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## IMPORTANT

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This circular is for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of iSteelAsia Holdings Limited.

The Stock Exchange of Hong Kong Limited takes no responsibility for the contents of this circular, 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 circular.

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares and/or warrants in the Company, you should at once hand this circular to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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*iSteelAsia*

**iSteelAsia Holdings Limited**

(亞鋼集團有限公司)<sup>†</sup>

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 8080)**

**DISCLOSEABLE TRANSACTION  
EXERCISE OF PUT OPTION AGREEMENT  
WITH STEMCOR HOLDINGS LIMITED**

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*This circular will remain on the “Latest Company Announcements” page of the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from its date of publication and on the website of the Company at [www.isteelasia.com](http://www.isteelasia.com).*

<sup>†</sup> For identification purpose only

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## CHARACTERISTICS OF GEM

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**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.**

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b>	
Introduction .....	5
Exercise of Put Option .....	6
Information on the Group and Stemcor .....	7
Other Information .....	7
<b>Appendix — General information</b> .....	8

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Announcement”	the announcement of the Company dated 16 January 2001 in relation to the amendments in terms regarding the Put Option Agreement, the Website Trading Agreement and the Revenue Option Agreement
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board”	the board of Directors
“Circular”	the circular of the Company dated 22 December 2000 in relation to the subscription of new Stemcor Shares by ISAS
“Company”	iSteelAsia Holdings Limited, which is incorporated in Bermuda with limited liability and the securities of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Director(s)”	director(s) of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“ISAS”	iSteelAsia (Stemcor) Holdings Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company
“Latest Practicable Date”	31 May 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein

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## DEFINITIONS

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“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the option market) and which stock market continues to be operated in parallel with GEM
“management shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Options”	options of the Company which were granted under the Share Option Schemes
“Put Option”	an option had been granted to ISAS to require Stemcor to buy back Tranche A Shares (as adjusted)
“Put Option Agreement”	an ancillary agreement had been entered into between the Company, ISAS and Stemcor on 16 January 2001 in relation to the Put Option and was being exercised by ISAS on 13 May 2004
“Revenue Option Agreement”	an ancillary agreement had been entered into between TN Development and Stemcor on 16 January 2001 pursuant to which TN Development may grant options to Stemcor as a Founding Member (as defined in the prospectus of the Company dated 14 April 2000) and expired on 31 July 2002
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each of the Company
“Shareholders”	holders of Shares
“Share Option Schemes”	the share option schemes of the Company which were approved and adopted by the Company on 13 April 2000 and 10 June 2002
“Steel Products”	steel and steel products traded on the iSteelAsia.com portal
“Stemcor”	Stemcor Holdings Limited, a private company incorporated in the UK

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## DEFINITIONS

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“Stemcor Group”	Stemcor and its subsidiaries
“Stemcor Share(s)”	ordinary share(s) of £1.00 each in the issued share capital of Stemcor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by ISAS of Tranche A Shares on the terms and conditions under the Subscription Agreement
“Subscription Agreement”	the share subscription agreement dated 1 December 2000, entered into between the Company, ISAS and Stemcor regarding the subscription of new Stemcor Shares
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“TN Development”	TN Development Limited, a company incorporated in the British Virgin Islands with limited liability
“Tranche A Shares”	new Stemcor Shares subscribed for at the consideration of US\$3 million by ISAS pursuant to the Subscription Agreement
“UK”	United Kingdom
“Warrantholders”	registered holders of the Warrants
“Warrants”	warrants of the Company which have been issued in registered form in units of HK\$20,000 and each conferring rights to subscribe for 200,000 new Shares at an initial subscription price of HK\$0.10 per Share (subject to adjustments) at any time from 18 June 2002 to 17 June 2005, both dates inclusive
“Website Trading Agreement”	an ancillary agreement had been entered into between iSteelAsia Limited (an indirect wholly-owned subsidiary of the Company) and Stemcor, on 16 January 2001 regarding the commitments by Stemcor to make purchases or sales of Steel Products through the iSteelAsia.com portal and for all practical purposes, was deemed to be terminated on 21 June 2001

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.
“£”	Pound Sterling, the lawful currency of UK

*Note:* For the purpose of illustration only, translation of pound Sterling and US dollars into Hong Kong dollars is based on the exchange rates of £1.00 = HK\$13.85 and US\$1.00 = HK\$7.80 respectively.

*iSteelAsia*

**iSteelAsia Holdings Limited**

(亞鋼集團有限公司)<sup>†</sup>

*(Incorporated in Bermuda with limited liability)*

(Stock Code: 8080)

*Board of Directors:*

Andrew Cho Fai Yao (*Chairman*)  
Miriam Che Li Yao (*Deputy Chairman*)  
Desmond Hay Ching Fu (*Chief Executive Officer*)  
David Michael Faktor\*  
Philip King Huen Ma\*\*  
Kennedy Ying Ho Wong\*\*

\* *Non-Executive Directors*

\*\* *Independent Non-Executive Directors*

*Registered office:*

Clarendon House  
2 Church Street  
Hamilton HM 11  
Bermuda

*Head office and principal  
place of business:*

Rooms 4902-8  
Hopewell Centre  
183 Queen's Road East  
Wanchai  
Hong Kong

2 June 2004

*To the Shareholders (and, for information only,  
the Warrantheolders and holders of Options)*

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
EXERCISE OF PUT OPTION AGREEMENT  
WITH STEMCOR HOLDINGS LIMITED**

**INTRODUCTION**

It was announced by the Board on 13 May 2004 that in light of current volatility in the steel trading markets, especially in North America and Europe, coupled with the Group's focus in the Greater China region, ISAS had sent notice on 13 May 2004 to Stemcor to exercise the Put Option to require Stemcor to buy back all of the Tranche A Shares (as adjusted) for US\$3 million (approximately HK\$23.4 million), such amount being the subscription price paid by ISAS on 16 January 2001. The completion of this transaction will occur upon the issuance of the promissory note by Stemcor, which is expected to occur no later than mid of July 2004.

The exercise of the Put Option constitutes a discloseable transaction for the Company under the GEM Listing Rules. The purpose of this circular is to give further information regarding the exercise of the Put Option and information on the Group.

<sup>†</sup> *For identification purposes only*



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## LETTER FROM THE BOARD

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### EXERCISE OF PUT OPTION

#### Subscription Agreement

Reference is made to the Circular and the Announcement. According to the Subscription Agreement which was entered into between the Company, ISAS and Stemcor on 1 December 2000, ISAS subscribed for the Tranche A Shares for a total cash consideration of US\$3 million (approximately HK\$23.4 million) on 16 January 2001 and accounted for as investments. The completion of the Subscription took place on 16 January 2001.

#### Reason for the exercise of Put Option and the exercise price

In light of current volatility in the steel trading markets, especially in North America and Europe, coupled with the Group's focus in the Greater China region, the Board announced on 13 May 2004 that ISAS had sent notice on 13 May 2004 to Stemcor to exercise the Put Option to require Stemcor to buy back all of the Tranche A Shares (as adjusted) for US\$3 million (approximately HK\$23.4 million), such amount being the subscription price paid by ISAS and the same as the book value in the Company's balance sheet as disclosed in the interim report for the six months ended 30 September 2003. As such, there is no gain or loss by reference to the carrying value of the assets in the accounts. As disclosed in the Announcement, Stemcor will pay such amount in the form of a promissory note. The promissory note shall mature on nine months from the date of the notice of exercise of the Put Option (i.e. 12 February 2005). The promissory note is unsecured and will bear interest equal to any dividends that may be declared with respect to the Tranche A Shares prior to the maturity date of the promissory note.

Upon the exercise of the Put Option, the Company will have no further interest in Stemcor. The dividends received from Stemcor by the Group were approximately HK\$70,000, HK\$311,000 and HK\$262,000 for the years ended 31 March 2002 and 31 March 2003 and for the six months ended 30 September 2003, respectively. As disclosed in the Circular and the Announcement, the Put Option will be exercisable by ISAS no earlier than the date on which the amount of equity shareholders' funds of Stemcor falls below £15 million (approximately HK\$207.8 million) as shown in the management accounts of Stemcor from time to time or 30 April 2002 and no later than 31 October 2002 according to the Put Option Agreement which was entered into between the Company, ISAS and Stemcor on 16 January 2001. The due date for exercising the Put Option has been extended from 31 October 2002 to 31 October 2003 and further to 31 October 2004 according to the agreements dated 30 August 2002 and 17 December 2003 between Stemcor and ISAS respectively. The Company also confirms that Stemcor and its ultimate beneficial owners are not connected persons of the Company. The Group will retain US\$3 million (approximately HK\$23.4 million) as the general working capital of the Group for the purchase of steel products and settlement of creditors, and the Directors believe the transactions are fair and reasonable and in the interests of Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **Financial effects of the exercise of Put Option**

Upon exercise of the Put Option, Stemcor is required to buy back all of the Tranche A Shares (as adjusted) for US\$3 million (approximately HK\$23.4 million), such amount being the subscription price paid by ISAS and the same as the book value in the Company's balance sheet as disclosed in the interim report for the six months ended 30 September 2003. As such, there is no gain or loss by reference to the carrying value of the assets in the accounts.

The Directors are of the view that the exercise of the Put Option does not have any adverse effects on the earnings, assets and liabilities of the Group.

### **Website Trading Agreement and Revenue Option Agreement**

Reference is made to the Circular and the Announcement. According to the terms and conditions of the Website Trading Agreement, the Website Trading Agreement terminated upon the exercise of the Put Option or all parties to the Website Trading Agreement fulfilling their obligations as stipulated in the Website Trading Agreement whichever is earlier. Accordingly, for all practical purposes, the Website Trading Agreement was deemed to be terminated on 21 June 2001 as all parties had fulfilled their respective obligations under the Website Trading Agreement. According to the terms and conditions of the Revenue Option Agreement, the Revenue Option Agreement expired on 31 July 2002.

There was no income derived from these two agreements upon their terminations. Up until now, the Company did not notice nor expect any significant adverse impact on the Group upon the cessation of these two agreements.

### **INFORMATION ON THE GROUP AND STEMCOR**

The Group is principally engaged in the trading of steel products, provision of procurement services and operation of an e-commerce vertical portal for the provision of online steel trading and ancillary services. Stemcor is principally engaged in international steel trading. The Stemcor Group also operates as a global provider of specialist services to the steel and metals industries, in areas such as marketing, procurement, logistics and trade finance.

The relationship with Stemcor was established over a very long period of time. Following the exercise of the Put Option, the Group shall continue to maintain the existing commercial relations with Stemcor, who is a supplier of steel to the Group.

### **OTHER INFORMATION**

Your attention is also drawn to Appendix to this circular for other information on the Group.

By order of the Board  
**Andrew Cho Fai Yao**  
*Chairman*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this circular is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this circular misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

## 2. DISCLOSURE OF INTERESTS

### a. Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which a Director is taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

#### *Long positions in the Shares and underlying shares of the Company*

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

Name	Type of interest	Attributable interest to the Director	Number of Shares and approximate % of shareholding	Number of Warrants	Number of Options	Aggregate interest
Ms. Miriam Che Li Yao	— Corporate interest held by TN Development (Note 1)	deemed interest (indirectly)	163,367,600 (10.23%)	39,260,320	—	202,627,920
	— Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344 (10.01%)	31,962,268	—	191,773,612
	— Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	301,026,000 (18.86%)	60,205,200	—	361,231,200
	— Personal interest (Note 5)	100% (directly)	—	—	7,500,000	7,500,000
			<u>624,204,944 (39.10%)</u>	<u>131,427,788</u>	<u>7,500,000</u>	<u>763,132,732</u>
Mr. Desmond Hay Ching Fu	— Personal interest (Note 5)	100% (directly)	—	—	11,750,000	11,750,000

*Notes:*

- As at the Latest Practicable Date, TN Development owns 163,367,600 Shares and 39,260,320 Warrants. Van Shung Chong (B.V.I.) Limited (“VSC BVI”) owns 54% of the issued share capital of TN Development and Mr. Andrew Cho Fai Yao owns 10% of the issued share capital of TN Development. The board of directors of TN Development only comprises Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao. These interests of the aforesaid Directors in the securities of the Company were corporate interests.

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

- As at the Latest Practicable Date, Huge Top Industrial Ltd. (“Huge Top”) owns 159,811,344 Shares and 31,962,268 Warrants. Mr. Andrew Cho Fai Yao directly holds 10% and indirectly through Perfect Capital International Corp. (“Perfect Capital”) owns more than one-third of the issued share capital of Huge Top. Mr. Andrew Cho Fai Yao owns the entire issued share capital of Perfect Capital. The board of directors of Huge Top only comprises Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao. These interests of the aforesaid Directors in the securities of the Company were corporate interests.

3. As at the Latest Practicable Date, VSC BVI owns 301,026,000 Shares and 60,205,200 Warrants and Huge Top owns approximately 47.15% of the issued share capital of Van Shung Chong Holdings Limited (“VSC”). Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao are directors of VSC. VSC BVI is a wholly-owned subsidiary of VSC. The board of directors of VSC BVI only comprises Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao. These interests of the aforesaid Directors in the securities of the Company were corporate interests.
4. As at the Latest Practicable Date, Right Action Offshore Inc. (“Right Action”) owns 102,400,000 Shares and 20,480,000 Warrants. Mr. Andrew Cho Fai Yao owns the entire issued share capital of Right Action and is also the sole director of that company. These interests were corporate interests in the Company.
5. Under the terms of the Company’s share option scheme approved by the shareholders on 13 April 2000 (the “Old Scheme”), the Board may at their discretion, invite any full-time employees of the Company or any of the companies of the Group, including any executive Directors, to take up Options to subscribe for Shares. The Old Scheme became effective upon the listing of the Shares on 20 April 2000.

Pursuant to the Old Scheme, the Options granted to and held by the Directors up to the Latest Practicable Date were as follows:

Name	Date of grant	Exercise price per Share	Vesting period	Exercise period	Number of Options
Mr. Andrew Cho Fai Yao	7 November 2000	HK\$0.485	7 November 2000 to 7 November 2001	8 November 2001 to 12 April 2010	5,000,000
Ms. Miriam Che Li Yao	3 July 2000	HK\$0.360	3 July 2000 to 30 September 2001	1 October 2001 to 12 April 2010	2,500,000
	7 November 2000	HK\$0.485	7 November 2000 to 7 November 2001	8 November 2001 to 12 April 2010	5,000,000
Mr. Desmond Hay Ching Fu	3 July 2000	HK\$0.360	3 July 2000 to 30 September 2001	1 October 2001 to 12 April 2010	250,000
	7 November 2000	HK\$0.485	7 November 2000 to 7 November 2001	8 November 2001 to 12 April 2010	11,500,000

The Old Scheme was terminated on 10 June 2002. Upon termination of the Old Scheme, no further Options were granted thereunder but in all other respects, the provisions of the Old Scheme remain in force and all Options granted prior to such termination continue to be valid and exercisable in accordance therewith. A new share option scheme has been adopted by the Company since 10 June 2002 (the “New Scheme”) to replace the Old Scheme to comply with the current GEM Listing Rules requirements. Up to the Latest Practicable Date, no Options have been granted pursuant to the New Scheme. All the above-mentioned Options are unlisted and represent physically settled equity derivatives.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company or their respective associates had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which a Director is taken or deemed to have under such provisions of the SFO) or as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standards of dealings by Directors as referred in Rules 5.46 to 5.67 of the GEM Listing Rules.

**b. Interests discloseable under the SFO and substantial shareholders**

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

***Long positions***

Name	Type of interest	Number of Shares and approximate % of shareholding	Number of Warrants	Aggregate interest	Notes
<i>Substantial shareholders of the Company</i>					
VSC BVI	— directly	301,026,000 (18.86%)	60,205,200	361,231,200	
	— indirect deemed interest through TN Development	163,367,600 (10.23%)	39,260,320	202,627,920	
		<u>464,393,600 (29.09%)</u>	<u>99,465,520</u>	<u>563,859,120</u>	1
VSC	— indirectly through VSC BVI	301,026,000 (18.86%)	60,205,200	361,231,200	
	— indirect deemed interest through TN Development	163,367,600 (10.23%)	39,260,320	202,627,920	
		<u>464,393,600 (29.09%)</u>	<u>99,465,520</u>	<u>563,859,120</u>	1 & 2

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

*Notes:*

- VSC BVI owns 54% of the share capital of TN Development and is deemed to be interested in the 163,367,600 Shares and 39,260,320 Warrants held by TN Development as at the Latest Practicable Date. VSC BVI directly owns 301,026,000 Shares and 60,205,200 Warrants as at the Latest Practicable Date. VSC BVI is therefore directly and indirectly interested in an aggregate of 464,393,600 Shares and 99,465,520 Warrants.
- VSC owns the entire issued share capital of VSC BVI, VSC is therefore deemed to be interested in an aggregate of 464,393,600 Shares and 99,465,520 Warrants.
- Perfect Capital owns more than one-third of the share capital of Huge Top as at the Latest Practicable Date. Huge Top is beneficially interested in approximately 47.15% of the issued share capital of VSC as at the Latest Practicable Date and Perfect Capital and Huge Top are therefore deemed to be interested in the 163,367,600 Shares and 39,260,320 Warrants held by TN Development and the 301,026,000 Shares and 60,205,200 Warrants held by VSC BVI as at the Latest Practicable Date. As at the same date, Huge Top also directly owns 159,811,344 Shares and 31,962,268 Warrants. Huge Top is therefore directly and indirectly interested in an aggregate of 624,204,944 Shares and 131,427,788 Warrants, and Perfect Capital is indirectly interested in the same aggregate interests.

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

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

### 3. SERVICE CONTRACT

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

According to the services contracts, in addition to the basic salary, the executive Directors are also entitled to a management bonus of a sum at the discretion of the Board. The basis of such decision is a function of the executive Director's effort expended throughout the subject period towards the well-being of the Company. They are also entitled to certain allowances, medical benefits and reimbursement of all reasonable out of pocket expenses. Neither of the above Directors is entitled to vote on the relevant board resolutions relation to any bonus payable to him or her. The individual emoluments of the above Directors for the year ended 31st March 2004 are as follows:

	<b>Basic salaries and allowance</b>	<b>Bonuses</b>	<b>Pension costs — Defined contribution schemes</b>	<b>Total</b>
	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>	<i>(HK\$)</i>
Mr. Andrew Cho Fai Yao	540,000	—	6,000	546,000*
Ms. Miriam Che Li Yao	480,000	—	—	480,000*
Mr. Desmond Hay Ching Fu	1,522,847	280,000	3,000	1,805,847



*Note:*

- \* During the year ended 31st March 2004, Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao waived the emoluments of HK\$636,000 (2003: Nil) and HK\$560,000 (2003: Nil) respectively.

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

#### 4. COMPETING INTERESTS

Mr. David Michael Faktor, a non-executive Director, is the director of Stemcor whose business is principally engaged in international steel trading. Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao are the Chairman and the Deputy Chairman of the Company, respectively, and also the chairman and the deputy chairman of VSC, respectively, and VSC is also engaged in steel trading business. The Directors believe that there is a risk that such business may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Faktor, Mr. Yao and Ms. Yao in the steel industry will complement the development of the Group's business.

Save as disclosed above, none of the Directors or the management shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any other conflict of interests with the Group.

#### 5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

#### 6. MISCELLANEOUS

- (a) The company secretary of the Company is Ms. Tse Sau Wai, *FCS, FCIS*.
- (b) The qualified accountant of the Company is Ms. Lee Wing Chee, *AHKSA, FCCA*.
- (c) The compliance officer of the Company is Mr. Desmond Hay Ching Fu. Mr. Fu holds a bachelor degree in Civil Engineering with honor from the University of London.

- (d) 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 duties of the audit committee include reviewing the Company's annual reports and quarterly reviews and providing advice and comments thereon to the Board. The audit committee is also responsible for reviewing and supervising the Company's financial reporting and internal control procedures. The audit committee comprises two independent non-executive Directors, namely Mr. Philip King Huen Ma ("Mr. Ma") and Mr. Kennedy Ying Ho Wong ("Mr. Wong").

Mr. Ma is the group managing director of The Sincere Company Limited, a listed company on the Stock Exchange. He is also active in his community services and was the chairman of the Hong Kong Retail Management Association from 1996-2000. He holds a masters degree in business administration from McMaster University in Canada.

Mr. Wong is a solicitor and a China Appointed Attesting Officer. He is the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He is a National Committee Member of the Chinese People Political Consultative Conference (years 2003 to 2008). Mr. Wong is also a director of a number of listed companies in Hong Kong.

- (e) The Company's registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda while its head office and principal place of business in Hong Kong is at Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The Company's Hong Kong branch share registrar and transfer office is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.