

iSteelAsia.com

iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

FIRST QUARTER RESULTS FOR THE THREE MONTHS ENDED 30TH JUNE 2000

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This announcement, for which the directors of iSteelAsia.com Limited ("the Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM 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 Company was successfully listed on the GEM of the Stock Exchange on 20th April 2000 and became the first publicly listed steel trading vortal in the world and the first B2B e-commerce company listed on the GEM.
- The Group's turnover increased by 86% to approximately HK\$56,098,000 and gross profit reached approximately HK\$2,535,000. However, the Group recorded a net loss of approximately HK\$33,350,000. This is because approximately HK\$36,191,000 were incurred and expensed for the brand building, major enhancements to the website, platform development and operation of online steel trading business. This result and use of proceeds are in line with our expectation.
- Approximately HK\$8.3 million was used to build the brand "iSteelAsia.com" which now clearly distinguishes iSteelAsia.com from the crowded world of B2B steel and metal industries. Top technology experts iMerchants and Scient were engaged to tailor-make a unique trading platform scalable enough to provide horizontal growth in the future. McKinsey & Company was engaged in formulating the business strategy for iSteelAsia's path to success. These efforts can be seen in Gartner Group and Global Finance quoted the iSteelAsia website as having "the most potential of the Asian B2B" and "one of the better domain names" respectively.
- Since the launching of iSteelAsia.com in December 1999, the Group has recorded tremendous growth in membership, transaction postings, completed transaction volume and commission income. For the period from January to June 2000, approximately US\$82 million of steel products had been transacted through iSteelAsia.com. The management is pleased to report that since then substantial growth was recorded, and the aggregate transaction turnover now exceeds US\$100 million.
- The Group has forged strategic partnerships with over 10 major industry leaders ranging from banking, insurance, logistics, content and surveying providers to extend its revenue model from trading commission to fee-based income derived from value-added services.

Results

The Board of Directors of iSteelAsia.com Limited ("the Company" or "iSteelAsia") has the pleasure in presenting the unaudited consolidated results of the Company and its subsidiaries (together "the Group") for the three months ended 30th June 2000 together with the comparative unaudited figures for the corresponding period in 1999 as follows:

		For the three months ended 30th June	
		2000	1999
	Notes	HK\$'000	HK\$'000
Turnover	2	56,098	30,154
Cost of sales		(53,563)	(26,520)
Gross Profit		2,535	3,634
Distribution and selling expenses		(490)	(677)
Research and development expenses		(14,141)	---
Marketing and branding expenses		(8,250)	---
General and administrative expenses		(14,190)	(1,459)
(Loss) Profit from operations		(34,536)	1,498
Interest income		1,520	16
Interest expenses		(110)	---
(Loss) Profit before taxation		(33,126)	1,514
Taxation	3	(224)	(148)
(Loss) Profit attributable to shareholders		(33,350)	1,366
(Loss) Earnings per share-Basic	4	(2.35) cents	0.11 cents

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 reorganization 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 reorganization involved companies under common control, and the Company and its subsidiaries resulting from the reorganization are regarded as a continuing group. Accordingly, the reorganization has been accounted for on the basis of merger accounting.

Details of the group reorganization are described in the Company's prospectus dated 14th April 2000.

The unaudited combined income statements for the three months ended 30th June 1999 include the results comprised the results of operations of the Company and its subsidiaries as if the group structure resulting from the aforementioned reorganization executed on 13th April 2000 had been in existence throughout the three months ended 30th June 1999 or since the dates of incorporation of the respective group companies where these were of a shorter period.

2. Turnover

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

3. Taxation

Taxation consisted of:

Taxation comprised:	2000 HK\$'000	1999 HK\$'000
Current taxation--- Hong Kong profits tax	224	148

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 30th June 2000.

4. (Loss) Earnings per share

The calculation of basic loss per share for the three months ended 30th June 2000 was based on the unaudited consolidated loss attributable to shareholders of approximately HK\$33,350,000 and on the weighted average number of 1,419,983,516 shares in issue during the three months ended 30th June 2000, assuming the 1,280,000,000 shares issued pursuant to the group reorganization described in Note 1 had been outstanding throughout the three months ended 30th June 2000.

The calculation of basic earnings per share for the three months ended 30th June 1999 was based on the unaudited combined profit attributable to shareholders of approximately HK\$1,366,000 and on the 1,280,000,000 shares in issue for the three months ended 30th June 1999, assuming the 1,280,000,000 shares issued pursuant to the group reorganization described in Note 1 had been outstanding throughout the three months ended 30th June 1999.

Diluted (loss) earnings per share for the three months ended 30th June 2000 and the three months ended 30th June 1999 are not presented because there were no dilutive potential ordinary shares in existence during the periods.

5. Dividends

The Directors do not recommend payment of interim dividend for the three months ended 30th June 2000 (1999 --- Nil).

BUSINESS REVIEW

iSteelAsia.com is the first publicly listed steel trading vertical portal ("vortal") in the world and the first business-to-business ("B2B") e-commerce company listed on the GEM. The Group is engaged in the provision of steel trading and other value-added

services for participants in the steel ecosystem through online and traditional steel trading operations.

The Board of Directors is pleased to report the Group's first quarter results for the year 2000/2001. For the three months ended 30th June 2000, the Group recorded a turnover of approximately HK\$56,098,000, representing 86% and 8% increase as compared to the same period in 1999/2000 and the fourth quarter of financial year 1999/2000 respectively, and gross profit reached approximately HK\$2,535,000. The turnover from online steel trading operation comprised the commission income derived from completed trading transactions through iSteelAsia.com and such commission income for the period ended 30th June 2000 was approximately HK\$1,469,000. The turnover attributable to traditional steel trading operation was approximately HK\$54,629,000, representing 81% and 8% increase as compared to the same period in 1999/2000 and the fourth quarter of financial year 1999/2000 respectively. However, the Group recorded a net loss of approximately HK\$33,350,000 since capital of approximately HK\$36,191,000 were incurred for the brand building, major enhancements to the website, platform development and operation of online steel trading business. The Board viewed such spending as "investments" rather than "money burnt" as these investments were specifically for the brand building and development of the iSteelAsia.com trading platform. In line with our business objectives as laid out in the Company's prospectus dated 14th April 2000, we have made such substantial investments in our initial phase to pave the way for future long-term sustainable profitability. As such, the management has adopted a very prudent accounting policy to reflect a more conservative financial position of the Group. On platform development side, approximately 62% of total expenses for online steel trading business were used to engage top eCommerce enablers such as iMerchants Limited ("iMerchants") and Scient to tailor-make a unique trading platform that is scalable to provide for horizontal growth in the future, as well as to build brand in B2B marketplace. Through our marketing and promotional activities, the brand "iSteelAsia.com" is able to stand out from the crowded world of B2B steel and metal industries and is highly reckoned as one of the prime leading B2B websites in the steel industry. Our brand ensures a smooth, productive and mutual beneficial online transaction to producers and users in the steel industry. The strong brand "iSteelAsia.com" signifies product, relationship and emotional benefits to our website users, and is translated into a distinctive customer experience that is consistent in quality. In addition, a strong brand can also attract top business partners for us to implement our business strategy with. The business strategy was formulated with the assistance of McKinsey & Company, one of the top business consultants in the world, who can provide the best analysis and build the required business relationship to pave the way to succeed. To that extent, all these investments will level off as we mature.

With the "first mover" advantage, we have captured tremendous attention in the steel and Internet world. Here are some of the quotes on iSteelAsia.com:

"B2B portal iSteelAsia.com probably has the most potential of the Asian B2B plays that have come to market so far. After just a few months up and running, it already has a head start on its competition in setting up operations and signing up steel producers." James Brandman wrote in the June 2000 issue of Global Finance.

"If I was going to put my money somewhere, it would be in the areas of business-to-business trading portals and what we call 'market breakers', which are new online ventures specifically aimed at destroying other industries' profit margins --- something along the lines iSteelAsia.com, which must be one of the better domain names." said Joseph Sweeney, Asia-Pacific research director for the Gartner Group, a global market-research firm in May 2000.

Also, according to recent steel E-Commerce reports published by leading research houses, iSteelAsia.com is consistently recognised among the leading global metal exchanges. iSteelAsia.com has also scored full marks in some of the critical viability criteria, such as domain expertise, management team strength, and product breadth in certain research report.

The Company has a clear vision of path to profitability. We definitely see our "investments" will level off while commission income increases. We will add fee-based income derived from value-added services in the near future.

The Company has been successfully listed on the GEM of the Stock Exchange since 20th April 2000. Net proceeds of approximately HK\$82.0 million were 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 ("the Placing") and an option of 2,500,000 shares exercised by the underwriter. This is in addition to the HK\$57.6 million raised from an earlier pre-placing fund raising exercise. The Board of Directors believes that the net proceeds of the Placing will strengthen the Group's capital base and will provide funding for the Group to achieve its business objectives.

Online steel trading operation

Since the official launch of iSteelAsia.com in December 1999, we tracked our business by membership, transaction postings, completed transaction volume and commission income, which have attained tremendous growth. For the period from January to June 2000, approximately US\$82 million of steel products had been transacted through iSteelAsia.com. The management is pleased to report that since then substantial growth was recorded, and the aggregate transaction turnover now exceeds US\$100

million. Since the listing of the Company on 20th April 2000 and comparing to the first 3 months operation starting in January 2000, membership has grown 47% and transaction postings have grown 125%. In terms of dollar amount, completed transaction volume has grown to approximately US\$49 million and commission income has grown to approximately HK \$1,469,000 up to 30th June 2000. As a testimony to the Company's ongoing effort to cultivate a more sticky Founding Member community, a majority of the commission income earned during the period are from these potential Founding Member candidates. For the period ended 30th June 2000, no commission income was earned from Van Shung Chong Holdings Limited or its subsidiaries (collectively referred as "the VSC Group").

To maintain the Group's leading position as a dominant steel portal, iSteelAsia.com envisions ourselves being more than just a steel exchange. We provide services throughout the steel trading value chain. As such, we enhance our role as an intermediary in the steel supply chain by providing via seamless link to value-added services such as customs clearance, regulatory compliance, surveying, financial, freight, logistics and various insurance services to assist our members to settle trades. Our value-added services partners include Korean Metal Journal, BNP PARIBAS, Dao Heng Bank and COSCO (Hong Kong) Shipping Co., Limited. The Group's fulfillment mission is to provide our members satisfactory financial, delivery, inspection and insurance arrangements. The establishment of commercial trust that exists between the parties involved remains to be our key objectives.

The Group is expanding its steel trading operations to other international markets. 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, the United States of America and Japan. These countries have been identified as key markets in the steel industry. Apart from increasing our global presence, the Group has identified target markets to pursue the business objectives of building domestic websites in China, Korea and India and is currently evaluating various business models for these ventures.

The Group's aim is to be the dominant online steel trading exchange in the Asia Pacific region, providing efficiency and cost savings throughout the entire steel ecosystem to its members.

Traditional steel trading operation

With the increasing demand of computers, household appliances and electrical appliances in China, the Group's traditional steel trading business is continuing to grow rapidly. The turnover from traditional steel trading operation has increased by 81% to approximately HK\$54,629,000. The Group's traditional steel trading operation was originated in 1994 by the VSC Group. All of the Group's products are sourced via the VSC Group from steel mills globally like Korea, Japan, Taiwan, Thailand, as well as China. The Group is able to benefit from the VSC Group's high volume purchasing power and from only paying the VSC Group at cost (including, without limitation, transportation and warehousing costs incurred in respect of such supply). This arrangement is mutually beneficial as it also enables the VSC Group to achieve lower prices for its own purchases. This arrangement was documented by the Steel Supply Agreement as stipulated in the Company's prospectus dated 14th April 2000. The Group's traditional steel trading operation also assists customers with the logistics of packing, loading, unloading, trucking and the shipping of goods to end-users in China as it has now acquired several years of logistics experience. Another value-added service is assisting customers to complete their custom declarations. The Group's regular customers include factories, project based companies and stockists in Southern China and Macau.

The Group has developed three key strategic objectives to enhance its traditional steel trading operations. First, it will emphasize sales of higher margin products for use by end-users in Southern China. Secondly, it is increasing sales of lower margin product to traders and stockists who are able to offer better payment terms and lower credit risk. Thirdly, it is assessing the potential of entering into strategic partnerships with one or more PRC distributors to expand its potential customer base in Southern China. The Group believes that its traditional steel trading operation provides an alternative solution to customers who are not yet ready to migrate to online steel trading platform.

PROSPECT

The Group is confident and optimistic about the future outlook of online steel trading market in Asia. The Group believes that it is more than a "dot com" concept, instead it is also a "click and mortar" organization facilitating the transition of moving steel trading from offline to online. The Group is creating value to all participants in the steel ecosystem. To maintain long-term sustainable profit margin, the Group must be able to position itself to be a solution provider addressing enterprise problems in the steel trading industry. The Group also intends to extend its revenue model from trading commission to fee-based income derived from value-added services. Our dedicated strategic alliance team has been actively developing strategic partnerships to fully integrate suppliers such as financial institutions, insurance providers, freight and logistic providers, and inspection agents, all with a view to providing a more cost effective supply chain online to iSteelAsia.com members. While committing investment for building our future, the Group is also very conscious about profitability and is implementing stringent cost control and productivity measures to mitigate the adverse impact of substantial set up and promotion costs incurred in the initial start-up phase.

Under the current market condition, the Group is fully aware that the current Internet industry consolidation will provide ample opportunities to address the Group's long-term business strategy. The Group will use its publicly listed shares as currency to further our business goal. The Group views this as a positive environment, and the management believes those opportunities can be evaluated in parallel with the development of the core competence of the Group. The Group will undoubtedly take a lead to become a dominant player in the steel vortal.

DIRECTORS' INTEREST IN SHARES

As at 30th June 2000, the Directors of the Company had the following interests in the shares of the Company within the meaning of the Securities (Disclosure of Interests) Ordinance ("the SDI Ordinance") as recorded in the Register of Directors' Interests required to be kept by the Company pursuant to Section 29 of the SDI Ordinance:

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

Name	Type of Interest	Attributable	Number of Shares	Total number of Shares
Mr. Andrew Cho-Fai Yao	--- Corporate interest held by TN (Note 1)	deemed interest (indirectly)	245,760,000	
	--- Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344	
	--- Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	278,000,000	
	--- Corporate interest held by Right Action (Note 4)	100% (directly)	102,400,000	785,971,344
Ms. Miriam Che-Li Yao	--- Corporate interest held by TN (Note 1)	deemed interest (indirectly)	245,760,000	
	--- Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344	
	--- Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	278,000,000	683,571,344
Mr. Moses Kwok-Tai Tsang	--- Corporate interest held by Oboe (Note 5)	through MKT (indirectly)	51,200,000	51,200,000
Mr. Philip King-Huen Ma	--- Corporate interest held by S & S (Note 6)		159,344	159,344

Notes:

- As at 30th June 2000, TN Development Limited ("TN") owns 245,760,000 Shares. Van Shung Chong (B.V.I.) Limited ("VSC BVI") owns 54% of the issued share capital of TN and Andrew Cho-Fai Yao owns 10% of the issued share capital of TN. The board of directors of TN comprises Andrew Cho-Fai Yao and Miriam Che-Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.

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

- As at 30th June 2000, Huge Top Industrial Ltd. ("Huge Top") owns 159,811,344 Shares. Andrew Cho-Fai Yao directly and indirectly owns more than one-third of the issued share capital of Huge Top. The board of directors of Huge Top comprises Andrew Cho-Fai Yao and Miriam Che-Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.
- As at 30th June 2000, VSC BVI owns 278,000,000 Shares and Huge Top owns approximately 57.59% of the issued share capital of Van Shung Chong Holdings Limited ("VSC"). Andrew Cho-Fai Yao is a director of VSC. VSC BVI is a wholly-owned subsidiary of VSC. The board of directors of VSC BVI comprises Andrew Cho-Fai Yao and Miriam Che-Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.
- As at 30th June 2000, Right Action Offshore Inc. ("Right Action") owns 102,400,000 Shares. Andrew Cho-Fai Yao owns the entire issued share capital of Right Action and is also the sole director of that company. These interests were corporate interests in the Company.

- 5 As at 30th June 2000, Oboe Development Trading Limited ("Oboe") owns 51,200,000 Shares. MKT Holdings (Cayman Islands) LLC ("MKT") owns the entire issued share capital of Oboe, of which Moses Kwok-Tai Tsang is the sole director. Moses Kwok-Tai Tsang owns the entire issued share capital of MKT, of which he and his wife are the directors. These interests were corporate interests in the Company.
- 6 As at 30th June 2000, S & S Management Co. Ltd. ("S & S") owns 159,344 Shares. Philip King-Huen Ma is deemed to have corporate interests in these 159,344 Shares.

(b) Employee options to purchase Shares from TN:

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

Note:

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

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option scheme approved by the shareholders on 13th April 2000, the Board of Directors of the Company may, at their discretion, invite any employee of the Company or any of the group companies, including any executive directors, to take up options to subscribe for Shares in the Company. The maximum number of Shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's Shares on 20th April 2000. No options have been granted to the Directors up to 30th June 2000.

Save as disclosed above, and other than in connection with the group reorganization scheme prior to the Company's listing of Shares, at no time during the period was the Company or any of the companies comprising the Group a party to any arrangement to enable the Company's directors or their associates to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 2000, according to the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, those shareholders (other than those interests of directors disclosed above) having an interest of 10% or more of the issued share capital of the Company are as follows:

Name		Number of Shares	Total number of Shares	Notes
VSC BVI	--- directly	278,000,000		
	--- indirect deemed interest through TN	245,760,000	523,760,000	1
VSC	--- indirectly through VSC BVI	278,000,000		

	--- indirect deemed interest through TN	245,760,000	523,760,000	1 & 2
Huge Top	--- directly	159,811,344		
	--- indirectly through VSC BVI	278,000,000		
	--- indirect deemed interest through TN	245,760,000	683,571,344	1,2 & 3
TN	-- directly	245,760,000	245,760,000	4
Mr. Leroy Lin-Yuen Kung	--- indirectly through Grand Bridge	204,800,000	204,800,000	5
Galaface Limited	--- indirectly through Grand Bridge	204,800,000	204,800,000	5
Asian Gold Associates Limited	--- indirectly through Grand Bridge	204,800,000	204,800,000	5
iMerchants Group Limited	--- indirectly through Grand Bridge	204,800,000	204,800,000	5
Grand Bridge Enterprises Limited		204,800,000	204,800,000	5

Notes:

- 1 VSC BVI owns 54% of the share capital of TN and is deemed to be interested in the 245,760,000 Shares held by TN. VSC BVI directly owns 278,000,000 Shares. VSC BVI is therefore interested in an aggregate of 523,760,000 Shares.
- 2 VSC owns the entire issued share capital of VSC BVI. VSC is therefore deemed to be interested in an aggregate of 523,760,000 Shares.
- 3 Huge Top is beneficially interested in approximately 57.59% of the issued share capital of VSC as at 30th June 2000 and is therefore deemed to be interested in the 245,760,000 Shares held by TN and the 278,000,000 Shares held by VSC BVI. Huge Top also directly owns 159,811,344 Shares. Huge Top is therefore interested in an aggregate of 683,571,344 Shares.
- 4 All Shares held by TN are, or are intended to be, the subject of options exercisable, in certain circumstances, by designated employees and founding members pursuant to the share option agreements and the revenue option agreements, respectively as disclosed in the Company's prospectus dated 14th April 2000. The sole purpose of TN is to provide an avenue to motivate the Company's employees and founding members while at the same time not incurring any dilution effect to the public investors of the Company.
- 5 Grand Bridge Enterprises Limited ("Grand Bridge") directly owns 204,800,000 Shares. Grand Bridge is a wholly-owned subsidiary of iMerchants Group Limited which is a wholly-owned subsidiary of Asian Gold Associates Limited ("AGA"). AGA is a company in which Galaface Limited is entitled to exercise more than one third of its voting power. Galaface Limited is a company owned and controlled by Mr. Leroy Lin-Yuen Kung.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited (formerly known as BNP Prime Peregrine Capital Limited) ("the Sponsor"), as at 30th June 2000, an associated company of the Sponsor held 2,500,000 shares in the Company.

Saved as disclosed herein, neither the Sponsor nor its directors or employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to the agreement entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 20th April 2000 to 30th April 2003.

COMPETING INTERESTS

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

PURCHASE, 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 three months ended 30th June 2000.

YEAR 2000 COMPLIANCE

The Board of Directors is pleased to announce that all accounting and financial application 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 reports and quarterly reviews 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.

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

Hong Kong, 10th August 2000