

*iSteelAsia.com*  
**iSteelAsia.com Limited**

*(Incorporated in Bermuda with limited liability)*

**RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31ST MARCH 2003**

**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](http://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.*

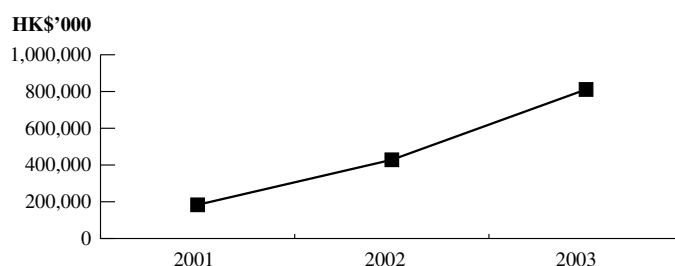
*This announcement, for which the directors of iSteelAsia.com Limited (the “Directors”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to iSteelAsia.com Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this 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

### Turnover

Turnover for the year ended 31st March 2003 was approximately HK\$811 million, representing an 89.4% increase over the previous year ended 31st March 2002.

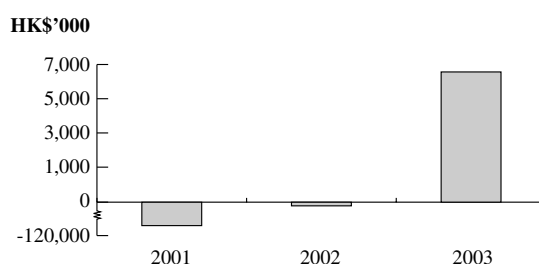
#### Consecutive Growth in Annual Turnover



### Profit attributable to shareholders

The management of iSteelAsia is pleased to announce its first profitable year since listing on GEM of the Stock Exchange in April 2000. The iSteelAsia Group recorded a profit attributable to shareholders of approximately HK\$6.6 million for the year ended 31st March 2003. The result was a remarkable improvement as compared to the net loss of approximately HK\$17.3 million for the previous year ended 31st March 2002.

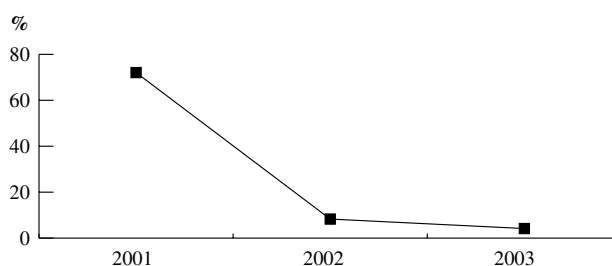
#### Profit Attributable to Shareholders



### Operating cost

The iSteelAsia Group's Operating Cost has improved slightly to approximately HK\$33.7 million for the year ended 31st March 2003 amid the continuous expansion of its sales distribution network for steel in the PRC as well as an increase of headcount from 52 to 83.

#### Operating Cost to Annual Turnover



### Proposed Change of Name of the Company

In order to better reflect the current business and operations of the Group, the management proposes to rename the Company from “iSteelAsia.com Limited” and the Chinese name of “亞洲鋼鐵電子交易所有限公司” to “iSteelAsia Holdings Limited” and to adopt a Chinese name of “亞鋼集團有限公司”.

## RESULTS

The Board of Directors of iSteelAsia.com Limited (the “Company” or “iSteelAsia”) has the pleasure of presenting the audited consolidated results of the Company and its subsidiaries (together the “Group” or “iSteelAsia Group”) for the year ended 31st March 2003, together with the comparative audited figures for the corresponding year in 2002, as follows:

		For the year ended	
		31st March	
		2003	2002
	Note	HK\$'000	HK\$'000
Turnover	3	811,142	428,345
Cost of sales		<u>(764,035)</u>	<u>(409,665)</u>
Gross profit		47,107	18,680
Other revenue		1,370	2,173
Selling and distribution expenses		(6,132)	(2,901)
General and administrative expenses		(26,794)	(30,875)
Impairment loss of a short-term/long-term investment		<u>(803)</u>	<u>(1,722)</u>
Operating profit/(loss)		14,748	(14,645)
Finance costs		<u>(6,284)</u>	<u>(4,166)</u>
Profit/(Loss) before taxation		8,464	(18,811)
Taxation	4	<u>(1,840)</u>	<u>1,472</u>
Profit/(Loss) after taxation but before minority interests		6,624	(17,339)
Minority interests		<u>(34)</u>	<u>(1)</u>
Profit/(Loss) attributable to shareholders		<u>6,590</u>	<u>(17,340)</u>
Earnings/(Loss) per share — Basic	5	<u>0.42 cents</u>	<u>(1.14) cents</u>

Notes:

### 1. Organisation and principal activities

iSteelAsia.com Limited 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 GEM of the Stock Exchange since 20th April 2000.

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 and ancillary services, and investment holding.

## 2. Principal accounting policies

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 Society of Accountants (“HKSA”). The principal accounting policies adopted in the preparation of these accounts are set out below:

### a. Basis of measurement

The accounts are prepared on the historical cost basis, except for investments which are carried at fair value.

### b. Adoption of new/revised Statements of Standard Accounting Practice

Commencing from 1st April 2002, the Group has adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA:

SSAP 1 (revised)	:	Presentation of financial statements
SSAP 11 (revised)	:	Foreign currency translation
SSAP 15 (revised)	:	Cash flow statements
SSAP 34	:	Employee benefits

Except for certain presentation changes which have been made upon the adoption of SSAP 1 (revised) and SSAP 15 (revised), the adoption of the above new/revised SSAPs has no material effect on the accounts.

The 2002 comparative figures presented herein have incorporated the effect on the adoption of the new/revised SSAPs.

### c. 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 consolidated from or to their effective dates of acquisition or disposal. Any significant intercompany transactions and balances within the Group are eliminated on consolidation.

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

## 3. Turnover and segment information

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

**a. Primary Segment**

The iSteelAsia 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 merchandise. The procurement services business segment derives commission income from procurement and online steel trading services and software sub-licensing fees. The investment holding business segment derives revenue from dividend income. Analysis by business segment is as follows:

	<b>2003</b>			<b>Total HK\$'000</b>
	<b>Steel trading HK\$'000</b>	<b>Procurement services HK\$'000</b>	<b>Investment holding HK\$'000</b>	
<b>Turnover</b>				
Sales to external customers	<u>799,970</u>	<u>11,172</u>	<u>—</u>	<u>811,142</u>
<b>Segment result</b>	<u>9,343</u>	<u>6,157</u>	<u>(325)</u>	<u>15,175</u>
Other revenue	1,048	—	322	1,370
Impairment loss of a short-term investment	—	—	(803)	(803)
Unallocated corporate expenses				(994)
Operating profit				14,748
Finance costs				(6,284)
Taxation				(1,840)
Minority interests				(34)
Profit attributable to shareholders				<u>6,590</u>
<b>Other information</b>				
<b>Assets</b>				
Segment assets	308,659	2,350	24,271	335,280
Unallocated assets				3,438
				<u>338,718</u>
<b>Liabilities</b>				
Segment liabilities	319,083	—	—	319,083
Unallocated liabilities				4,950
Minority interests				1,334
				<u>325,367</u>
<b>Capital expenditures</b>				
Segment capital expenditures	1,881	187	—	2,068
<b>Depreciation and amortisation</b>				
Segment depreciation and amortisation	600	1,611	—	2,211
<b>Significant non-cash expenditures</b>				
Segment non-cash expenditures (other than depreciation and amortisation)	4,411	193	803	5,407

	2002			
	Steel trading <i>HK\$'000</i>	Procurement services and others <i>HK\$'000</i>	Investment holding <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>Turnover</b>				
Sales to external customers	422,116	6,229	—	428,345
<b>Segment result</b>				
	(3,563)	(10,454)	(98)	(14,115)
Other revenue	2,103	—	70	2,173
Impairment loss of a long-term investment	—	—	(1,722)	(1,722)
Unallocated corporate expenses				(981)
Operating loss				(14,645)
Finance costs				(4,166)
Taxation				1,472
Minority interests				(1)
Loss attributable to shareholders				(17,340)
<b>Other information</b>				
Assets				
Segment assets	192,769	5,557	28,201	226,527
Unallocated assets				499
				227,026
Liabilities				
Segment liabilities	207,808	2,320	—	210,128
Unallocated liabilities				5,532
Minority interests				1,300
				216,960
Capital expenditures				
Segment capital expenditures	88	31	23,501	23,620
Depreciation and amortisation				
Segment depreciation and amortisation	414	1,589	—	2,003
Significant non-cash expenditures				
Segment non-cash expenditures (other than depreciation and amortisation)	—	1,283	1,722	3,005

**b. Secondary segment**

The iSteelAsia 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 merchandise for steel trading, location of services performed for procurement services and software sub-licensing fee, location of sellers for online commission income, and location of short-term/long-term investments for dividend income. Analysis by geographical segment is as follows:

	<b>2003</b>			<b>Total HK\$'000</b>
	<b>Hong Kong HK\$'000</b>	<b>Mainland China HK\$'000</b>	<b>Others HK\$'000</b>	
Turnover	<u>75,218</u>	<u>735,924</u>	<u>—</u>	<u>811,142</u>
Segment result	<u>(840)</u>	<u>21,860</u>	<u>(5,278)</u>	<u>15,742</u>
Unallocated corporate expenses				<u>(994)</u>
Operating profit				<u>14,748</u>
Assets	<u>41,464</u>	<u>272,768</u>	<u>24,486</u>	<u>338,718</u>
Capital expenditures	<u>259</u>	<u>1,770</u>	<u>39</u>	<u>2,068</u>
	<b>2002</b>			<b>Total HK\$'000</b>
	<b>Hong Kong HK\$'000</b>	<b>Mainland China HK\$'000</b>	<b>Others HK\$'000</b>	
Turnover	<u>139,892</u>	<u>284,762</u>	<u>3,691</u>	<u>428,345</u>
Segment result	<u>(11,563)</u>	<u>4,950</u>	<u>(7,051)</u>	<u>(13,664)</u>
Unallocated corporate expenses				<u>(981)</u>
Operating loss				<u>(14,645)</u>
Assets	<u>152,237</u>	<u>47,926</u>	<u>26,863</u>	<u>227,026</u>
Capital expenditures	<u>22,584</u>	<u>71</u>	<u>965</u>	<u>23,620</u>

#### 4. Taxation

Taxation consisted of:

	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Current taxation		
— Hong Kong profit tax written back	—	1,693
— Mainland China enterprise income tax	<u>(1,840)</u>	<u>(221)</u>
	<u>(1,840)</u>	<u>1,472</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 ended 31st March 2003. Subsidiaries operated in Mainland China are subject to Mainland China enterprise income tax at the rates ranging from 15% to 33% (2002: 15% to 33%).

#### 5. Earnings/(Loss) per share

The calculation of basic earnings/(loss) per share for the year ended 31st March 2003 is based on the profit attributable to shareholders of approximately HK\$6,590,000 (2002: loss of HK\$17,340,000) and the weighted average of approximately 1,564,500,000 (2002: 1,527,130,000) ordinary shares in issue during the year.

No diluted earnings/(loss) per share is presented as the outstanding warrants and employee share options were anti-dilutive.

#### 6. Dividends

The Directors do not recommend the payment of a final dividend for the year ended 31st March 2003.



## 7. Movements in share capital and reserves

For the year ended 31st March 2003, movements in share capital and reserves are as follows:

	Share capital <i>HK\$'000</i>	Reserves					Total <i>HK\$'000</i>
		Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Cumulative foreign currency translation adjustments <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	
As at 1st April 2001	156,450	—	2,700	—	—	(124,436)	(121,736)
Loss attributable to shareholders	—	—	—	—	—	(17,340)	(17,340)
Premium on issue of shares	—	11,550	—	—	—	—	11,550
Share issue expenses	—	(451)	—	—	—	—	(451)
Deficit on revaluation of a long-term investment	—	—	—	(18,552)	—	—	(18,552)
Translation adjustment	—	—	—	—	145	—	145
As at 31st March 2002	<u>156,450</u>	<u>11,099</u>	<u>2,700</u>	<u>(18,552)</u>	<u>145</u>	<u>(141,776)</u>	<u>(146,384)</u>
Profit attributable to shareholders	—	—	—	—	—	6,590	6,590
Deficit on revaluation of a long-term investment	—	—	—	(3,313)	—	—	(3,313)
Translation adjustment	—	—	—	—	8	—	8
As at 31st March 2003	<u>156,450</u>	<u>11,099</u>	<u>2,700</u>	<u>(21,865)</u>	<u>153</u>	<u>(135,186)</u>	<u>(143,099)</u>

## MANAGEMENT DISCUSSION AND ANALYSIS

The management of iSteelAsia.com Limited (the “Company” or “iSteelAsia”) and its subsidiaries (collectively the “Group” or “iSteelAsia Group”) is pleased to announce its first profitable year since listing on GEM of the Stock Exchange in April 2000. For the year ended 31st March 2003, profit attributable to shareholders was approximately HK\$6,590,000. In a year of uncertainty in both the global and local economies, the result was a remarkable improvement compared to the net loss of approximately HK\$17,340,000 for the previous year ended 31st March 2002.

Since the listing of iSteelAsia on GEM of the Stock Exchange 3 years ago, the global business environment has been adversely affected by a number of significant events, namely the bursting of the dot-com bubble, the tragic 9-11 event, and the subsequent collapse of a few large corporations in the US owing to the questionable integrity of the management and its advisers. More recently, the Gulf conflict, and the disaster in the form of the SARS epidemic have further contributed to this protracted worldwide recession. The capital markets globally have spiraled downwards over the last few years in response to these events and the ensuing recession.

The management has continued to evaluate the dynamism of the operating environment in order to carve a niche market and has sought to identify the growth opportunities within the steel industry. With China's accession to the World Trade Organisation ("WTO") in December 2001, Beijing's winning the right to host the 2008 Olympic Games and Shanghai winning the right to host the 2010 World Expo, the People Republic's of China ("PRC") is expected to be a key growth engine to the world's economy. In the past 2 years, the management has redeployed and refocused its resources from an "online trading platform" to a "value-added distribution operation" catering and providing value enhancements to the customers in this emerging market. The turnaround in the Company's performance is a positive testimony of this strategy.

### **Financial and operational review**

For the year ended 31st March 2003, the iSteelAsia Group recorded a turnover of approximately HK\$811 million, representing an 89.4% increase in turnover over the previous year ended 31st March 2002. This is the 2nd consecutive year that the iSteelAsia Group has achieved almost 100% growth in annual turnover. The growth is attributable to the fruition of a very professional sales infrastructure developed and continuously enhanced in the past 2 years. During the past years, the iSteelAsia Group has expanded continuously its sales distribution network in the PRC with coverage in strategic cities like Beijing, Shanghai, Guangzhou, Tianjin, Shenzhen and Chongqing. These cities are highly populated and developed with the highest average annual income per capita in China. These factors translate into high demands for household appliances, estate properties and infrastructure construction, which are the key driving forces for steel consumptions. As a result, the iSteelAsia Group is able to tap these market opportunities and increase the returns to its shareholders.

For the year ended 31st March 2003, profit attributable to shareholders was approximately HK\$6,590,000, reflecting a successful deployment/refocus strategy adopted by the iSteelAsia Group in the past year. The total cost excluding cost of inventories sold and finance costs (the "Operating Cost") was approximately HK\$33,729,000 (2002: HK\$35,498,000) which had slightly improved by comparing the Operating Cost incurred for the previous year ended 31st March 2002. However, during the year ended 31st March 2003, the iSteelAsia Group has expanded to establish 4 more sales offices covering Guangzhou, Tianjin, Shenzhen and Chongqing. Headcount has been increased from 52 to 83. The iSteelAsia Group is encouraged by its effectiveness towards cost control and will continue to expand the current steel trading network by optimising its cost structure with the goal to further increase the operational effectiveness through economies of scale. Although the iSteelAsia Group's key products are steel and steel related materials, the SARS outbreak in China, especially in and around the Beijing/Tianjin areas did have an adverse effect on the business of the iSteelAsia Group. For the months of January to March 2003, business activities in the North Eastern China especially around the Beijing region almost came to a grinding halt firstly due to the cold harsh winter weather conditions and secondly the SARS outbreak. As such, the demands and business volumes for the Beijing and Tianjin offices were exceptionally low. However, as a team with concerted efforts, other offices within the iSteelAsia network were able to continue to expand their businesses to absorb some of the slack inventory from the Beijing and Tianjin offices. As compared to the first three quarters of this financial year, turnover in the fourth quarter amounted to approximately HK\$294 million, or an increase of 56.7% from the first 3 quarters. However due to the reshipment of inventories to other offices, cumulative gross profit margin decreased to a less desirable level Q1-8.2%, Q2-7.5%, Q3-5.3%, and Q4-3.7%. The management is pleased with the various offices' ability to unite for the Group as a whole, and together continue to grow the business, thus reaffirming the management's belief of devoted employees providing quality value-added services to selective loyal customers. Although

the SARS outbreak in the Beijing and Tianjin regions appears to be over the peak, and business is slowly coming back to normal, and prices are starting to increase again due to the quota system for certain steel products in the PRC, the management continues to take a prudent approach by writing down the cost of certain inventories as at 31st March 2003 by approximately HK\$3,900,000.

It is obvious that China has the potential but at the same time it also carries a high degree of business risk. The bad debt and lack of “an acceptable attitude towards professionalism” are all problems in China that are very real and at times severely detrimental to business operations. Hopefully, the continuous restructuring/reforms that have been carried out by the China Central Government will address these problems. The management has therefore adopted a very conservative approach in its dealings with its PRC customers. Sales were mainly conducted with payment terms of cash on delivery (“COD”) with advanced deposits. Credit was only granted to customers with sound financial backings and whom the iSteelAsia Group already has long history business relationships. This stringent approach is a result of the iSteelAsia Group’s effort spent on product positioning — i.e. of the over 3,000 types of steel products, iSteelAsia focuses on only a few that it can genuinely differentiate from the mass market in terms of specification, quality, availability, and customer base.

At the same time, on the customer front, the iSteelAsia Group has adopted a very selective and direct approach (middlemen are seldom used) strategy, focusing on one of the fastest growing business sectors — small to medium domestic enterprises. These companies are considered as the most competitive and the growth engine of the PRC in the future. The iSteelAsia Group is selling its total solution package to these customers, providing logistics arrangement, steel industry information, warehousing services and allowing these companies to achieve “0” inventory.

The iSteelAsia Group continued to strive for its stated mission to become the dominant steel trading network and be one of the most efficient, cost effective distributors and value-added service providers throughout the entire metal ecosystem in Asia especially in China.

During the period under review, the actual business progress of the iSteelAsia Group was generally in line with the business objectives as previously stated in the prospectus dated 14th April 2000 and the iSteelAsia Group continued to enjoy a reputation representing quality and value-added through its persistent marketing efforts. As stated in the iSteelAsia Group’s business objectives, the goal of the traditional trading operation is to serve customers who are not ready for an online trading platform or those who have special requirements that require a high degree of personal assistance. The iSteelAsia Group believed that the traditional trading operation has helped to expand the export market for the PRC’s steel mills by actively marketing through its network and also made available imported quality flat steel at competitive prices to the domestic PRC end users. The iSteelAsia Group has and will continue to organise technical seminars for the PRC steel industry especially in the introduction of Western technologies. During the period under review, the iSteelAsia Group has successfully expanded its customer base in other parts of the PRC outside Southern China region. Although the market sentiment towards the Internet has not been very positive, we will continue to revamp/enhance our website to be on the leading edge of technology and strive to offer quality services in the most cost efficient way. The iSteelAsia Group continued to fulfill its business objectives with the aim to provide value-added services to the steel industry participants.

The iSteelAsia Group believed that the tremendous values brought on by the Internet cannot be ignored. Although the development of the Internet industry is much slower than expected, and the current focus of iSteelAsia's efforts is mainly on the development of a first class distribution network as mentioned in its prospectus (the "Traditional Trading business"), the iSteelAsia Group continues to maintain its presence in the "B2B" arena by providing online services to customers. During the year ended 31st March 2003, the iSteelAsia Group's revenue directly derived from online steel trading business was minimal. However, as a tool used by the iSteelAsia Group, the values of the platform provided to our traditional steel trading operation were enormous. The platform enabled the iSteelAsia Group to develop a more accurate customers' need profile which allowed the iSteelAsia Group to offer more effective services to its customers. In addition, the platform helped build community for the steel industry participants by using it as a means to exchange steel market and industry information.

### **Financial resources and liquidity**

As at 31st March 2003, the iSteelAsia Group's aggregate short-term bank borrowings, comprising trust receipts bank loans and short-term working capital bank loans, were approximately HK\$57,134,000 (2002: HK\$64,335,000). The short-term working capital bank loans amounted to approximately HK\$18,947,000 (2002: HK\$11,580,000) with interest rates ranging from 5.0% to 5.8% per annum (2002: 4.4% to 5.8% per annum). As at 31st March 2003, the gearing ratio (short-term bank borrowings divided by the shareholders' equity) was approximately 4.28 (2002: 6.39). The decrease in the gearing ratio was mainly due to continual improvement in the business operations, thus increasing the shareholder's equity as at 31st March 2003. As at 31st March 2003, the iSteelAsia Group had aggregated banking facilities of approximately HK\$122,540,000 (2002: HK\$91,180,000) derived mainly from several banks for overdrafts, loans, and trade financing. Unused facilities as at the same date amounted to approximately HK\$37,131,000 (2002: HK\$8,582,000). 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.

Subsequent to 31st March 2003, a PRC bank had granted the iSteelAsia Group a revolving working capital bank loan of RMB30,000,000 secured by the corporate guarantee provided by iSteelAsia.

The iSteelAsia Group will continue its effort to improve its financing capabilities and expand the business in a healthier and conservative manner.

### **Cash and cash equivalents**

As at 31st March 2003, the iSteelAsia Group's cash and bank deposits amounted to approximately HK\$49,240,000 (2002: HK\$49,058,000), of which approximately HK\$18,960,000 were denominated in Renminbi and deposited with the banks in China.

## **Investments**

Investments comprised equity interests in Stemcor Holdings Limited (“Stemcor”) and AcrossAsia Multimedia Limited (“AAM”).

Under a share subscription agreement with Stemcor, Stemcor has granted to 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 of 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, 2003. The Group intends to exercise such put option and accordingly has classified such investment as a short-term investment as at 31st March 2003.

During the year ended 31st March 2003, the iSteelAsia Group had received dividend income of approximately HK\$311,000 (2002: HK\$70,000) from Stemcor. The return on investment was approximately 1.33% (2002: 0.29%). The iSteelAsia Group will continue to explore various alternatives to increase the returns from this investment.

In August 2001, the iSteelAsia Group acquired approximately 0.23% equity interest in AAM at a consideration of approximately HK\$22,550,000 which had been satisfied in full by the issue and allotment of iSteelAsia’s ordinary shares. As at 31st March 2003, the investment in AAM was worth approximately HK\$685,000 after a deficit on revaluation of such investment of approximately HK\$21,865,000. Such deficit had already been reflected in the iSteelAsia Group’s asset value. Treating it as a long-term investment, the management has and will continue to closely monitor AAM’s performance, and is satisfied that AAM is a solid company, and should not produce any material value impairment to the Group’s investment on a long-term basis. Nevertheless, from an operational side, the Directors believe that the acquisition is beneficial to forming a strategic relationship with a player of good connection in the region.

## **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 depending on the locations of the customers. On the other hand, the steel products purchases are mainly denominated in United States dollars. Therefore, with a minimal fluctuation in exchange rates between United States dollars with 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 2003, the iSteelAsia Group employed 83 (2002: 52) 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 subsidy 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\$14,870,000 (2002: HK\$17,082,000).

On 10th June 2002, the Company adopted an employee share option scheme (the “New Scheme”) under which the board of directors of the Company 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 announcement.

### **Future outlook**

The management is confident about the future of the iSteelAsia Group. The steel industry in China will continue to move from protective to more driven by market forces. The management believes that as a long-term trend, the quality of local production capacities will continue to improve in the following years. But in the short to medium term, imports of steel will also continue to increase until local capabilities and quality have achieved the global specifications and standards, and will be replaced by local supplies. Therefore, the role of iSteelAsia as a value provider to the end users, will continue to be flexible and will adapt as required to tap these market opportunities in the future. As reflected in its road to profitability, the iSteelAsia Group will continue its path to increase the shareholders’ value and operate itself as a full value-added service provider through organic growth, and if the right opportunity arises, through mergers and acquisitions.

### **PROPOSED CHANGE OF NAME OF THE COMPANY**

In order to better reflect the operations of the Group, which in the last two years, had to a large extent, been focused on the development of a physical steel distribution network in the PRC, and revenues are mainly derived from its “traditional trading operation”, the management proposes to rename the Company from “iSteelAsia.com Limited” and the Chinese name of “亞洲鋼鐵電子交易所有限公司” to “iSteelAsia Holdings Limited”, and to adopt a Chinese name of “亞鋼集團有限公司”.

The proposed change of name and the adoption of Chinese name for the purpose of registration in Hong Kong is subject to, inter alia, the following conditions:—

1. the passing of a special resolution by the shareholders of the Company at the coming annual general meeting of the Company to be convened and held to approve the proposed change of name of the Company and the adoption of Chinese name for the purpose of registration in Hong Kong; and
2. the Registrar of Companies in Bermuda approving the proposed change of name of the Company.

The proposed change of name and the adoption of Chinese name for the purpose of registration in Hong Kong will not affect any of the rights of the shareholders of the Company. All existing share certificates in issue bearing the present name of the Company will, after the change of name and the adoption of Chinese name have become effective, continue to be evidence of title to the shares of HK\$0.10 each in the Company and will be valid for trading, settlement and registration purposes.

A circular containing details of the proposed change of name and the adoption of Chinese name for the purpose of registration in Hong Kong will be despatched to the shareholders and warrant holders of the Company together with the annual report for the year ended 31st March 2003 later.

A further announcement regarding the effective date of the new name and arrangement relating to the trading and dealings in the securities of the Company on GEM of the Stock Exchange will be made as and when the new name takes effect.

#### **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 2003.

#### **CORPORATE GOVERNANCE**

In the opinion of Directors, the Company had complied with the "Board Practices and Procedures" as set out in Rules 5.28 to 5.39 of the GEM Listing Rules 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.

On behalf of the Board of Directors

**DRINA C. YUE**

*Director & Chief Executive Officer*

Hong Kong, 16th June 2003

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Company Announcements" page for 7 days from the date of its posting.*