

iSteelAsia.com

iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

Results Announcement

For the year ended 31st March 2000

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.

The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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

Highlights

- The Group's turnover increased 56% to approximately HK\$180,074,000.
- In line with the loss estimate as disclosed in the Prospectus, the Group recorded a loss attributable to shareholders of approximately HK\$6,812,000. The loss was due to the start up cost and expenditure in relation to the technical development, branding and business development of the online steel trading platform as described in the Prospectus.
- The Company's online steel trading portal was successfully launched in December 1999.
- The Company was successfully listed on the GEM of the Stock Exchange on 20th April 2000 and became the first publicly listed steel trading portal in the world and the first B2B e-commerce company listed on the GEM.

Results

The Board of Directors of iSteelAsia.com Limited ("the Company") has the pleasure in announcing the audited combined results of the Company and its subsidiaries (together "the Group") for the year ended 31st March 2000 as follows:

	<i>Notes</i>	Year ended 31st March	
		2000	1999
		<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	2	180,074	115,651
Cost of sales		(159,013)	(106,732)
		<hr/>	<hr/>
Gross Profit		21,061	8,919
Distribution and selling expenses		(5,071)	(2,638)
Research and development expenses		(2,454)	---
General and administrative expenses		(19,270)	(2,982)
		<hr/>	<hr/>
(Loss) Profit from operation		(5,734)	3,299
Interest income		91	---
		<hr/>	<hr/>
(Loss) Profit before taxation		(5,643)	3,299
Taxation	3	(1,169)	(276)
		<hr/>	<hr/>
(Loss) Profit attributable to shareholders		(6,812)	3,023
		<hr/>	<hr/>
(Loss) Earnings per share-Basic	4	(0.53) cents	0.24 cents
		<hr/>	<hr/>

Notes:

1. Group reorganisation and basis of presentation

The Company was incorporated in Bermuda on 10th February 2000 as an exempted company under the Companies Act 1981 of Bermuda. Its shares have been listed on the GEM of the Stock Exchange since 20th April 2000.

Pursuant to a group reorganisation scheme in preparation for the listing of the Company's shares, the Company became the holding company of the companies comprising the group (collectively referred as "the Group") on 13th April 2000. The group reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the reorganisation are regarded as a continuing group. Accordingly, the reorganisation has been accounted for on the basis of merger accounting.

VSC (Far East) Limited ("VFE") and the Steel Trading Division of Van Shung Chong Hong Limited ("STD") were engaged in steel trading with customers in Southern China, Macau and other Asian and European countries. VFE and Van Shung Chong Hong Limited were wholly owned by Van Shung Chong (B.V.I.) Limited, a substantial shareholder of the Company. As part of the group reorganisation, the assets, liabilities and businesses of VFE and STD were transferred to MetalAsia (Hong Kong) Limited, a wholly-owned subsidiary of the Company, effective from 1st April 2000 and thereafter VFE and STD ceased their business.

The combined results included the results of operations of the Company and its subsidiaries as if the group structure resulting from the aforementioned reorganisation executed on 13th April 2000 had been in existence throughout the years ended 31st March 1999 and 2000 or since the dates of incorporation of the respective group companies where these were of a shorter period, as well as the results of operations of VFE and STD.

Significant transactions among the companies comprising the Group have been eliminated on combination.

2. Turnover

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

Analysis of the Group's turnover for the years ended 31st March 1999 and 2000 is set out below:

	2000	1999
	<i>HK\$'000</i>	<i>HK\$'000</i>
Traditional steel trading operation		
Construction steel products ("long products")	82,891	75,080
Industrial steel products ("flat products")	95,801	40,571
	<hr/>	<hr/>
	178,692	115,651
Online steel trading operation		
Commission income	1,382	---
	<hr/>	<hr/>
	180,074	115,651
	<hr/>	<hr/>

3. Taxation

Taxation comprised:	2000	1999
	HK\$'000	HK\$'000
Current taxation---		
Hong Kong profits tax	1,169	276

Hong Kong profits tax was provided at the rate of 16% (1999 --- 16%) on estimated assessable profit arising in or derived from Hong Kong.

There was no significant unprovided deferred taxation as at 31st March 2000.

4. (Loss) Earnings per share

The calculation of basic (loss) earnings per share is based on the loss attributable to shareholders of approximately HK \$6,812,000 (1999 --- profit of HK\$3,023,000) and 1,280,000,000 shares in issue throughout the year, assuming the 1,280,000,000 shares issued pursuant to the group reorganisation described in Note 1 had been outstanding throughout the year.

Diluted (loss) earnings per share for the year ended 31st March 2000 are not presented because there was no dilutive potential ordinary shares in existence during the year.

5. Dividends

No dividends have been paid or declared by the Company since its incorporation.

As outlined in the Company's Prospectus dated 14th April 2000 ("the Prospectus"), during the year, VFE declared and paid interim dividends amounting to HK\$9,000,000 to its shareholder, Van Shung Chong (B.V.I.) Limited, prior to the group reorganisation described in Note 1 and prior to the listing of the Company on the GEM on 20th April 2000. All dividends were paid out of the accumulated distributable profit of VFE, a wholly-owned subsidiary of Van Shung Chong (B.V.I.) Limited.

The Directors do not recommend the payment of a final dividend for the year ended 31st March 2000.

BUSINESS REVIEW AND PROSPECTS

Group Strategy and Year in review

Since the official launch of our vertical trading portal in December 1999, iSteelAsia.com has captured tremendous "first mover" advantage and achieved rapid growth to be the leading steel trading vertical portal ("vortal") in the Asia Pacific region. With the concerted efforts of our staff and the committed support of our investors and partners, the Company overcame the very challenging market conditions and was successfully listed on the GEM of the Stock Exchange on 20th April 2000. The Company is proud to be the first publicly listed steel trading vortal in the world and the first business-to-business ("B2B") e-commerce company listed on the GEM.

Solid Management Team

The Group strongly believes human capital is a key critical success factor for the fast growing B2B e-commerce market. Therefore, we continuously reinforce and strengthen our management team with highly experienced and capable professionals. Recently, several key executives join our management team to lead in key functional areas including business development, strategic alliance, technology and customer relationship management. We have also been strengthening our customer service team to ensure our members will enjoy the highest possible standard of service. We have cultivated a strong corporate culture with emphasis on team work, employee empowerment, worldclass quality standard, dedication, entrepreneurship and creativity. I would like to take this opportunity to thank the Group's staff for their dedication and contribution to the Group.

Our Future Plans

iSteelAsia.com is committed to be the premier B2B vortal for the steel community in the Asia Pacific region. With our solid management team, access to capital market and focused strategy, we target to establish a dominant position in Asia by expanding our international branding, penetrating into major Asian domestic steel markets like China and Korea.

In order to maintain our "first mover" advantage, the Group has and will continue to be a pioneer to innovatively provide a worldclass trading platform. Through these processes, the Group has gained invaluable experience in the e-commerce arena and when opportunities arise, it is the Group's intention to capitalise this unique knowledge to enhance the Group's business model.

International Branding

In the past years, our traditional steel trading operation captured a significant growth in the Southern China market. The Group is expanding both the traditional steel trading operation and online steel trading operation to other international markets. As such, we leverage on a strong base of diverse customers as "catalysts" to bring offline market to online market place. The Group is now having a global presence of business development teams in over 10 locations including Hong Kong, Beijing, Shanghai, Guangzhou, South Korea, India, Singapore, the Philippines, Europe, Dubai and the United States of America. In addition, the Group is planning to add local representatives in Japan and Taiwan.

China, Korea and other countries Strategy

To show our long-term commitment to develop the China market, the largest steel market in the world, we have decided to set up three representative offices in Beijing, Shanghai and Guangzhou. We are in the process of filing documentation to local government bodies for the formal establishment of these offices and it is expected that approval will soon be obtained. We have dedicated business development teams that focus on the major China importer/exporter steel mills, traders and end-users. More importantly, we have identified partners in the Chinese steel industry to build up a domestic portal for capturing steel industry trades in the China market. In order to make the portal more adaptive and informative to the domestic local users, we have formed alliances with Chinese value-added services and content providers that will eventually fully integrate into the steel supply chain.

On the Korean front, we have allied with leading business conglomerates in South Korea to develop a country specific website in South Korea. We are now in the final stages of partnership formation for the Korean domestic portal. With this domestic portal, we are able to share both domestic trade and Korean export trade revenue in form of commission and rebate from value-added services.

Besides Korea and China markets, the Group is actively seeking opportunities to expand our presence in other countries by forming partnerships and developing country specific websites.

Growth Through Strategic Alliances and Acquisitions

Besides rapid organic growth, we are actively seeking external growth through suitable strategic alliances and acquisitions. We will seek partners that add synergy in our business and those who share other corporate values. We believe the current consolidation exercises in the market place will bring tremendous opportunities to the Group, and given the Group's "first mover" advantage, we will explore in diligence these opportunities that will strengthen the Group's position as a market leader. As of today, the Group has not yet entered into any agreement with any party as far as this initiative is concerned.

Financial Review

The Board of Directors is pleased to report the combined results of the Group for the year ended 31st March 2000. The Group's turnover increased 56% to approximately HK\$180,074,000 with the majority of turnover from its traditional steel trading operation. However, the Group recorded a net loss of approximately HK\$6,812,000 despite an increase of 193% in net profit from its traditional steel trading business from approximately HK\$3.0 million to HK\$8.8 million. This is due to the net loss of approximately HK\$15.6 million attributable to the launching and operation of online steel trading operation --- iSteelAsia.com. On 20th April 2000, the Group overcame the very challenging market conditions and was successfully listed on the GEM of the Stock Exchange. Approximately HK\$82.0 million of the net proceeds was raised through offering 100,000,000 new shares at par value of HK\$0.10 each for HK\$1.08 per share of the Company by way of placing and an option exercised by the underwriter. This is in addition to the HK\$57.6 million raised from an earlier pre-placing fund raising exercise. The Group is also proud to make a record to be the first publicly listed steel trading vortal in the world and the first B2B e-commerce company listed on the GEM.

Traditional Steel Trading Operation

Comparing the year ended 31st March 2000 with the year ended 31st March 1999, sales revenue from both construction and industrial steel products recorded tremendous growth. The sales revenue from industrial steel products increased 136% to approximately HK\$95,801,000 while the sales revenue from construction steel products increased 10% to approximately HK\$82,891,000. The sharp increase in sales revenue from industrial steel products is mainly due to the rapid growth within the technology industry which in turn generates high demand of computers and related electrical appliances. The increase of sales revenue from construction steel products is mainly due to a steady growth of real estate market in Southern China.

Online Steel Trading Operation --- iSteelAsia.com

With the launching of iSteelAsia.com website in December 1999, iSteelAsia.com is committed to be the premier B2B vortal for the steel community in the Asia Pacific region. For the year ended 31st March 2000, the Group recorded commission income of approximately HK\$1,382,000 from the online steel trading operation during its first 3-month operation in the current year. Consistent with the Group's core Asian competence, the bulk of our activities are from Asia. In the area of postings, the majority of the postings are also by either Asian based sellers or Asian based purchasers. Nevertheless, as a reflection of the versatility of the internet, all other major geographical regions were represented which include East Europe, West Europe, North America, South America, and Middle East/East Asia. As far as completed transactions are announced, up until 31st March 2000 the majority of the completed transactions are represented by players in the Greater China region, with additional players from Europe and other Asian countries.

Since the listing of the Company on 20th April 2000, the online steel trading operation continues to grow rapidly. The Group's total number of membership has grown 27% to over 1960 and outstanding deal postings have grown 71% to over 190 from 20th April 2000 to 31st May 2000.

Outlook

The Group is very confident and optimistic about the future outlook of online steel trading market in the Asia Pacific region. All major consulting and research firms have unanimously forecasted that e-commerce is leading trend in global steel industry. According to their research reports, the impact of e-commerce on the steel industry will be phenomenal particularly in the Asia Pacific region, which accounts for up to 45% of the worldwide annual turnover of USD700 billion. As the first fully operational multi-language steel trading vortal in the Asia Pacific region, the Group has an unmatched "first mover" advantage to capture this lucrative market. Leveraging on our significant growth momentum, capital market presence, solid management team and extensive strategic partnerships, the Group is well positioned to achieve our vision to be the leading "one-stop" fully integrated steel trading network in the Asia Pacific region providing efficient services, cost savings and a cohesive community throughout the steel ecosystem.

The Group is also aware the importance of "path to profitability" of the online business. We are going through intense cost efficiency programme and extra push in developing multiple income sources so that we will become profitable as soon as possible.

Sponsor's Interests

As at 31st March 2000, neither BNP Prime Peregrine Capital Limited nor its directors or employees or associates, had any beneficial interests in the Company's share capital. Pursuant to an underwriting agreement ("the Underwriting Agreement") entered into among, inter alia, the Company, BNP Prime Peregrine Capital Limited and BNP Prime Peregrine Securities Limited, a fellow subsidiary of BNP Prime Peregrine Capital Limited on 14th April 2000 in connection with the listing of the Company's shares on the GEM of the Stock Exchange, an option ("the Option") was granted by the Company to BNP Prime Peregrine Securities Limited. The Option allows BNP Prime Peregrine Securities Limited or its nominees to subscribe for up to an aggregate of 2,500,000 shares of the Company in lieu of payment of all or part of the underwriting and management fee (but not the selling concessions) payable by the Company to BNP Prime Peregrine Securities Limited under the Underwriting Agreement. The Option was exercised in full by BNP Prime Peregrine Securities Limited on 18th April 2000, pursuant to which 2,500,000 new shares were issued, representing approximately 0.17% of the issued share capital of the Company as at the date of this announcement.

Pursuant to the agreement dated 14th April 2000 entered into between the Company and BNP Prime Peregrine Capital Limited, BNP Prime Peregrine Capital Limited will receive a fee for acting as the Company's retained sponsor for the period from 20th April 2000 to 30th April 2003.

Purchase, Sale or Redemption of the Company's Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares during the year ended 31st March 2000.

Closure of the Register of Members

The register of members of the Company will be closed for the period from Wednesday, 26th July 2000 to Friday, 28th July 2000 (both days inclusive) during which no transfer will be effected. All transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrar, Central Registration Hong Kong Limited, Rooms 1712--1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. (Hong Kong time) on Tuesday, 25th July 2000.

Year 2000 Issues

The Board of Directors is pleased to announce that all accounting and financial applications of the Group were fully year 2000 compliant and therefore the Year 2000 compliance issue did not create any material adverse impact on the business of all functional areas of the Group.

Audit Committee

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

Change in compliance officer and Company secretary

The Board of Directors announces the following position changes of the Company:

1. Mr. Andrew Cho Fai Yao resigned from the position of Compliance Officer with effect from 26th June 2000 and Ms. Drina C. Yue was appointed as the Compliance Officer with effect from 26th June 2000.
2. Mr. Johnson Sai Hou Ho resigned from the position of Company Secretary with effect from 26th June 2000 and Ms. Tse Sau Wai was appointed as the Company Secretary with effect from 26th June 2000.

On behalf of the Board of Directors,

DRINA C. YUE
Director

Hong Kong, 26th June 2000