

iSteelAsia.com

iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST MARCH, 2001**

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

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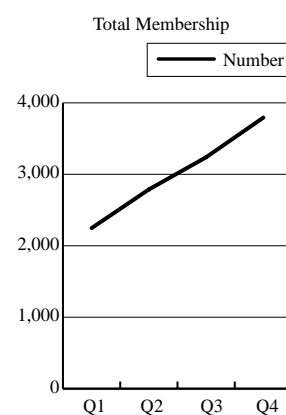
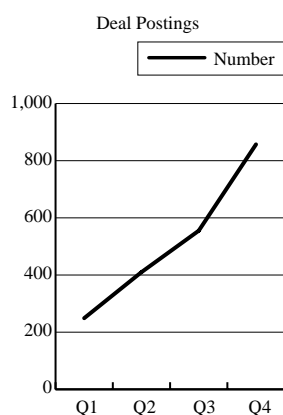
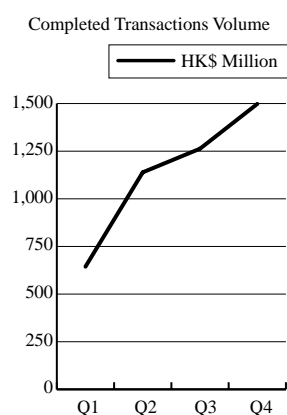
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This announcement, for which the directors of iSteelAsia.com Limited (“the Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth 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 attained a very encouraging growth on the online steel trading operations in its first full year of operation. In terms of completed transactions volume concluded through iSteelAsia.com since the launching in December 1999, the growth was almost 133% to approximately HK\$1,498 million by comparing completed transactions volume in fourth quarter against first quarter of this financial year. Since the launching in 1999, deal postings have increased 244% to over 800 by comparing deal postings in fourth quarter against first quarter of this financial year. Total membership has attained 69% increase while active dealing members have grown by over 5 folds reflecting a progressive adoption rate endorsing the iSteelAsia brand and membership drive effort by comparing number of members in fourth quarter against first quarter of this financial year.

	Completed transactions volume (HK\$ million)	Deal postings (number)	Total membership (number)
Q4	1,498	857	3,794
Q3	1,263	555	3,239
Q2	1,139	410	2,788
Q1	644	249	2,247

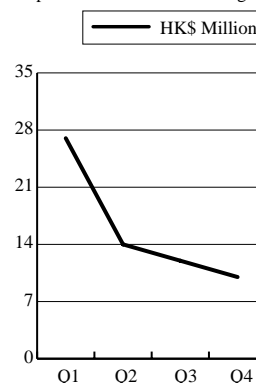


- Turnover increased to approximately HK\$183 million amid the worsening of market conditions. The Group's net loss before write-off, depreciation, amortisation and provisions for non-recurring items continues to improve by stringent cost controls implemented throughout the year.

**Net loss before write-off,
depreciation, amortisation and
provisions for non-recurring items**
(HK\$ million)

Q4	10
Q3	12
Q2	14
Q1	27

Net loss before write-off, depreciation, amortisation
and provisions for non-recurring items



- The above graph indicated that the net loss before write-off, depreciation, amortisation and provisions for non-recurring items is continuously improving on a quarterly basis following a reallocation of resources to the PRC. It is our belief that such operational improvement through more efficient deployment of the Company's resources will show significant progress in the near future. We have also taken a prudent approach in accounting treatment to write off website development cost of approximately HK\$32 million. This approach will yield us with a simpler balance sheet and in a better position to reflect the actual performance of our operation. Moreover, among the loss attributable to shareholders of approximately HK\$112 million, a majority of it (approximately HK\$56 million) is of a non-recurring nature.
- Looking ahead, iSteelAsia will continue to strengthen its position in the Asian steel market by seeking more aggressive expansion in China and by broadening the scope of services it offers customers.

RESULTS

The Board of Directors of iSteelAsia.com Limited (the “Company”) has the pleasure in presenting the audited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the year ended 31st March, 2001, together with the comparative audited figures for the corresponding year in 2000, as follows:

		For the year ended 31st March,	
		2001	2000
	<i>Note</i>	HK\$'000	HK\$'000
Turnover			
— Sales		169,737	177,503
— Commission and service fees		13,592	2,571
	2	183,329	180,074
Cost of inventories sold		(164,093)	(158,474)
Staff costs		(34,308)	(8,206)
Research and development expenses		(24,849)	(2,320)
Marketing and branding expenses		(13,836)	(5,340)
Amortisation of website development costs		(3,160)	(330)
Written off and impairment loss of website development costs		(32,015)	—
Depreciation of furniture and equipment		(551)	(16)
Other operating expenses		(23,379)	(11,122)
Loss from operations		(112,862)	(5,734)
Interest income		4,309	91
Interest expense		(1,090)	—
Share issuance expenses written off		(2,391)	—
Loss before taxation		(112,034)	(5,643)
Taxation	3	(20)	(1,169)
Loss attributable to shareholders		(112,054)	(6,812)
Loss per share — Basic	4	(7.75) cents	(0.53) 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 (as amended). 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 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. Details of the group reorganisation are described in the Company's prospectus dated 14th April, 2000.

The audited consolidated income statements for the year ended 31st March, 2001 include 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 year ended 31st March, 2001 or since the dates of incorporation of the respective group companies where these were of a shorter period. The 2000 comparative figures for the year ended 31st March, 2000 have been presented on the same basis.

2. Turnover

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

Analysis of the Group's turnover is set out below:

Product category

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Sale of merchandise	169,737	177,503
Commission from procurement services	4,305	1,189
Commission from online steel trading services and service fees	9,287	1,382
Total	<u>183,329</u>	<u>180,074</u>

Geographical location*

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Mainland China	169,174	162,285
Macau	5,114	16,508
Hong Kong, Taiwan, Singapore and the Philippines	5,719	360
Others	3,322	921
Total	<u>183,329</u>	<u>180,074</u>

* Turnover by geographical location is determined mainly on the basis of the destination of shipments of merchandise for sales of merchandise, location of sellers for commission income and location of customers for service fees.

3. Taxation

Taxation consisted of:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current taxation		
— Hong Kong profits tax	—	1,169
— Mainland China enterprise income tax	<u>20</u>	<u>—</u>
	<u><u>20</u></u>	<u><u>1,169</u></u>

The Company is exempted from taxation in Bermuda until 2016. No provision for Hong Kong profits tax has been provided as the Group had no assessable profit during the year (2000 - Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong). A subsidiary operated in Mainland China is subject to Mainland China enterprise income tax at the rate of 33% (2000 - Nil).

4. Loss per share

The calculation of basic loss per share for the year ended 31st March, 2001 is based on the loss attributable to shareholders of approximately HK\$112,054,000 (2000 - HK\$6,812,000) and the weighted average of approximately 1,445,434,000 (2000 - 1,280,000,000) ordinary shares deemed to be issued during the year, on the basis of presentation relating to the reorganisation as described in Note 1.

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

5. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31st March, 2001.

6. Movements of Reserves

	Share premium	Capital reserve	Contributed surplus	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
At 1st April, 2000	—	—	—	—
Capitalisation of shareholder loan by a subsidiary	—	2,299	—	2,299
Issue of shares by a subsidiary	—	3,900	—	3,900
Effect of the reorganisation as described in Note 1	—	(229)	—	(229)
Premium on issue of shares through placements	148,400	—	—	148,400
Premium on issue of shares to the Company's underwriter	2,450	—	—	2,450
Share issuance expenses	(23,080)	(3,270)	—	(26,350)
Capitalisation of share premium	(127,770)	—	—	(127,770)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31st March, 2001	<u><u>—</u></u>	<u><u>2,700</u></u>	<u><u>—</u></u>	<u><u>2,700</u></u>

CHAIRMAN'S STATEMENT

On behalf of the Board of Directors, I am pleased to present the audited consolidated results of iSteelAsia.com Limited (the "Company" or "iSteelAsia") and its subsidiaries (collectively the "Group") for the year ended 31st March, 2001.

Business Performance

Launched in December 1999 and listed in April 2000, iSteelAsia has quickly developed into one of the major players in both the Asian steel industry and the global steel market. Recognised by various leading institutions for its vanguard role in the industry, the senior management has been invited to share their experiences through international conferences and forums, thus further building the Company's global reputation.

In the year under review, the Company achieved encouraging results in its online steel trading operations. The continued growth rate in transactions volume, deal postings, membership, and commission revenue combine to reinforce the Company's value proposition and business strategy.

Completed transactions volume from online steel trading operations for the year ended 31st March, 2001 reached HK\$1,240 million while commission revenue totaled HK\$9.3 million. Loss attributable to shareholders was approximately HK\$112 million, which largely represented investments associated with building a leading-edge trading platform, a well-known brand in the industry, and expenses related to ensuring the expansion of our business. Despite this level of investment, our costs are inline with expectations. In addition, we have adopted a very prudent approach in accounting treatment to write off website development costs of approximately HK\$32 million. Among the above mentioned start-up related expenses, approximately HK\$56 million is for items of a non-recurring nature.

Through effective cost control policy, our expenses have decreased continuously throughout the year. In the future, we will continue to exercise prudent and stringent financial policy, minimising expenses while maintaining and upgrading our quality service, thus optimising shareholders' value.

Toward our goal of optimising shareholders' value, we made a strategic equity investment of approximately 3.5% in Stencor Holdings Limited in December 2000. This investment integrates a solid old-economy business with our new-economy model.

We were also honored to have received worldwide recognition by leading institutions for our vertical portal on a number of occasions. Harvard Business School, for instance, selected the Company as a case study for e-commerce. iSteelAsia was also appended in studies by The University of Hong Kong and City University of Hong Kong for raising the efficiency of the Asian steel industry, while facilitating smooth flow of the product and information by providing value added services. Global Finance also named iSteelAsia as the Asian B2B portal with the highest potential in its June 2000 issue. By demonstrating its effectiveness in the field, the Company will continue its efforts towards product enrichment and service upgrade while reaffirming its role as market leader.

Industry Overview

During the year under review, the global steel industry experienced one of the most tumultuous periods in a decade, with prices slumping by approximately 30% on average. In addition, the burden of a worldwide economic slowdown caused the global market to experience a massive supply/demand mismatch. However, iSteelAsia was able to maintain steady growth despite such unfavorable market conditions. In the last quarter of this financial year, signs of improvements for selected products and a few geographical regions were detected. Overall, it is our view that the steel industry will continue to be volatile with streamlining and cost savings as a major initiative.

On the other hand, year 2000 brought greater inroads for e-commerce, achieving a more favorable reception in the steel industry. Increasing amounts of online trade were concluded through the Company's vertical portal, as well as other steel trading portals focused in the US and Europe, thus affirming that e-commerce truly was attracting a wider audience of traders. While this transformation period continues, e-commerce still represents only a very small fraction of the total market, hence huge opportunities for growth remain.

In addition to the rise of the new economy, the industry was also undergoing a fundamental change in structure. A number of mergers, acquisitions and strategic alliances took place during the past year, indicating that the industry is continuing to consolidate and focus on value propositions for customers.

Future Prospects

Looking ahead, iSteelAsia will continue to strengthen its position in the Asian steel market by seeking more aggressive expansion in China and by broadening the scope of services it offers customers. It is the management's objective that it will efficiently utilise and expand the Company's core competence as a PRC steel trader/distributor and pioneer as an e-commerce operator to achieve a harmonious marriage of the "new" and "old" economy. The Company is working very closely with a few steel manufacturers in China to use iSteelAsia as a strategic trading partner.

Keeping in line with the "Global Vision Asian Focus" strategy, the Company will further expand on its operations in the People's Republic of China ("PRC"). Having already established representative offices in Beijing, Shanghai and Guangzhou, the Company is well prepared to capitalise on China's forthcoming accession into the World Trade Organisation and is actively researching longer-term business opportunities that may be created in this critical market.

As the largest steel producing and consumption country in the world, the PRC is expected to standardise legal terms, lower import tariffs, and open the domestic market to foreign competition. Overall, demand for steel in the PRC is expected to grow substantially as the result of rapid growth and development in the telecommunications, construction, transportation and energy sectors. With the Company's branded identity and strong presence in China, iSteelAsia maintains an optimistic outlook towards this emerging and huge potential market.

To prepare for this change in business environment, we will continue to expand in China. In fact, our employee count on the Mainland has doubled over the past six months and we anticipate further growth in the near future. Finally, we have had ongoing negotiations with partners in the PRC to further expand our relationships, influence, and presence in the country.

Looking beyond China's relation with the World Trade Organisation and focusing on the information era, speed and accuracy remains key for survival, as well as success. Hence, it is the desire of iSteelAsia to ensure that customers and members alike are always kept abreast with the latest developments in the steel industry. To achieve this goal, iSteelAsia will continue to place significant efforts in enhancing the trading platform and offer premium services provided by its dedicated team of professionals.

Business and industry experts alike are still convinced that e-commerce will be the trend of the future, as efficiencies created by electronic transactions will greatly enhance operations. The increase in Internet penetration rates, especially in the Asia-Pacific region and in the PRC, are further signs that acceptance is growing. In holding the same conclusion as industry experts, iSteelAsia firmly believes that e-commerce will grow continuously and become a major trading facilitator.

The Board believes that consolidation will envelop the industry. To stay ahead in this competitive market, the Company will continue its effort to bridge new alliances and expand its market presence utilizing the Group's existing distribution network. Moreover, the Company will also continue to pursue stringent cost control measures and maximise the efficient use of all its resources, thus achieving promising returns for shareholders.

Appreciation

On behalf of the Board, I would like to express my sincere gratitude to our worldwide customers for their trust and support in our products and services throughout this very volatile year. 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 place our efforts towards the long-term development of the Company, and to spearhead the steel industry towards a new era of e-trade.

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 year ended 31st March, 2001.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 2nd August, 2001, to Monday, 6th August, 2001, both days inclusive, during which period no transfer of shares will be effected. All transfer document accompanied by the relevant share certificates must be lodged with the Company's Registrar, Central Registration Hong Kong Limited, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 1st August, 2001.

On behalf of the Board of Directors

DRINA C. YUE

Director

Hong Kong, 1st June, 2001

This announcement will remain on the GEM website at www.hkgem.com on the "Latest Company Announcements" page for 7 days from the date of its posting.