	Amounts due to subsidiaries	14	—	—	(3,907)	(4,702)
資產淨額	Net assets		2,137	12,645	9,114	15,044

Balance Sheets 資產負債表

As at 31st March 2005 於二零零五年三月三十一日

		綜合		本公司	
		Consolidated		Company	
		二零零五年	二零零四年	二零零五年	二零零四年
		2005	2004	2005	2004
		千港元	千港元	千港元	千港元
附註	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
包括：	Representing:				
股本	Share capital	21	159,638	159,659	159,638
儲備	Reserves	24	(157,522)	(150,545)	(144,594)
股東權益	Shareholders' equity		2,137	9,114	15,044

主席

姚祖輝

Andrew Cho Fai Yao

Chairman

董事兼行政總裁

符氣清

Desmond Hay Ching Fu

Director and Chief Executive Officer

Consolidated Cash Flow Statement 綜合現金流量表

For the year ended 31st March 2005 截至二零零五年三月三十一日止年度

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			二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
		附註 Note		
經營活動	Operating activities			
經營所產生之現金(流出)/ 流入淨額	Net cash (outflow)/inflow generated from operations	25(a)	(52,162)	55,554
已收利息	Interest received		580	657
已付利息	Interest paid		(5,056)	(7,922)
已付中國企業所得稅	Mainland China enterprise income tax paid		(2,096)	(704)
已退回中國企業所得稅	Mainland China enterprise income tax refunded		473	324
經營活動之現金(流出)/ 流入淨額	Net cash (outflow)/inflow from operating activities		(58,261)	47,909
投資活動	Investing activities			
已收一項投資之股息	Dividend received from an investment		659	421
長期投資之增加	Increase in long-term investment		(780)	—
出售投資所得款項	Proceeds from disposal of investments		26,447	—
出售附屬公司所得款項， 扣除出售之現金	Proceeds from disposal of subsidiaries, net of cash disposed of	25(c)	(1,396)	—
添置固定資產	Additions of fixed assets		(191)	(1,021)
出售固定資產所得款項	Proceeds from disposal of fixed assets		129	142
添置網站開發成本	Additions of website development costs		(5)	(17)
已抵押銀行存款之 減少/(增加)	Decrease/(Increase) in pledged bank deposits		18,359	(34,439)
滙兌調整	Translation adjustments		(86)	(48)
投資活動之現金流入/ (流出)淨額	Net cash inflow/(outflow) from investing activities		43,136	(34,962)
融資活動前之現金(流出)/ 流入淨額	Net cash (outflow)/inflow before financing activities		(15,125)	12,947
融資活動	Financing activities	25(b)		
發行普通股	Issue of ordinary shares		21	68
新增短期銀行貸款	New short-term bank loans		6,615	68,480
償還短期銀行貸款	Repayment of short-term bank loans		(9,450)	(62,857)
信託收據銀行貸款之減少淨額	Net decrease in trust receipts bank loans		(24,231)	(11,331)
已付一間附屬公司之 少數股東之權益	Distribution paid to minority shareholders of a subsidiary		—	(1,114)
融資活動之現金流出淨額	Net cash outflow from financing activities		(27,045)	(6,754)
現金及現金等值項目之 (減少)/增加	(Decrease)/Increase in cash and cash equivalents		(42,170)	6,193
年初之現金及現金等值項目	Cash and cash equivalents, beginning of year		55,433	49,240
年終之現金及現金等值項目	Cash and cash equivalents, end of year	25(d)	13,263	55,433

Consolidated Statement of Changes in Equity 綜合股東權益變動報表

For the year ended 31st March 2005 截至二零零五年三月三十一日止年度

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		附註 Note	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
年初之結餘	Balance as at beginning of year		12,645	13,351
股東應佔虧損	Loss attributable to shareholders	24	(10,443)	(25,711)
滙兌調整	Translation adjustments	24	(86)	(48)
一項長期投資公平 價值變動	Change in fair value of a long-term investment	24	548	1,451
因出售一項長期投資 而釋放之 投資重估儲備	Realisation of investment revaluation reserve upon disposal of a long-term investment	24	(548)	—
因確認一項長期 投資減值虧損而由 投資重估儲備轉移 至損益表	Investment revaluation reserve transferred to profit and loss account upon recognition of impairment loss of a long-term investment		—	20,414
發行普通股所得	Proceeds from issue of ordinary shares	21	21	3,188
年終之結餘	Balance as at end of year		2,137	12,645

Notes to the Accounts 賬目附註

1 主要會計政策

編製本賬目時所採納的主要會計政策如下所述：

(a) 編製基準

本財務報表乃根據香港公認之會計原則、香港會計師公會頒出的會計準則及香港公司條例之披露規定而編製。本財務報表乃根據歷史成本慣例編製，惟投資按公平價值列賬。

香港會計師公會已頒布若干新的及經修訂的香港財務匯報準則和香港會計準則（統稱為「新準則」）。新準則將於始於二零零五年一月一日之財務年度或以後生效。本集團並未在截至二零零五年三月三十一日止年度財務報表內提前採用新準則。本集團已開始評估新準則的影響，但仍未可以列出新準則對本集團的營運業績及財務狀況會否有重大影響。

(b) 綜合基準

綜合賬目包括本集團及其附屬公司之賬目。

於本年度購入或出售之附屬公司，分別由收購的生效日期起或截至出售的生效日期止包括在綜合損益表。

本集團所有公司間重大交易及結餘均於綜合賬目時註銷。

出售一間附屬公司所產生的損益，乃指出售所得款項與本集團所佔資產淨值兩者間之差額，連同任何未攤銷商譽或負商譽，以及任何相關累計外幣滙兌調整。

少數股東權益指外界股東所佔附屬公司經營業績及淨資產之權益。

1 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 Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except that investments are stated at fair value.

The HKICPA 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 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries.

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.

Any 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 disposal and the Group's share of its net assets together with any unamortised goodwill or negative goodwill and any related cumulative foreign currency translation adjustments.

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

Notes to the Accounts 賬目附註

1 主要會計政策 (續)

(c) 附屬公司

附屬公司乃該等由本公司直接或間接控制其半數以上投票權；控制其財務及營運政策監管權；委任或罷免董事會的大多數席位；或於董事會會議上佔大多數投票權的實體。

於本公司之資產負債表內，於附屬公司之投資乃以成本扣除累計減值虧損(如有)列賬。本公司將附屬公司之業績按已收及應收股息之基準入賬。

(d) 合約合營企業

合約合營企業為本集團與一個或以上其他訂約方成立而預定經營期之實體，並享有及承擔受合約管制之合營企業夥伴之權利及義務。倘本集團有能力管治及控制該合約合營企業之財務及營運政策，並從其業務中獲取利益，則該合營企業被視為一間附屬公司及以該等形式入賬。

(e) 固定資產與折舊

固定資產乃按成本值減累計折舊及累計減值虧損(如有)入賬。因修整及改善固定資產而可增加其未來經濟利益之開支轉撥資本，而維修及保養開支則於產生時作為開支。固定資產按直線基準於估計可用年期內撇銷其成本值減累計減值虧損計算折舊。主要折舊之年率為20%。

固定資產折舊方法及可使用年期定期被檢訂以確保折舊方法及折舊率與固定資產之預期經濟利益模式保持一致。

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(c) Subsidiaries

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one 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 votes at the meetings of the board of directors.

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

(d) Contractual joint ventures

A contractual joint venture is an entity established between the Group and one or more other parties for a pre-determined period of time, with the rights and obligations of the joint venture partners being governed by a contract. If the Group is able to govern and control the financial and operating policies of the contractual joint venture so as to obtain benefits from its activities, such joint venture is considered as a subsidiary and is accounted for as such.

(e) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Major expenditures on modifications and betterments of fixed assets which will increase their future economic benefits are capitalised, while expenditures on repairs and maintenance are expensed when incurred. Fixed assets are depreciated on a straight-line basis at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives. The principal annual rate is 20%.

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from fixed assets.

Notes to the Accounts 賬目附註

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1 主要會計政策 (續)**(e) 固定資產與折舊 (續)**

於各結算日，均會根據內部及外部資料來源以評估是否有跡象顯示固定資產出現減值虧損。倘有任何此類跡象存在，則會估算資產之可收回金額，並(倘有關)確認減值虧損以將該等固定資產減低至其可收回金額。該等減值虧損於損益表內確認。

出售固定資產之盈虧乃出售所得款項淨額減有關資產當時之賬面值之基準之差額於損益表內予以確認。

(f) 網站開發成本

與開發特定網站有關之直接成本包括開發或獲取內部使用網站所耗費之材料及服務之對外支付直接成本，均撥作資本，直至網站已基本建成並可作擬定用途時為止。網站開發成本在三年期間按直線基準予以攤銷，該期間代表網站之預計可使用年期。本公司董事及本集團之管理層定期根據若干外在因素(包括但不限於預計網站可產生之未來收益及技術轉變)審閱及評估能否收回網站開發成本之賬面值。

與網站開發及網站維修成本有關之研究及其他開發成本於其產生時列作支出。

(g) 投資

持有作非買賣用途之投資按其公平價值於資產負債表中列賬。個別投資公平價值之變動均於投資重估儲備中計入或扣除，直至有關投資出售或被摒棄或有關投資被釐定出現減值為止。於出售時，累計盈虧乃指出售所得款項淨額及有關投資之賬面值之差額，連同任何轉撥自投資重估儲備之盈餘／虧絀於損益表中處理。倘有客觀證明顯示個別投資出現減值，於投資重估儲備之累計虧損乃計入損益表中。

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)**(e) Fixed assets and depreciation (Cont'd)**

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets 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 that asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

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

(f) Website development costs

Costs directly associated with the development of specific websites, which include external direct costs of materials and services consumed in developing or obtaining an internal-use website, are capitalised. The capitalisation of such costs ceases no later than the point at which the websites are substantially completed and ready for their intended purpose. Website development costs are amortised on a straight-line basis over a period of three years, which represents the expected useful life of the website. The Company's Directors and the Group's management review and evaluate the recoverability of the carrying value of website development costs periodically by reference to certain external factors, including, but not limited to, anticipated future revenue to be generated from the website and changes in technology.

Research and other development costs relating to website development and website maintenance costs are expensed as incurred.

(g) Investments

Investments, which are held for non-trading purpose, are stated at fair value at the balance sheet date. Changes in fair value of individual investments are credited or debited to the investment revaluation reserve until the investments are sold or otherwise disposed of or until the investments are determined to be impaired. Upon disposal, the cumulative gain or loss, representing the difference between the net disposal proceeds and the carrying amount of the relevant investments, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account. When there is objective evidence that individual investments are impaired, the cumulative loss recorded in the investment revaluation reserve is taken to the profit and loss account.

Notes to the Accounts 賬目附註

1 主要會計政策 (續)

(h) 存貨

存貨按成本值與可變現淨值兩者中之較低者入賬。成本值以先入先出法計算之原材料、直接勞工工資及適當比例之所有生產費用。可變現淨值乃按預計銷售所得款項扣除估計銷售支出計算。

(i) 應收賬款

應收賬款按呆賬情況計提撥備。資產負債表內的應收賬款乃扣除有關撥備後列賬。

(j) 遞延稅項

遞延稅項乃利用負債法就資產與負債之稅基與他們在賬目之賬面值兩者之短暫時差作全數撥備。於結算日所制訂或大致制訂之稅率用以釐定遞延稅項。

遞延稅項資產乃就大有可能將未來應課稅溢利與可動用之短暫時差抵銷而確認。

遞延稅項會就有關在附屬公司之投資所產生之短暫時差而撥備，但假若可以控制短暫時差撥回之時間，並大有可能在可預見未來不會撥回該短暫時差則除外。

(k) 撥備

當本集團因以往事件而承擔現有法律或引申責任，且大有可能因承擔該等責任而導致資源外流，並能可靠估計有關承擔之數額時，將會作出撥備。撥備會定期檢討及調整，以反映現時之最佳估值。倘貨幣之價值會隨時間出現重大變化，則撥備數額將為預計履行承擔所需開支之現值。倘本集團預期撥備得以撥回，則只於有關撥回可在事實上可肯定時確認為獨立資產。

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) 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.

(j) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) Provisions

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

Notes to the Accounts 賬目附註

1 主要會計政策 (續)

(l) 或然負債及或然資產

或然負債乃指因過往事件而可能產生之負債，或然負債存在與否僅由出現或並無出現一項或多項本集團未能全力控制之不明朗未來事件而決定。或然負債亦可以是由過往事件產生而未予確認之現有債務，有關債務未予確認之原因為不大可能需要經濟資源流出或須承擔之款項未能可靠地計算。或然負債並不予以確認惟已於賬目附註中作出披露。倘資源流出之可能性出現變動因此大有可能導致經濟資源流出，其時或然負債將確認為撥備。

或然資產乃指因過往事件而可能產生之資產，或然資產存在與否僅由出現或並無出現一項或多項本集團未能全力控制之不明朗未來事件而決定。倘大有可能出現經濟效益流入，或然資產將不予確認，惟於賬目附註中作出披露。倘事實上可肯定會出現經濟效益流入，則有關資產須予以確認。

(m) 收入確認

收入於交易結果得以可靠地衡量而該交易的經濟利益大有可能流入本集團時確認。收入按以下基準確認：

(i) 營業收入

銷售貨品收入於風險及擁有權移交時確認，通常亦即為貨品付運往客戶和所有權轉讓時。

(ii) 採購及網上鋼材貿易服務之佣金

採購及網上鋼材貿易服務之佣金於提供服務時確認。

(iii) 股息收入

股息收入乃於確定有權收取股息支付時予以確認。

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(l) Contingent liabilities and contingent assets

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, they 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 events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(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) Sales revenue

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) Commission from procurement and online steel trading services

Commission from procurement and online steel trading services is recognised when the services are rendered.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

Notes to the Accounts 賬目附註

1 主要會計政策 (續)

(m) 收入確認 (續)

(iv) 利息收入

利息收入以未償還本金按適用息率以時間比例作基準予以確認。

於付運貨品及提供服務前向客戶預收之款項均列作預收款項入賬。

(n) 員工福利

(i) 僱員應享假期

僱員的應享年假及長期服務假乃於應計予僱員時確認。僱員因提供服務產生的應享年假及長期服務假乃按截至資產負債表結算日的年假及長期服務假估計負債計算撥備。僱員應享病假及分娩假期僅於支取時才確認。

(ii) 退休金責任

本集團向界定供款退休金計劃作出的供款乃於產生時列作支出。

(o) 借貸成本

需以長時間準備作計劃用途或出售之資產收購、建造或生產直接應計之借貸成本撥為該資產之部份成本。所有其他借貸成本乃於其產生之期間於損益表扣除。

(p) 營業租約

凡資產擁有權之絕大部份風險及回報仍屬出租公司之租約均列為營業租約。營業租約之支出均於有關租約年期以直線法自損益表中扣除。

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(m) Revenue recognition (Cont'd)

(iv) Interest income

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Advance payments received from customers prior to delivery of goods and provision of services are recorded as receipts in advance.

(n) 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) Pension obligations

The Group's contributions to defined contribution retirement schemes are expensed as incurred.

(o) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

(p) 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 are charged to the profit and loss account on a straight-line basis over the period of the relevant leases.

Notes to the Accounts 賬目附註

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1 主要會計政策 (續)

(q) 外幣換算

本集團屬下個別公司之賬目及記錄乃以本身營運所在地之主要貨幣(「功能貨幣」)為單位。在個別公司之賬目中，於本年度以其他貨幣進行之交易乃按個別功能貨幣於交易時之適用匯率滙兌，以其他貨幣為單位之貨幣資產及負債乃按功能貨幣於資產負債表結算日之適用匯率滙兌。滙兌盈虧均於個別公司之損益表內處理。

本集團編製之綜合賬目乃以港元為單位。就綜合賬目而言，所有以港元以外作為功能貨幣之附屬公司之所有資產及負債乃按資產負債表結算日之適用匯率滙兌為港元，所有收支項目均按本年度適用之平均匯率換算。因換算該等交易而出現之滙兌差額列作累積外幣滙兌調整變動處理。

(r) 分類資料

根據本集團的內部財務報告，本集團決定以業務分類作為主要申報格式，而地區分類則為次要申報格式。

未分配成本指企業支出。分類資產主要包括固定資產、存貨、應收賬款及其他經營資產，而分類負債則主要包括本集團所有經營負債。資本支出包括添置固定資產、網站開發成本及短期／長期投資。

就地區分類申報而言，營業額乃根據貨品付運之目的地及提供服務之地點而釐定。總資產及資本支出，以有關資產所在地分類。

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(q) Foreign currency translation

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations ("functional currencies"). In the accounts of the individual companies, transactions in other currencies during the year are translated into the functional currencies at the applicable rates of exchange prevailing at the time of the transactions; monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the profit and loss account of the individual companies.

The Group prepares consolidated accounts in Hong Kong dollars. For the purpose of consolidation, all assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all income and expense items are translated at the applicable average exchange rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative foreign currency translation adjustments.

(r) 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 segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of all of fixed assets, inventories, receivables and other operating assets. Segment liabilities consist primarily of all of the Group's operating liabilities. Capital expenditure comprises additions to fixed assets, website development costs and short-term/long-term investments.

In respect of geographical segment reporting, turnover is based on the destination of delivery of goods or the location for the provision of services. Total assets and capital expenditure are classified where the assets are located.

Notes to the Accounts 賬目附註

1 主要會計政策 (續)

(s) 現金及現金等值

現金及現金等值按成本值於資產負債表列賬。就現金流量表而言，現金及現金等值包括手頭現金、存於銀行之通知存款、現金投資(到期日為投資日期起計三個月或以內)及銀行透支。

2 與關連人士之交易

關連人士乃指其中一方可直接或間接控制另一方或對另一方之財務及營運決策行使重大影響力。受共同控制或受共同重大影響之人士亦被視為關連人士。

- (a) 於截至二零零五年三月三十一日止年度內，本集團由一所關連公司一萬順昌行有限公司(「萬順昌行」)購買存貨約399,246,000港元(二零零四年：155,716,000港元)，並於二零零五年三月三十一日向萬順昌行應付餘額約118,843,000港元(二零零四年：205,611,000港元)，其中過期結欠約115,453,000港元(二零零四年：198,417,000港元)。萬順昌行已授予本集團正常信貸期而無須對過期結欠作即時償還，但該等結欠須按商業借貸利率繳付利息。

1 PRINCIPAL ACCOUNTING POLICIES (Cont'd)

(s) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

2 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) The Group purchased inventories of approximately HK\$399,246,000 (2004: HK\$155,716,000) from Van Shung Chong Hong Limited ("VSCHL"), a related company, during the year ended 31st March 2005, and had an outstanding payable to VSCHL of approximately HK\$118,843,000 as at 31st March 2005 (2004: HK\$205,611,000) of which approximately HK\$115,453,000 (2004: HK\$198,417,000) was overdue. VSCHL has granted to the Group a normal credit period and has agreed not to demand repayment of overdue balances but charges interest on such balances based on commercial lending rates.

Notes to the Accounts 賬目附註

2 與關連人士之交易 (續)

(b) 與關連人士之重大交易詳情如下：

關連人士名稱/
交易性質

萬順昌行有限公司 (i)
— 由本集團作出之購貨
(附註2(a))
— 由本集團取得之
採購服務佣金

— 向本集團收取之利息
(附註2(a))
— 向本集團收取之行政費用

祖盛企業有限公司 (i)
— 向本集團收取之租金費用

附註：

(i) 萬順昌行有限公司及祖盛企業有限公司乃由本公司主要股東Van Shung Chong (B.V.I.) Limited全資擁有。

(c) 附註2(b)所述交易產生之應付關連公司款項均已列作應付賬款。有關結餘詳情如下：

關連公司名稱

萬順昌行有限公司 (i)

附註：

(i) 結餘為無抵押，須按正常信貸條款及逾期結餘須按商業借貸利率繳付利息。

2 RELATED PARTY TRANSACTIONS (Cont'd)

(b) Details of significant transactions with related parties were:

Name of related party/
Nature of transaction

Van Shung Chong Hong Limited (i)
— Purchases made by the
Group (Note 2(a))
— Commission from
procurement services
earned by the Group
— Interest charged to the Group
(Note 2(a))
— Administrative fees charged
to the Group

CFY Enterprises Limited (i)
— Rental expense charged
to the Group

Note:

(i) Van Shung Chong Hong Limited and CFY Enterprises Limited are wholly owned by Van Shung Chong (B.V.I.) Limited, a substantial shareholder of the Company.

(c) The amounts due to related companies arising from transactions described in Note 2(b) were included in accounts payable. Details of such balances are as follows:

二零零五年
2005
千港元
HK\$'000二零零四年
2004
千港元
HK\$'000

399,246

155,716

2,221

1,894

3,380

5,672

360

360

162

198

二零零五年
2005
千港元
HK\$'000二零零四年
2004
千港元
HK\$'000

118,843

205,611

Note:

(i) The balance is unsecured, repayable within ordinary credit term and bore interest at commercial lending rates for overdue balances.

Notes to the Accounts 賬目附註

3 營業額及收入

收入按以下確認：

3 TURNOVER AND REVENUES

Revenues recognised are as follows:

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
營業收入	Sales revenue	854,564	1,416,236
採購及網上鋼材貿易服務佣金	Commission from procurement and online steel trading services	5,121	13,207
總營業額	Total turnover	859,685	1,429,443
股息收入	Dividend income	659	421
利息收入	Interest income	580	657
		1,239	1,078
總收入	Total revenues	860,924	1,430,521

Notes to the Accounts 賬目附註

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4 經營溢利／(虧損)

經營溢利／(虧損)已扣除及計入下列各項目：

已扣除 —

員工成本(包括董事酬金)
(附註6)向下列人士就租用物業支付
之營業租約租金：

— 一間關連公司(附註2(b))

— 其他

出售一項上市投資之虧損(附註13)

出售一間附屬公司之
虧損(附註25(c))

固定資產之折舊

出售固定資產之虧損

網站開發成本攤銷

呆壞賬撇銷及撥備

存貨撥備

核數師酬金

已計入—

出售一項非上市投資之收益(附註13)

出售一間附屬公司之收益(附註25(c))

一項非上市投資之股息收入

來自銀行存款之利息收入

外幣兌換收益淨額

5 財務費用須於五年內全數償還
之銀行貸款利息應付一間關連公司之
利息(附註2(b))**4 OPERATING PROFIT/(LOSS)**

Operating profit/(loss) is determined after charging and crediting the following items:

After charging—

Staff costs (including directors'
emoluments) (Note 6)Operating lease rental in respect
of premises paid to

— a related company

(Note 2(b))

— others

Loss on disposal of an
listed investment (Note 13)Loss on disposal of a subsidiary
(Note 25(c))

Depreciation of fixed assets

Loss on disposal of fixed assets

Amortisation of website
development costsWrite-off of and provision for bad
and doubtful debts

Provision for inventories

Auditors' remuneration

After crediting—

Gain on disposal of an
unlisted investment (Note 13)Gain on disposal of a
subsidiary (Note 25(c))Dividend income from an
unlisted investmentInterest income from
bank deposits

Net exchange gain

二零零五年
2005
千港元
HK\$'000二零零四年
2004
千港元
HK\$'000**9,416**

15,232

162

198

990

1,656

194

—

263

—

1,016

1,069

87

118

27

892

1,761

439

1,448

420

500

438

1,105

—

200

—

659

421

580

657

328

376

5 FINANCE COSTS二零零五年
2005
千港元
HK\$'000二零零四年
2004
千港元
HK\$'000**1,676**

2,250

3,380

5,672

5,056

7,922

Notes to the Accounts 賬目附註

6 員工成本 (包括董事酬金)

薪金及津貼
花紅
退休金成本 — 界定供款計劃
(附註27)

6 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
Salaries and allowances	7,947	12,556
Bonus	1,238	2,376
Pension costs — defined contribution schemes (Note 27)	231	300
	9,416	15,232

7 董事及高級行政人員酬金

(a) 董事酬金

獨立非執行董事之董事袍金

非執行董事之董事袍金
執行董事之其他酬金

— 薪金及津貼
— 酌情花紅
— 退休金供款

7 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(a) Directors' emoluments

	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
Fees for independent non-executive directors	60	20
Fees for non-executive directors	11	15
Other emoluments for executive directors		
— Salaries and allowances	1,855	3,863
— Discretionary bonuses	—	1,440
— Retirement contributions	—	21
	1,926	5,359

截至二零零五年三月三十一日止年度內，姚祖輝先生放棄其酬金約為636,000港元(二零零四年：636,000港元)。

截至二零零五年三月三十一日及二零零四年三月三十一日止兩個年度內，本集團並無支付或應支付任何款項予任何董事以作為加入本集團或離職之補償。

During the year ended 31st March 2005, Mr. Andrew Cho Fai Yao waived his emolument of approximately HK\$636,000 (2004: HK\$636,000).

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the years ended 31st March 2005 and 2004.

Notes to the Accounts 賬目附註

7 董事及高級行政人員酬金

(續)

(a) 董事酬金 (續) :

董事酬金按董事人數及酬金範圍之分析如下 :

執行董事
— 無至1,000,000港元
— 1,500,001港元至2,000,000港元
— 2,000,001港元至2,500,000港元
非執行董事
— 無至1,000,000港元
獨立非執行董事
— 無至1,000,000港元

截至二零零五年三月三十一日止年度，執行董事各自收到之酬金分別約為1,855,000港元(二零零四年：1,806,000港元)、無(二零零四年：480,000港元)、無(二零零四年：546,000港元)及無(二零零四年：2,492,000港元)。非執行董事及獨立非執行董事收到之袍金各自約10,000港元(二零零四年：10,000港元)、1,000港元(二零零四年：10,000港元)、10,000港元(二零零四年：6,000港元)、無(二零零四年：4,000港元)、無(二零零四年：4,000港元)、10,000港元(二零零四年：1,000港元)及40,000港元(二零零四年：無)。

(b) 五名最高薪人士

本集團於本年度內酬金最高之五位人士包括一位董事(二零零四年：二位董事)，彼等之酬金分析已載於上文附註7(a)之分析內。其餘四位(二零零四年：三位)人士之已付／應付酬金如下：

基本薪金及津貼
花紅
退休金供款

7 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(Cont'd)

(a) Directors' emoluments (Cont'd)

Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	二零零五年 2005	二零零四年 2004
Executive directors		
— Nil to HK\$1,000,000	2	2
— HK\$1,500,001 to HK\$2,000,000	1	1
— HK\$2,000,001 to HK\$2,500,000	—	1
Non-executive directors		
— Nil to HK\$1,000,000	2	4
Independent non-executive directors		
— Nil to HK\$1,000,000	3	3
	8	11

For the year ended 31st March 2005, the executive directors received individual emoluments of approximately HK\$1,855,000 (2004: HK\$1,806,000), Nil (2004: HK\$480,000), Nil (2004: HK\$546,000) and Nil (2004: HK\$2,492,000). The non-executive directors and independent non-executive directors received individual fees of approximately HK\$10,000 (2004: HK\$10,000), HK\$1,000 (2004: HK\$10,000), HK\$10,000 (2004: HK\$6,000), Nil (2004: HK\$4,000), Nil (2004: HK\$4,000), HK\$10,000 (2004: HK\$1,000) and HK\$40,000 (2004: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2004: two directors) whose emoluments are reflected in the analysis presented in Note 7(a) above. The emoluments paid/payable to the remaining four (2004: three) individuals were as follows:

	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
Basic salaries and allowances	2,191	1,925
Bonuses	—	553
Retirement contributions	24	36
	2,215	2,514

Notes to the Accounts 賬目附註

7 董事及高級行政人員酬金

(續)

(b) 五名最高薪人士 (續)

酬金按組別分析如下：

無至1,000,000港元

8 稅項

本公司獲豁免繳納百慕達稅項直至二零一六年。

由於本集團於香港並無應課稅溢利，故並無須繳納香港利得稅。

多間於中國內地成立之附屬公司須按稅率15%至33% (二零零四年：15%至33%) 繳納中國企業所得稅。

於綜合損益表中扣除之稅項包括：

本集團及附屬公司 —

當期稅項

香港利得稅

中國企業所得稅

— 本年度

— 過往數年度之高估撥備

短暫差異產生及撥回

之遞延稅項

7 DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

(Cont'd)

(b) Five highest paid individuals (Cont'd)

The emoluments fell within the following band:

Nil to HK\$1,000,000

二零零五年 2005	二零零四年 2004
4	3

8 TAXATION

The Company is exempted from taxation in Bermuda until 2016.

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong.

The subsidiaries established in Mainland China are subject to Mainland China enterprise income tax at rates ranging from 15% to 33% (2004: 15% to 33%).

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

The Company and subsidiaries —

Current taxation

Hong Kong profits tax

Mainland China

enterprise income tax

— Current year

— Overprovisions

in prior years

Deferred taxation relating to the

origination and reversal of

temporary differences

二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
—	—
1,988	6,262
(525)	(890)
4,483	(4,483)
5,946	889

Notes to the Accounts 賬目附註

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8 稅項 (續)

本集團之除稅前虧損之稅項與按照於香港(本集團所在地區)之利得稅稅率計算之理論金額有所差異及對賬如下：

除稅前虧損
按香港利得稅稅率17.5% (二零零四年：17.5%)計算 影響
— 其他司法權區不同稅率
— 無須課稅之收入
— 不可扣稅之支出
— 未確認之遞延稅項資產
— 撥回以前已確認之遞延稅項資產
— 撥回以前未確認之遞延稅項資產
— 過往數年度之高估撥備
扣除之稅項

9 股東應佔虧損

股東應佔綜合虧損包括撥入本公司賬目之虧損約5,951,000港元(二零零四年：14,680,000港元)。

10 每股虧損

截至二零零五年三月三十一日止年度之每股基本虧損乃根據股東應佔綜合虧損約10,443,000港元(二零零四年：25,711,000港元)及年內已發行普通股加權平均數約1,596,443,000股(二零零四年：1,575,758,000股)計算。

由於尚未行使之認股權證及購股權並無攤薄作用，故此並無呈列每股攤薄虧損。

8 TAXATION (Cont'd)

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, the home country of the Group, and the reconciliation was as follows:

	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
Loss before taxation	(4,497)	(25,042)
Calculated at Hong Kong profits tax rate of 17.5% (2004: 17.5%)	(787)	(4,382)
Effect of		
— different tax rates in other jurisdictions	479	146
— income not subject to taxation	(36)	(37)
— expenses not deductible for income tax purposes	338	3,591
— deferred tax assets not recognised	2,043	3,031
— reversal of previously recognised deferred tax assets	4,483	—
— reversal of previously unrecognised deferred tax assets	(49)	(570)
— Overprovisions in prior years	(525)	(890)
Taxation charge	5,946	889

9 LOSS ATTRIBUTABLE TO SHAREHOLDERS

The consolidated loss attributable to shareholders included a loss of approximately HK\$5,951,000 (2004: HK\$14,680,000) dealt with in the accounts of the Company.

10 LOSS PER SHARE

The calculation of basic loss per share for the year ended 31st March 2005 is based on the consolidated loss attributable to shareholders of approximately HK\$10,443,000 (2004: HK\$25,711,000) and the weighted average of approximately 1,596,443,000 (2004: 1,575,758,000) ordinary shares in issue during the year.

No diluted loss per share is presented as the outstanding warrants and share options were anti-dilutive.

Notes to the Accounts 賬目附註

11 固定資產

變動為：

成本

年初	Beginning of year	651	2,415	2,460	5,526
添置	Additions	94	97	—	191
出售	Disposals	(164)	(224)	(145)	(533)
出售附屬公司 (附註25(c))	Disposal of subsidiaries (Note 25(c))	(38)	(75)	(536)	(649)
年終	End of year	543	2,213	1,779	4,535

累計折舊

年初	Beginning of year	362	1,626	616	2,604
本年度折舊	Charge for the year	143	471	402	1,016
出售	Disposals	(97)	(178)	(42)	(317)
出售附屬公司 (附註25(c))	Disposal of subsidiaries (Note 25(c))	(14)	(34)	(131)	(179)
年終	End of year	394	1,885	845	3,124

賬面淨值

年終	End of year	149	328	934	1,411
年初	Beginning of year	289	789	1,844	2,922

12 網站開發成本

變動為：

成本

年初	Beginning of year	33,364	33,347
添置	Additions	5	17
年終	End of year	33,369	33,364

累計攤銷及減值

年初	Beginning of year	33,321	32,429
本年度攤銷	Amortisation for the year	27	892
年終	End of year	33,348	33,321

賬面淨值

年終	End of year	21	43
年初	Beginning of year	43	918

11 FIXED ASSETS

Movements were:

綜合
Consolidated
二零零五年
2005

租賃物業 裝修及傢俬 Leasehold improvements and furniture 千港元 HK\$'000	辦公室設備 Office equipment 千港元 HK\$'000	汽車 Motor vehicles 千港元 HK\$'000	總額 Total 千港元 HK\$'000
651	2,415	2,460	5,526
94	97	—	191
(164)	(224)	(145)	(533)
(38)	(75)	(536)	(649)
543	2,213	1,779	4,535
362	1,626	616	2,604
143	471	402	1,016
(97)	(178)	(42)	(317)
(14)	(34)	(131)	(179)
394	1,885	845	3,124
149	328	934	1,411
289	789	1,844	2,922

12 WEBSITE DEVELOPMENT COSTS

Movements were:

綜合
Consolidated

二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
33,364	33,347
5	17
33,369	33,364
33,321	32,429
27	892
33,348	33,321
21	43
43	918

Notes to the Accounts 賬目附註

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13 投資

13 INVESTMENTS

		綜合		本公司	
		Consolidated		Company	
		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
長期投資	Long-term investment				
於香港上市 之股份 (i)	Listed shares in Hong Kong (i)				
成本	At cost	—	22,550	—	22,550
公平值之改變	Change in fair value	—	(20,414)	—	(20,414)
市場報價	At quoted market value	—	2,136	—	2,136
非上市之股份， 成本 (ii)	Unlisted investments, at cost (ii)	780	—	—	—
		780	2,136	—	2,136
短期投資	Short-term investment				
非上市投資 (iii)	Unlisted investments (iii)				
成本	At cost	—	25,925	—	—
累計減值虧損	Accumulated impairment loss	—	(2,525)	—	—
		—	23,400	—	—

附註：

- (i) 投資之上市股份指投資於光亞有限公司 (前稱光亞科技有限公司)，該公司於開曼群島及其股份在香港聯合交易所有限公司創業板上市。截至二零零五年三月三十一日止年度內，本集團以約1,942,000港元之作價及確認約194,000港元之虧損出售其於光亞有限公司之所有投資。
- (ii) 非上市投資指於佛山市南海恩特斯不銹鋼有限公司，一間於中國內地成立之合營企業約10%權益。佛山市南海恩特斯不銹鋼有限公司，主要業務為生產、加工及買賣冷軋不銹鋼卷。本公司之董事及本集團之管理層認為本投資之成本接近其於二零零五年三月三十一日之公平值。
- (iii) 非上市股份之投資指於 Stemcor Holdings Limited (「Stemcor」) 約3.5%股本權益。Stemcor乃於英國註冊成立之公司，主要業務為買賣鋼材產品，以及向鋼材及金屬業提供專業服務。截至二零零五年三月三十一日止年度內，本集團行使其認沽期權並以約24,505,000港元出售其持有之所有權益予Stemcor及確認約1,105,000港元之收益。

Notes:

- (i) Investment in listed shares represented investment in shares in AcrossAsia Limited (formerly known as AcrossAsia Multimedia Limited), a company incorporated in the Cayman Islands and whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. During the year ended 31st March 2005, the Group disposed of its entire investment in AcrossAsia Limited for a consideration of approximately HK\$1,942,000 and recognised a loss of approximately HK\$194,000.
- (ii) Unlisted investment represents a 10% interest in Foshan Nanhai STS Metal Co., Ltd., a joint venture enterprise established in Mainland China. Foshan Nanhai STS Metal Co., Ltd., is principally engaged in manufacturing, processing and trading of cold rolled stainless steel. The Company's directors and the Group's management consider the cost approximates the fair value of this investment at 31st March 2005.
- (iii) Investment in unlisted shares represented a 3.5% equity interest in Stemcor Holdings Limited ("Stemcor"), a company incorporated in the United Kingdom, which is principally engaged in the trading of steel products and the provision of specialist services to the steel and metals industries. During the year ended 31st March 2005, the Group exercised its put option to sell back its entire equity interest to Stemcor for approximately HK\$24,505,000 and recognised a gain of approximately HK\$1,105,000.

Notes to the Accounts 賬目附註

14 於附屬公司之投資

14 INVESTMENTS IN SUBSIDIARIES

		本公司 Company	
		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
非上市股份，按成本值 應收附屬公司款項	Unlisted shares, at cost Due from subsidiaries	3,500 135,876	3,500 130,132
減：累計減值虧損	Less: Accumulated impairment losses	139,376 (139,375)	133,632 (133,631)
		1	1

應收附屬公司款項為無抵押，免息及直至附屬公司財政能力許可時方須償還。

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

截至二零零五年三月三十一日止年度內之任何時間內，附屬公司概無任何已發行之借貸資本。

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March 2005.

於二零零五年三月三十一日附屬公司之詳情如下：

Details of the subsidiaries as at 31st March 2005 were:

名稱 Name	註冊成立 及經營地點 Place of incorporation and operations	已發行及 繳足股本 Issued and fully paid share capital	本集團應佔之 股本權益 百分比 (i) Percentage of equity attributable to the Group (i)	主要業務 Principal activities
重慶亞鋼網工貿有限公司 (ii) Chongqing iSteelAsia Trading Company Limited (ii)	中國內地 Mainland China	60,000美元 US\$60,000	100%	鋼材貿易 Trading of steel
Greater China Metal Limited	英屬處女群島 British Virgin Islands	1美元 US\$1	100%	投資控股 Investment holding
i-AsiaB2B Group Limited (i)	英屬處女群島 British Virgin Islands	1美元 US\$1	100%	投資控股 Investment holding
亞鋼(中國)投資有限公司 ISA (China) Investment Limited	英屬處女群島 British Virgin Islands	1美元 US\$1	100%	投資控股 Investment holding
ISA Group Holdings Limited	英屬處女群島 British Virgin Islands	10,000美元 US\$10,000	100%	投資控股 Investment holding

Notes to the Accounts 賬目附註

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14 於附屬公司之投資 (續)

14 INVESTMENTS IN SUBSIDIARIES (Cont'd)

名稱 Name	註冊成立 及經營地點 Place of incorporation and operations	已發行及 繳足股本 Issued and fully paid share capital	本集團應佔之 股本權益 百分比 (i) Percentage of equity attributable to the Group (i)	主要業務 Principal activities
iSteel Holdings (B.V.I.) Limited	英屬處女群島 British Virgin Islands	1美元 US\$1	100%	投資控股 Investment holding
亞鋼(MT)集團有限公司 iSteel (MT) Holdings Limited	英屬處女群島 British Virgin Islands	1美元 US\$1	100%	投資控股 Investment holding
亞洲鋼鐵電子交易所 (香港)有限公司 iSteelAsia (Hong Kong) Limited	香港 Hong Kong	2港元 HK\$2	100%	經營電子商貿縱向 入門網站以進行 網上鋼材貿易 Operation of an e-commerce vertical portal business for online steel trading
iSteelAsia Limited	英屬處女群島 British Virgin Islands	10美元 US\$10	100%	經營電子商貿縱向 入門網站以進行 網上鋼材貿易 Operation of an e-commerce vertical portal business for online steel trading
亞鋼物流管理澳門離岸 商業服務有限公司 iSteelAsia Logistics Macao Commercial Offshore Company Limited	澳門 Macau	100,000澳門幣 MOP100,000	100%	鋼材貿易 Trading of steel
廣州市亞鋼貿易有限公司 (ii) ISA (South China) Company Limited (ii)	中國內地 Mainland China	200,000美元 US\$200,000	100%	鋼材貿易 Trading of steel
iSteelAsia (Stemcor) Holdings Limited	英屬處女群島 British Virgin Islands	1美元 US\$1	100%	投資控股 Investment holding
MetalAsia Holdings Limited	英屬處女群島 British Virgin Islands	2,000美元 US\$2,000	100%	投資控股 Investment holding

Notes to the Accounts 賬目附註

14 於附屬公司之投資 (續)

14 INVESTMENTS IN SUBSIDIARIES (Cont'd)

名稱 Name	註冊成立 及經營地點 Place of incorporation and operations	已發行及 繳足股本 Issued and fully paid share capital	本集團應佔之 股本權益 百分比 (i) Percentage of equity attributable to the Group (i)	主要業務 Principal activities
金屬物流管理有限公司 Metal Logistics Company Limited	香港 Hong Kong	4港元 HK\$4	100%	鋼材貿易及 提供採購服務 Trading of steel and provision of procurement services
亞網鋼國際貿易(上海) 有限公司 (ii) Shanghai iSteelAsia International Limited (ii)	中國內地 Mainland China	200,000美元 US\$200,000	100%	鋼材貿易 Trading of steel
深圳亞鋼工貿有限公司 (ii) Shenzhen iSteelAsia Trading Company Limited (ii)	中國內地 Mainland China	2,000,000港元 HK\$2,000,000	100%	鋼材貿易 Trading of steel
天津港保稅區亞鋼 國際貿易有限公司 (ii) Tianjin iSteelAsia International Limited (ii)	中國內地 Mainland China	200,000美元 US\$200,000	100%	鋼材貿易 Trading of steel
亞鋼網有限公司 Ya Gang Wang Co. Limited	英屬處女群島 British Virgin Islands	1美元 US\$1	100%	投資控股 Investment holding
宇太鋼鐵電子(上海) 有限公司 (ii) Yu Tai Steel (Shanghai) Co. Ltd. (ii)	中國內地 Mainland China	200,000美元 US\$200,000	100%	鋼材貿易 Trading of steel

附註：

(i) i-AsiaB2B Group Limited之股份由本公司直接持有，其他附屬公司之股份則間接持有。

(ii) 此等乃於中國內地成立之外資企業，經營期為十至五十年直至二零一一年到二零五二年。

Notes:

(i) The shares of i-AsiaB2B Group Limited are held directly by the Company. The shares of the other subsidiaries are held indirectly.

(ii) These are wholly foreign owned enterprises established in Mainland China to operate for periods ranging from 10 to 50 years up to 2011 to 2052.

Notes to the Accounts 賬目附註

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15 存貨

存貨包括作貿易用途之板材產品。於二零零五年三月三十一日，約22,499,000港元(二零零四年：7,329,000港元)之存貨以可變現淨值列賬。

若干存貨為信託收據銀行貸款持有(附註30)。

16 應收賬款及票據

本集團之銷售一般是在收妥貨款後發運，除了個別客戶被本集團授予介乎30日至90日的信貸期不等。應收賬款及票據的賬齡分析如下：

0至90日
91日至180日
181日至270日
271至365日
超過365日

減：呆壞賬撥備

15 INVENTORIES

Inventories consisted of rolled flat steel products for trading purposes. As at 31st March 2005, inventories of approximately HK\$22,499,000 (2004: HK\$7,329,000) were stated at net realisable value.

Certain inventories were held under trust receipts bank loans (Note 30).

16 ACCOUNTS AND BILLS RECEIVABLE

The Group generally requires sales to be settled by cash upon delivery, with some limited cases granting a credit period of not more than 30 to 90 days. Ageing analysis of accounts and bills receivable was as follows:

		綜合 Consolidated	
		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
0 to 90 days		3,959	29,869
91 to 180 days		3	1,376
181 to 270 days		15	497
271 to 365 days		—	—
Over 365 days		478	2
		4,455	31,744
Less: Provision for bad and doubtful receivables		(478)	(551)
		3,977	31,193

Notes to the Accounts 賬目附註

17 現金及銀行存款

於二零零五年三月三十一日，作為本集團銀行信貸抵押品之本集團及本公司之銀行存款分別約16,080,000港元(二零零四年：34,439,000港元)及13,049,000港元(二零零四年：13,645,000港元)(附註30)。

於二零零五年三月三十一日，本集團之現金及銀行存款約11,701,000港元(二零零四年：42,448,000港元)為中國人民幣，該貨幣不能在國際市場自由兌換之貨幣，其匯率由中國人民銀行釐定。

18 短期銀行借貸

信託收據銀行貸款
短期銀行貸款

本集團銀行融資詳情已載列於附註30。

所有短期銀行貸款均以中國人民幣計算。

19 應付賬款及票據

應付賬款及票據之賬齡分析如下：

0至90日
91至180日
181至270日
271至365日
1至2年

17 CASH AND BANK DEPOSITS

As at 31st March 2005, bank deposits of the Group and the Company of approximately HK\$16,080,000 (2004: HK\$34,439,000) and HK\$13,049,000 (2004: HK\$13,645,000), respectively, were pledged as collateral for the Group's banking facilities respectively (Note 30).

As at 31st March 2005, cash and bank deposits of the Group of approximately HK\$11,701,000 (2004: HK\$42,448,000) were denominated in Chinese Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

18 SHORT-TERM BANK BORROWINGS

	綜合 Consolidated	
	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
Trust receipts bank loans	2,625	26,856
Short-term bank loans	21,735	24,570
	24,360	51,426

Details of the Group's banking facilities are set out in Note 30.

All of the short-term bank loans were denominated in Chinese Renminbi.

19 ACCOUNTS AND BILLS PAYABLE

Ageing analysis of accounts and bills payable was as follows:

	綜合 Consolidated	
	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
0 to 90 days	18,272	86,032
91 to 180 days	93,467	36,927
181 to 270 days	8,079	56,354
271 to 365 days	—	61,534
1 to 2 years	1,200	43,598
	121,018	284,445

Notes to the Accounts 賬目附註

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20 遞延稅項

遞延稅項乃利用負債法按主要稅率17.5% (二零零四年：17.5%) 就短暫時差作全數撥備。

遞延稅項資產(主要來自累計稅項虧損)之變動如下：

年初
於損益表(扣除)/計入之遞延稅項

年終

於二零零五年三月三十一日，本集團有未撥備之遞延稅項資產約22,734,000港元(二零零四年：15,679,000港元)，主要來自累計稅項虧損(須受有關稅務機構同意)之稅項影響，該金額可以無限期結轉。

20 DEFERRED TAXATION

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement on the deferred tax assets, arising primarily from cumulative tax losses, is as follows:

		綜合 Consolidated	
		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
年初	Beginning of year	4,483	—
於損益表(扣除)/計入之遞延稅項	Deferred taxation (charged)/ credited to profit and loss account	(4,483)	4,483
年終	End of year	—	4,483

As at 31st March 2005, the Group had an unprovided deferred tax assets of approximately HK\$22,734,000 (2004: HK\$15,679,000), primarily representing the tax effect of cumulative tax losses (subject to agreement by relevant tax authorities) which can be carried forward indefinitely.

Notes to the Accounts 賬目附註

21 股本

變動為：

法定
(每股面值0.10
港元之普通股)

已發行及繳足
(每股面值0.10
港元之普通股)：

年初
因行使認股權證
而發行股份
(附註22)
因償還欠款而
發行股份

年終

Authorised
(Ordinary shares
of HK\$0.10 each)

Issued and fully paid
(Ordinary shares
of HK\$0.10 each):

Beginning of year
Issue of shares upon
exercise of warrants
(Note 22)
Issue of shares for
settlement of
payables

End of year

21 SHARE CAPITAL

Movements were:

二零零五年 2005		二零零四年 2004	
股份數目 Number of shares 千股 '000	面值 Nominal value 千港元 HK\$'000	股份數目 Number of shares 千股 '000	面值 Nominal value 千港元 HK\$'000
4,000,000	400,000	4,000,000	400,000
1,596,384	159,638	1,564,503	156,450
206	21	681	68
—	—	31,200	3,120
1,596,590	159,659	1,596,384	159,638

22 認股權證

變動為：

發行日期
Date of issue

行使期
Exercise period

每股行使價
Subscription
price per
share
港元
HK\$

認股權證數目
Number of warrants

年初
Beginning
of year
千份
'000

行使
Exercised
千份
'000

年終
End of year
千份
'000

二零零二年五月二十三日
23rd May 2002

二零零二年六月十八日至
二零零五年六月十七日
18th June 2002 to
17th June 2005

0.10 312,216 (206) 312,010

22 WARRANTS

Movements were:

Notes to the Accounts 賬目附註

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22 認股權證 (續)

於二零零二年五月二十三日，本公司無償發行約312,900,000份認股權證給予其股東，基準為每持有每五股普通股將獲發一份認股權證。每份認股權證將賦予其持有人權利，可按每股0.10港元（可予調整）以現金認購一股價值0.10港元之普通股，並可於二零零二年六月十八日至二零零五年六月十七日內行使。截至二零零五年三月三十一日止年度內，206,000份認股權證（二零零四年：681,000份認股權證）已獲行使以認購本公司206,000股股份（二零零四年：681,000股股份），代價約為21,000港元（二零零四年：68,000港元）。

23 購股權

根據本公司之購股權計劃（「新計劃」），本公司可授予本集團之任何僱員、代理人、顧問或代表（包括任何執行董事及非執行董事）以認購本公司之股份，而不得超過不時已發行本公司之股份面值之30%（行使購股權所發行股份除外）。行使價將由本公司之董事會釐定及最少將按以下列中最高者為準：
 (i)本公司之股份於提出授予購股權當日香港聯合交易所有限公司所列之收市價；
 (ii)本公司之股份於緊接提出授予購股權日期前五個交易日在香港聯合交易所有限公司所列之平均收市價；及
 (iii)本公司之股份面值每股0.10港元。新計劃已被採納以取替一項舊計劃，而所有舊計劃授予之購股權仍可按舊有條款行使。

22 WARRANTS (Cont'd)

On 23rd May 2002, the Company issued approximately 312,900,000 warrants to its shareholders on the basis of one warrant for every five ordinary shares of the Company at no charge. The warrants entitle the holders to subscribe in cash for ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$0.10 each (subject to adjustment) and are exercisable between 18th June 2002 to 17th June 2005. During the year ended 31st March 2005, 206,000 warrants (2004: 681,000 warrants) were exercised to subscribe for 206,000 shares (2004: 681,000 shares) of the Company at a consideration of approximately HK\$21,000 (2004: HK\$68,000).

23 SHARE OPTIONS

The Company has a share option scheme ("the New Scheme") under which it may grant options to any person being an employee, agent, consultant or representative (including executive directors and non-executive directors) of the Group to subscribe for shares in the Company, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The exercise price will be determined by the Company's Board of Directors and shall be the highest of (i) the closing price of the Company's shares quoted on The Stock Exchange of Hong Kong Limited on the date of grant of the options; (ii) the average closing prices of the Company's shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of the Company's shares of HK\$0.10 each. The New Scheme was adopted to replace an old scheme, with all options granted under the old scheme continue to be exercisable in accordance with the old terms.

Notes to the Accounts 賬目附註

23 購股權 (續)

購股權變動如下：

23 SHARE OPTIONS (Cont'd)

Movements of share options were:

授予日期 Date of grant	行使期 Exercise period	每股行使價 Subscription price per share 港元 HK\$	購股權數目 Number of share options		
			年初 Beginning of year 千份 '000	失效 Lapsed 千份 '000	年終 End of year 千份 '000
二零零零年七月三日 3rd July 2000	二零零二年十月一日至 二零零零年四月十二日 1st October 2002 to 12th April 2010	0.360	19,850	(7,500)	12,350
二零零零年十一月七日 7th November 2000	二零零二年十一月八日至 二零零零年四月十二日 8th November 2002 to 12th April 2010	0.485	55,400	(13,000)	42,400
			75,250	(20,500)	54,750

24 儲備

24 RESERVES

		股份溢價 Share premium 千港元 HK\$'000	資本儲備 Capital reserve 千港元 HK\$'000	投資重估儲備 Investment revaluation reserve 千港元 HK\$'000	綜合	累計虧損 Accumulated losses 千港元 HK\$'000	總額 Total 千港元 HK\$'000
					Consolidated 累計外幣 滙兌調整 Cumulative foreign currency translation adjustments 千港元 HK\$'000		
於二零零三年四月一日	As at 1st April 2003	11,099	2,700	(21,865)	153	(135,186)	(143,099)
股東應佔虧損	Loss attributable to shareholders	—	—	—	—	(25,711)	(25,711)
一項長期投資公平值 變動	Change in fair value of a long-term investment	—	—	1,451	—	—	1,451
因確認一項長期投資 減值虧損而由投資 重估儲備轉移至 損益表	Investment revaluation reserve transferred to profit and loss account upon recognition of impairment loss of a long-term investment	—	—	20,414	—	—	20,414
滙兌調整	Translation adjustments	—	—	—	(48)	—	(48)
於二零零四年 三月三十一日	As at 31st March 2004	11,099	2,700	—	105	(160,897)	(146,993)
股東應佔虧損	Loss attributable to shareholders	—	—	—	—	(10,443)	(10,443)
一項長期投資公平值 變動	Change in fair value of a long-term investment	—	—	548	—	—	548
因出售一項長期投資 而釋放之投資 重估儲備	Realised upon disposal of a long-term investment	—	—	(548)	—	—	(548)
滙兌調整	Translation adjustments	—	—	—	(86)	—	(86)
於二零零五年 三月三十一日	As at 31st March 2005	11,099	2,700	—	19	(171,340)	(157,522)

Notes to the Accounts 賬目附註

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24 儲備 (續)

24 RESERVES (Cont'd)

		本公司 Company			
		股份溢價 Share premium 千港元 HK\$'000	投資重估儲備 Investment revaluation reserve 千港元 HK\$'000	累計虧損 Accumulated losses 千港元 HK\$'000	總額 Total 千港元 HK\$'000
於二零零三年四月一日	As at 1st April 2003	11,099	(21,865)	(141,013)	(151,779)
股東應佔虧損	Loss attributable to shareholders	—	—	(14,680)	(14,680)
一項長期投資公平值變動	Change in fair value of a long-term investment	—	1,451	—	1,451
因確認一項長期投資減值 虧損而由投資重估 儲備轉移至損益表	Investment revaluation reserve transferred to profit and loss account upon recognition of impairment loss of a long-term investment	—	20,414	—	20,414
於二零零四年三月三十一日	As at 31st March 2004	11,099	—	(155,693)	(144,594)
股東應佔虧損	Loss attributable to shareholders	—	—	(5,951)	(5,951)
一項長期投資公平值變動	Change in fair value of a long-term investment	—	548	—	548
因出售一項長期投資 而釋放之投資重估儲備	Realised upon disposal of a long-term investment	—	(548)	—	(548)
於二零零五年三月三十一日	As at 31st March 2005	11,099	—	(161,644)	(150,545)

Notes to the Accounts 賬目附註

25 綜合現金流量表附註

(a) 除稅前虧損與經營所產生之現金
(流出)／流入淨額對賬如下：

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss before taxation to net cash
(outflow)/inflow generated from operations was as
follows:

		附註 Note	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
除稅前虧損	Loss before taxation		(4,497)	(25,042)
利息收入	Interest income		(580)	(657)
利息支出	Interest expense		5,056	7,922
股息收入	Dividend income		(659)	(421)
固定資產折舊	Depreciation of fixed assets		1,016	1,069
出售固定資產虧損	Loss on disposal of fixed assets		87	118
網站開發成本攤銷	Amortisation of website development costs		27	892
出售附屬公司 之淨虧損	Loss on disposal of subsidiaries, net	25(c)	63	—
出售投資之淨收益	Gain on disposal of investments, net		(911)	—
一項投資減值虧損	Impairment loss of an investment		—	20,414
營運資金變動前之經營 (虧損)／溢利	Operating (loss)/profit before working capital changes		(398)	4,295
存貨減少	Decrease in inventories		35,850	24,147
預付款項、按金及 其他應收款項減少	Decrease in prepayments, deposits and other receivables		5,877	6,624
購貨按金減少／(增加)	Decrease/(increase) in deposits for purchase of inventories		5,749	(40,089)
應收賬款及票據減少	Decrease in accounts and bills receivable		23,914	6,232
應付賬款及票據(減少) ／增加	(Decrease)/increase in accounts and bills payable		(148,697)	52,442
其他應付款項增加	Increase in other payables		10,343	19
應計負債增加	Increase in accruals		4,018	210
預收款項增加	Increase in receipts in advance		11,182	1,674
經營所產生之現金(流出) ／流入淨額	Net cash (outflow)/inflow generated from operations		(52,162)	55,554

Notes to the Accounts 賬目附註

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25 綜合現金流量表附註

(續)

(b) 融資變動分析如下：

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(Cont'd)

(b) Analysis of changes in financing was as follows:

		股本及 股份溢價 Share capital and share premium 千港元 HK\$'000	短期 銀行借貸 Short-term bank borrowings 千港元 HK\$'000
於二零零三年四月一日	As at 1st April 2003	167,549	57,134
因行使認股權證而發行股份 (附註21)	Issue of shares upon exercise of warrants (Note 21)	68	—
因償還欠款而發行股份 (附註21)	Issue of shares for settlement of payables (Note 21)	3,120	—
新增短期銀行貸款	New short-term bank loans	—	68,480
償還短期銀行貸款	Repayment of short-term bank loans	—	(62,857)
信託收據銀行貸款減少淨額	Net decrease in trust receipts bank loans	—	(11,331)
		<hr/>	<hr/>
於二零零四年三月三十一日	As at 31st March 2004	170,737	51,426
因行使認股權證而發行股份 (附註21)	Issue of shares upon exercise of warrants (Note 21)	21	—
新增短期銀行貸款	New short-term bank loans	—	6,615
償還短期銀行貸款	Repayment of short-term bank loans	—	(9,450)
信託收據銀行貸款減少淨額	Net decrease in trust receipts bank loans	—	(24,231)
		<hr/>	<hr/>
於二零零五年三月三十一日	As at 31st March 2005	170,758	24,360

Notes to the Accounts 賬目附註

25 綜合現金流量表附註

(續)

- (c) 出售附屬公司：
出售附屬公司之詳情如下：

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(Cont'd)

- (c) Disposal of subsidiaries:
Details of disposal of subsidiaries were as follows:

		附註 Note	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
出售資產淨額	Net assets disposed of			
固定資產	Fixed assets		470	—
存貨	Inventories		296	—
購貨按金	Deposits for purchase of inventories		56,185	—
預付款項，按金及 其他應收款項	Prepayments, deposits and other receivables		501	—
應收賬款及票據	Accounts and bills receivable		3,302	—
現金及其他 銀行存款	Cash and other bank deposits		2,890	—
應付賬款及票據	Accounts and bills payable		(14,730)	—
其他應付款項	Other payables		(9,053)	—
應計負債	Accruals		(466)	—
預收款項	Receipts in advance		(35,991)	—
應繳稅項	Taxation payable		(311)	—
資產淨額	Net assets		3,093	—
出售所得款項	Total consideration		3,030	—
出售之淨虧損	Loss on disposal, net	25(a)	63	—
以以下作交易：	Satisfied by:			
其他應收款項 (i)	Other receivables (i)		1,536	—
現金	Cash		1,494	—
			3,030	—

附註：

- (i) 於二零零五年三月三十一日，尚未清還之出售所得款項已被包括在其他應收款項內。此筆款項並已在期後清還。

Note:

- (i) The outstanding purchase consideration was included as other receivables as at 31st March 2005, and was settled subsequently.

Notes to the Accounts 賬目附註

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25 綜合現金流量表附註

(續)

(c) 出售附屬公司(續)

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(Cont'd)

(c) Disposal of subsidiaries (Cont'd)

		二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
出售附屬公司之現金流入 淨額分析如下	Analysis of net cash inflow in respect of disposal of subsidiaries		
出售所得款項	Cash consideration received	1,494	—
減：出售之現金及現金等 值項目	Less: Cash and cash equivalents disposed of	(2,890)	—
出售附屬公司所得款項、 扣除出售之現金	Proceeds from disposal of subsidiaries, net of cash disposed of	(1,396)	—

截止二零零五年三月三十一日止年度，出售之附屬公司為本集團帶來了約192,336,000港元(二零零四年：382,277,000港元)之營業額及約5,176,000港元(二零零四年：5,658,000港元)之股東應佔虧損。

For the year ended 31 March 2005, the disposed subsidiaries contributed approximately HK\$192,336,000 (2004: HK\$382,277,000) of turnover and approximately HK\$5,176,000 (2004: HK\$5,658,000) of loss attributable to shareholders of the Group.

(d) 現金及現金等值項目：
於二零零五年三月三十一日，現金及現金等值項目代表現金及其他銀行存款約13,263,000港元(二零零四年：55,433,000港元)。

(d) Cash and cash equivalents:
Cash and cash equivalents represent cash and other bank deposits of approximately HK\$13,263,000 as at 31st March 2005 (2004: HK\$55,433,000).

Notes to the Accounts 賬目附註

26 分類資料

(a) 主要分類

本集團分三個主要業務分類 — 鋼材貿易、採購服務及投資控股。鋼材貿易業務分類由商品銷售而產生收入。採購服務業務分類為賺取採購與網上鋼材貿易之佣金收入。投資控股業務分類之收入來自股息收入。按業務分類之分析如下：

26 SEGMENT INFORMATION

(a) Primary segment

The Group is organised into three major business segments — steel trading, procurement services and investment holding. The steel trading business segment derives revenue from the sale of goods. The procurement services business segment derives commission income from procurement and online steel trading services. The investment holding business segment derives revenue from dividend income. Analysis by business segment is as follows:

		二零零五年 2005			
		鋼材貿易 Steel trading 千港元 HK\$'000	採購服務 Procurement services 千港元 HK\$'000	投資控股 Investment holding 千港元 HK\$'000	總額 Total 千港元 HK\$'000
營業額 — 對外 客戶銷售	Turnover — Sales to external customers	854,564	5,121	—	859,685
分類業績	Segment results	(1,654)	604	(62)	(1,112)
其他收入	Other revenue	578	—	661	1,239
出售投資 之淨收益	Gain on disposal of investments, net	—	—	911	911
出售附屬公司 之淨虧損	Loss on disposal of subsidiaries, net	(63)	—	—	(63)
未分配企業費用	Unallocated corporate expenses				(416)
經營溢利	Operating profit				559
財務費用	Finance costs				(5,056)
稅項	Taxation				(5,946)
除稅後但未計少數 股東權益前虧損	Loss after taxation but before minority interests				(10,443)
資產	Assets				
分類資產	Segment assets	164,155	353	780	165,288
未分配資產	Unallocated assets				460
					165,748
負債	Liabilities				
分類負債	Segment liabilities	(163,235)	—	(71)	(163,306)
未分配負債	Unallocated liabilities				(305)
					(163,611)
資本開支	Capital expenditure	191	5	780	976
折舊及攤銷	Depreciation and amortisation	1,016	27	—	1,043

Notes to the Accounts 賬目附註

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26 分類資料 (續)
(a) 主要分類 (續)26 SEGMENT INFORMATION (Cont'd)
(a) Primary segment (Cont'd)

		二零零四年 2004			
		鋼材貿易 Steel trading 千港元 HK\$'000	採購服務 Procurement services 千港元 HK\$'000	投資控股 Investment holding 千港元 HK\$'000	總額 Total 千港元 HK\$'000
營業額 — 對外 客戶銷售	Turnover — Sales to external customers	1,416,236	13,207	—	1,429,443
分類業績	Segment results	(2,667)	5,757	(52)	3,038
其他收入	Other revenue	657	—	421	1,078
一項長期投資 減值虧損	Impairment loss of a long-term investment	—	—	(20,414)	(20,414)
未分配企業費用	Unallocated corporate expenses				(822)
經營虧損	Operating loss				(17,120)
財務費用	Finance costs				(7,922)
稅項	Taxation				(889)
除稅後但未計少數 股東權益前虧損	Loss after taxation but before minority interests				(25,931)
資產	Assets				
分類業績	Segment assets	360,392	859	25,536	386,787
未分配資產	Unallocated assets				400
					387,187
負債	Liabilities				
分類負債	Segment liabilities	(373,448)	(16)	(50)	(373,514)
未分配負債	Unallocated liabilities				(1,028)
					(374,542)
資本開支	Capital expenditure	1,021	17	—	1,038
折舊及攤銷	Depreciation and amortisation	1,069	892	—	1,961

Notes to the Accounts 賬目附註

26 分類資料 (續)

(b) 次要分類

本集團之主要活動集中於香港及中國內地。按地區分類之營業額乃根據鋼材貿易貨品付運之目的地、採購服務所進行之服務所屬地區、網上佣金收入之賣方所屬地區及提供股息收入之短期／長期投資之所屬地區而釐定。按地區分類之分析如下：

營業額 — 對外 客戶銷售	Turnover — Sales to external customers
分類業績	Segment results
未分配企業費用	Unallocated corporate expenses
經營溢利	Operating profit
資產	Assets
資本開支	Capital expenditure

26 SEGMENT INFORMATION (Cont'd)

(b) Secondary segment

The Group's activities are conducted predominantly in Hong Kong and Mainland China. Turnover by geographical segments is determined on the basis of the destination of shipment of goods for steel trading, location of service performed for procurement services, location of sellers for online commission income, and location of the short-term/long-term investments for dividend income. Analysis by geographical segment is as follows:

二零零五年 2005			
香港 Hong Kong 千港元 HK\$'000	中國內地 Mainland China 千港元 HK\$'000	其他 Others 千港元 HK\$'000	總額 Total 千港元 HK\$'000
15,280	844,405	—	859,685
(586)	4,162	(2,601)	975
			(416)
			559
1,891	163,373	484	165,748
61	910	5	976

二零零四年 2004			
香港 Hong Kong 千港元 HK\$'000	中國內地 Mainland China 千港元 HK\$'000	其他 Others 千港元 HK\$'000	總額 Total 千港元 HK\$'000
39,029	1,390,414	—	1,429,443
(21,072)	11,678	(6,904)	(16,298)
			(822)
			(17,120)
49,393	311,808	25,986	387,187
260	759	19	1,038

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27 退休金計劃

本集團已安排其香港僱員參與一項由獨立受託人管理之強制性公積金計劃(「強積金計劃」)，該計劃為一項界定供款計劃。根據強積金計劃，本集團及其僱員各自每月按僱員薪酬(定義見強制性公積金條款)之一般為5%。每位僱主及僱員之每月供款上限為1,000港元及其額外供款乃屬自願。

依中國內地之法規，本集團須為其中國內地僱員向國家資助之退休計劃供款。僱員按其基本薪金約6%至20%供款，而本集團按該等薪金約14%至22.5%供款，除每年供款外，毋須支付任何實際退休金或退休後福利。該等國家資助退休計劃須負責向退休僱員支付全部退休金。

截至二零零五年三月三十一日止年度，本集團向上述退休金計劃之供款總額約為231,000港元(二零零四年：300,000港元)。

28 營業租約承擔

根據租用物業之若干不可撤銷營業租約應付之承擔總額分析如下：

應付款項
— 未逾1年
— 逾1年及未逾5年

27 PENSION SCHEMES

The Group has arranged for its Hong Kong 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 generally at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and employees are subject to a cap of HK\$1,000 and thereafter contributions are voluntary.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The employees contribute approximately 6% to 20% of their basic salaries, while the Group contributes approximately 14% to 22.5% of such salaries and has no further obligations for the actual payment of pensions or post-retirement benefits beyond these contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

During the year ended 31st March 2005, the aggregate amount of the Group's contributions to the aforementioned schemes was approximately HK\$231,000 (2004: HK\$300,000).

28 OPERATING LEASE COMMITMENTS

Total commitments payable under various non-cancellable operating agreements in respect of rented premises are analysed as follows:

	綜合 Consolidated	
	二零零五年 2005 千港元 HK\$'000	二零零四年 2004 千港元 HK\$'000
Amounts payable		
— Not later than one year	705	683
— Later than one year and not later than five years	322	572
	1,027	1,255

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29 或然負債

於二零零五年三月三十一日，本公司已就銀行向其附屬公司提供之銀行信貸提供公司擔保約88,725,000港元(二零零四年：146,545,000港元)(附註30)。本公司之董事及本集團之管理層預期不會因該等擔保(來自日常業務)，而產生重大負債。

30 銀行融資

於二零零五年三月三十一日，本集團來自多間銀行之透支、貸款及貿易融資之銀行融資總額約88,125,000港元(二零零四年：159,155,000港元)。於同日並未動用之信貸約63,765,000港元(二零零四年：69,691,000港元)。該等融資以下列方式作抵押：

- (i) 本集團及本公司之已抵押銀行存款分別約16,080,000港元(二零零四年：34,439,000港元)及13,049,000港元(二零零四年：13,645,000港元)(附註17)；
- (ii) 根據信託收據銀行貸款安排持有之存貨抵押(附註15)；及
- (iii) 本公司提供之公司擔保(附註29)。

31 結算日後事項

結算日後，於二零零五年五月十九日，本公司之董事會宣告於將舉行之股東特別大會上提呈以下須待各項條件獲達成後，方可作實之事項予以股東批准：

- (i) 股本重組包括以下：
 - 將本公司每100股每股面值0.10港元之普通股合併為一股每股面值10.0港元之合併後股份及隨即透過註銷每股已發行合併後股份之繳足股本9.99港元，將每股已發行合併後股份之面值由每股10.0港元削減至每股0.01港元；
 - 增設額外數目之每股面值0.01港元之新普通股，以增加本公司法定股本至原來之400,000,000港元；及

29 CONTINGENT LIABILITIES

As at 31st March 2005, the Company had provided guarantees of approximately HK\$88,725,000 (2004: HK\$146,545,000) to banks in respect of the banking facilities granted to its subsidiaries (Note 30). The Company's Directors and the Group's management anticipate that no material liabilities will arise from such guarantees which arose in the ordinary course of business.

30 BANKING FACILITIES

As at 31st March 2005, the Group had aggregate banking facilities of approximately HK\$88,125,000 (2004: HK\$159,155,000) from several banks for overdrafts, loans, and trade financing. Unused facilities as at the same date amounted to approximately HK\$63,765,000 (2004: HK\$69,691,000). These facilities were secured by:

- (i) pledge of the Group's and the Company's bank deposits of approximately HK\$16,080,000 (2004: HK\$34,439,000) and HK\$13,049,000 (2004: HK\$13,645,000), respectively (Note 17);
- (ii) inventories held under trust receipts bank loan arrangements (Note 15); and
- (iii) guarantees provided by the Company (Note 29).

31 SUBSEQUENT EVENTS

Subsequent to year end, on 19th May 2005, the Company's Board announced that it would put forward to the Company's shareholders to approve, subject to conditions, the following items at an upcoming special general meeting:

- (i) A capital reorganisation, including the following:
 - consolidate the Company's every 100 ordinary shares of HK\$0.10 each into one consolidated share of HK\$10.0 and thereafter reduce the Company's issued share capital by way of cancellation of the paid-up capital to the extent of HK\$9.99 on each issued consolidated share such that the par value of all the issued consolidated shares would be reduced from HK\$10.0 each to HK\$0.01 each;
 - increase in the Company's authorised share capital back to its original amount of HK\$400,000,000, by the creation of additional new ordinary share of HK\$0.01 each; and

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31 結算日後事項 (續)

(i) (續)

- 註銷本公司之全部股份溢價儲備約11,100,000港元。

將以上所述之削減股本及註銷股份溢價儲備所得進賬轉撥往本公司之繳入盈餘賬，兩筆進賬分別約159,500,000港元及約11,100,000港元，即合共約170,600,000港元，用作抵銷本公司於二零零五年三月三十一日之累計虧損約161,600,000港元。

- (ii) 發售給現有股東，按上述進行股本重組後每持有一股股份，以每股0.1566港元之認購價認購每股0.01港元之新股。本公司將集資合共約2,500,000港元。Van Shung Chong (B.V.I.) Limited，於二零零五年三月三十一日持有本公司已發行股本約18.9%之主要股東，已包銷此發售。
- (iii) 按以上進行股本重組後，以每股認購價0.1566港元發行每股0.01港元合共63,856,960股予第三方(North Asia Strategic Acquisition Corp.及曾國泰先生)，藉以集資約10,000,000港元。
- (iv) 發行面值20,000,000港元之可換股及贖回債券予第三方(North Asia Strategic Acquisition Corp.及曾國泰先生)。此債券為不計息及可按每股0.1566港元之初步換股價(可予調整)隨時兌換成每股0.01港元之本公司普通股，或將有權要求本公司於二零零七年十二月起至發行日期後第五年屆滿當日贖回全部或部分尚未贖回之債券。
- (v) 本公司名稱將會更改為北亞策略控股有限公司。

32 賬目批准

此賬目於二零零五年六月九日獲董事會批准。

31 SUBSEQUENT EVENTS (Cont'd)

(i) (Cont'd)

- cancel the Company's entire share premium reserve of approximately HK\$11.1 million.

The credits arising from the aforementioned capital reduction of approximately HK\$159.5 million and from the cancellation of the share premium reserve of approximately HK\$11.1 million, totalling approximately HK\$170.6 million, would be transferred to the Company's contributed surplus account which will be used to set off against the Company's accumulated losses which amounted to approximately HK\$161.6 million as at 31st March 2005.

- (ii) An offer to existing shareholders to subscribe new shares of HK\$0.01 each at a subscription price of HK\$0.1566 each, on the basis of one new share for holder of one share after the aforementioned capital reorganisation. The Company would raise an aggregate sum of approximately HK\$2.5 million. Such an offer is underwritten by Van Shung Chong (B.V.I.) Limited, a substantial shareholder holding approximately 18.9% of the Company's equity interest at 31st March 2005.
- (iii) Issue an aggregate of 63,856,960 shares of HK\$0.01 each, after the aforementioned capital reorganisation, to third parties (North Asia Strategic Acquisition Corp. and Mr. Moses Kwok Tai Tsang) at a subscription price of HK\$0.1566 each, raising a total of approximately HK\$10.0 million.
- (iv) Issue convertible and redeemable bonds to third parties (North Asia Strategic Acquisition Corp. and Mr. Moses Kwok Tai Tsang) at face value of HK\$20.0 million. These bonds are non-interest bearing and can be converted into the Company's ordinary shares of HK\$0.01 each at an initial conversion price of HK\$0.1566 each (subject to adjustments) at any time, or have the right to request the Company to redeem the whole or in part of the outstanding bonds from December 2007 to the date which is five years after the date of issue.
- (v) The Company's name will be changed to North Asia Strategic Holdings Limited.

32 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 9th June 2005.

