

iSteelAsia.com
iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

**RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31ST MARCH, 2002**

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

GEM has been established as a market designed to accommodate companies to which a high investment risk may be attached. In particular, companies may list on GEM with neither a track record of profitability nor any obligation to forecast future profitability. Furthermore, there may be risks arising out of the emerging nature of companies listed on GEM and the business sectors or countries in which the companies operate. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

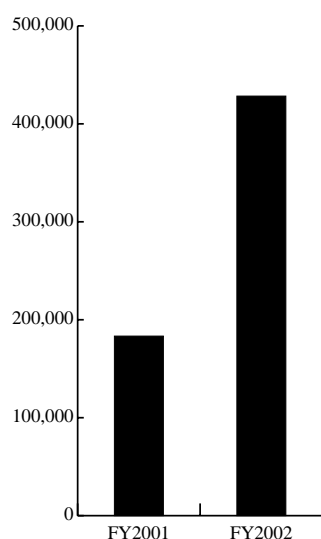
The Stock Exchange takes no responsibility for the contents of this announcement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement, for which the directors of iSteelAsia.com Limited (“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.

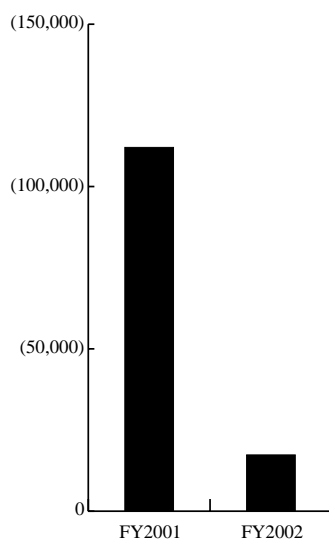
HIGHLIGHTS

- Capitalising on iSteelAsia’s “Global Vision, Asian Focus” strategy, iSteelAsia will continue to develop its sales distribution network and its core competence in technology in China with an aim to provide values to the steel participants in the steel industry.
- The turnover for FY2002 has increased over 133% to approximately HK\$428 million by comparing the turnover attained for FY2001.
- The loss attributable to shareholders for FY2002 was approximately HK\$17,340,000, representing over 84% decrease by comparing the results in FY2001.
- The total operating cost excluding cost of inventories sold was approximately HK\$35,498,000, representing over 73% of improvement over the results in FY2001.

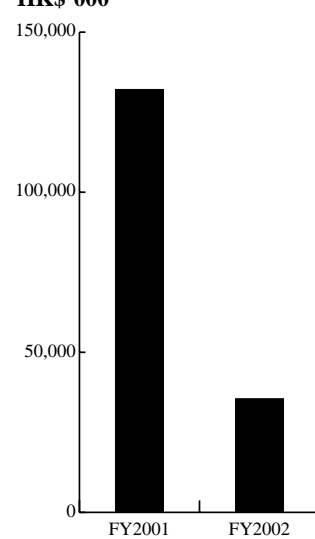
**Turnover
HK\$'000**



**Loss attributable to shareholders
HK\$'000**



**Total operating cost excluding
cost of inventories sold
HK\$'000**



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, 2002, together with the comparative audited figures for the corresponding year in 2001, as follows:

	<i>Note</i>	For the year ended 31st March,	
		2002	2001
		HK\$'000	HK\$'000
Turnover			
— Sales		422,116	169,737
— Commission and service fees		4,049	13,592
— Software sub-licensing fees		2,180	—
— Dividend income		70	—
		<hr/>	<hr/>
	2	428,415	183,329
Cost of inventories sold		(409,665)	(164,093)
Staff costs		(16,800)	(34,308)
Research and development expenses		(976)	(24,849)
Marketing and branding expenses		(207)	(13,836)
Amortisation of website development costs		(1,291)	(3,160)
Written off and impairment loss of website development costs		—	(32,015)
Depreciation of furniture and equipment		(712)	(551)
Impairment loss of long-term investments		(1,722)	—
Other operating expenses		(13,790)	(23,379)
		<hr/>	<hr/>
Loss from operations		(16,748)	(112,862)
Interest income		2,103	4,309
Interest expense		(4,166)	(1,090)
Share issuance expenses written off		—	(2,391)
		<hr/>	<hr/>
Loss before taxation		(18,811)	(112,034)
Taxation	3	1,472	(20)
		<hr/>	<hr/>
Loss before minority interests		(17,339)	(112,054)
Minority interests		(1)	—
		<hr/>	<hr/>
Loss attributable to shareholders		(17,340)	(112,054)
		<hr/>	<hr/>
Loss per share — Basic	4	(1.14) cents	(7.75) cents

Notes:

1. Basis of preparation

The accounts have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice and accounting principles generally accepted in Hong Kong. They have been prepared under historical cost convention except for long-term investments which are carried at fair value.

2. Turnover and segment information

Turnover represents (i) the net invoiced value of merchandise sold after allowances for returns and discounts, (ii) commission from procurement and online steel trading services, (iii) software sub-licensing fees and (iv) dividend income from long-term investment.

Primary reporting format — business segments

The Group is organised into three major business segments — steel trading, procurement services and investment holding. The steel trading business segment derives revenue from 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. An analysis by business segments is as follows:

	Steel trading		Procurement services		Investment holding		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover								
Total turnover	<u>422,116</u>	<u>169,737</u>	<u>6,229</u>	<u>13,592</u>	<u>70</u>	<u>—</u>	<u>428,415</u>	<u>183,329</u>
Operating results								
Segment result	(3,563)	(8,487)	(10,454)	(100,178)	(1,750)	(1,877)	(15,767)	(110,542)
Unallocated corporate expenses							(981)	(2,320)
Loss from operations							(16,748)	(112,862)
Interest income							2,103	4,309
Interest expense							(4,166)	(1,090)
Share issuance expenses written off							—	(2,391)
Taxation							1,472	(20)
Minority interests							(1)	—
Loss attributable to shareholders							<u>(17,340)</u>	<u>(112,054)</u>
Other information								
Capital expenditures —								
Segment capital expenditures	105	589	14	38,118	23,501	24,974	<u>23,620</u>	<u>63,681</u>
Depreciation and amortisation —								
Segment depreciation and amortisation	414	142	1,589	3,569	—	—	<u>2,003</u>	<u>3,711</u>
Significant non-cash expenditures —								
Segment non-cash expenditures (other than depreciation and amortisation)	—	1,033	1,283	32,124	1,722	—	<u>3,005</u>	<u>33,157</u>

Secondary reporting format — geographical segments

The 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, location of sellers for commission income, location of customers for software sub-licensing fees and location of long-term investments for dividend income. An analysis by geographical segments is as follows:

	Hong Kong		Mainland China		Others		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>139,962</u>	3,831	<u>284,762</u>	169,174	<u>3,691</u>	10,324	<u>428,415</u>	<u>183,329</u>
(Loss)Profit from operations	(12,434)	(64,903)	3,739	3,159	(8,053)	(51,118)	<u>(16,748)</u>	<u>(112,862)</u>
Capital expenditures	22,584	2,922	71	583	965	60,176	<u>23,620</u>	<u>63,681</u>

3. Taxation

Taxation consisted of:

	2002 HK\$'000	2001 HK\$'000
Current taxation		
— Hong Kong profit tax written back	1,693	—
— Mainland China enterprise income tax	(221)	(20)
	<u>1,472</u>	<u>(20)</u>

The Company is exempted from taxation in Bermuda until 2016. Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong. Subsidiaries operated in Mainland China are subject to Mainland China enterprise income tax at the rate of 15% to 33% (2001 — 33%).

4. Loss per share

The calculation of basic loss per share for the year ended 31st March, 2002 is based on the loss attributable to shareholders of approximately HK\$17,340,000 (2001 — HK\$112,054,000) and the weighted average of approximately 1,527,130,000 (2001 — 1,445,430,000) ordinary shares in issue during the year.

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, 2002.

6. Movements in share capital and reserves

For the year ended 31st March, 2002, movements in share capital and reserves are as follows:

	Share Capital	Reserves				Total
	Share premium	Capital reserve	Asset revaluation reserve	Cumulative translation adjustment	Total	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance, 1st April, 2001	145,450	—	2,700	—	—	2,700
Issued upon allotment of shares	11,000	—	—	—	—	—
Proceeds from allotment of shares	—	11,550	—	—	—	11,550
Allotment expenses	—	(451)	—	—	—	(451)
Deficit on revaluation of long-term investment	—	—	—	(18,552)	—	(18,552)
Translation adjustment	—	—	—	—	145	145
Balance, 31st March, 2002	<u>156,450</u>	<u>11,099</u>	<u>2,700</u>	<u>(18,552)</u>	<u>145</u>	<u>(4,608)</u>

MANAGEMENT DISCUSSION AND ANALYSIS

iSteelAsia.com Limited (“the Company” or “iSteelAsia”) and its subsidiaries (collectively “the Group”) are engaged in the trading and distribution of steel products, provision of procurement services and operation of an e-commerce vertical portal business for the provision of online steel trading and providing e-enabling service for the steel industry. iSteelAsia was listed on GEM of the Stock Exchange in April, 2000. For the year ended 31st March, 2002 (“FY2002”), the Company experienced a very harsh operating environment. Steel prices globally remained depressed at historical lows until December, 2001 and in conjunction with various governmental interventions like the 201 actions in the US and the anti-dumping complaints in the European Union, all these have added uncertainty to the steel market. However, with China’s successful accession to the World Trade Organisation (“WTO”) in December, 2001 and continuous improvement in the living standards of people in Mainland China, the Group is able to focus its resources to serve this demand growth in Mainland China.

Financial and Operational Review

Despite globally depressed steel market, the management of the Company is pleased to report very healthy growth in turnover for FY2002. The turnover for FY2002 has increased over 133% to approximately HK\$428 million by comparing the turnover attained for the year ended 31st March, 2001 (“FY2001”). The loss attributable to shareholders for FY2002 was approximately HK\$17,340,000, representing over 84% of decrease by comparing the results in FY2001. The total operating cost excluding cost of inventories sold was approximately HK\$35,498,000, representing over 73% of improvement over the results in FY2001. The improvement in cost efficiency was mainly due to the successful implementation of

profitability awareness program throughout the whole organisation both in Hong Kong and in Mainland China. With this core vision shared by every employee, the Company is able to reduce cost and boost up the sales through reallocation of resources without any material downsizing. In order to capitalise on the business opportunities in Mainland China, iSteelAsia has regional sales offices in 4 major cities in Mainland China, namely Shanghai, Tianjin, Beijing and Guangzhou. Based on a geographical analysis of the Group's turnover, approximately HK\$284,762,000 was derived from the markets in Mainland China, representing approximately 66% of the total turnover for FY2002. Organisationally, iSteelAsia maintains a slim and flexible corporate structure with only 3 reporting layers and approximately 84% of staff is focusing in deriving sales and providing value-added services to customers, resulting in approximately 67% of staff is located in Mainland China to serve our customers' needs. iSteelAsia focused on trading of high value-added products which are primarily supplied for the construction industry as well as for the white goods like household wares and appliances and technological products, like computer casings and enclosure system. The Group envisions the construction and automobile industry will be the growth engines of the core business. For FY2002, majority of the turnover was derived from the traditional steel trading operation. The commission derived from the online steel trading operation was approximately HK\$1,608,000, representing only 0.4% of the total turnover for FY2002. The underlying reasons for the low proportion from the online steel trading operation were mainly due to slower than expected development in the Internet industry and various value-added service providers are still on their ways to embrace the full capabilities of the Internet. As such, the Group continues to firmly believe the value propositions that "B2B" exchange will eventually provide actual cost benefits to the steel industry participants. In the meantime, the Group will continue to provide services to the customers in the steel trading industry through both online and offline trading. The Group envisions itself being the "Value-added Service Provider" between the supplier and the end user, either as e-distributor/e-aggregator, or through offline services. As soon as the customers are ready to move their businesses online, iSteelAsia is there to support them on its trading and Enterprise Resources Planning ("ERP") platform.

As a unique characteristic of any trading business, iSteelAsia is a steel trading and distribution company with low assets base. Steel products purchases are primarily financed by short-term trust receipts loan arrangement with banks in Hong Kong. Steel products are mainly imported to Mainland China as high quality raw materials for manufacturing of white goods and other technology products. In most of the cases, payment terms are either cash on delivery or advanced deposits. Invoices issued with payment terms are only granted to customers with whom the Group already had long business relationships and sound financial backings. As at 31st March, 2002, the Group recorded amounts of approximately HK\$38.68 million, HK\$5.48 million and HK\$12.92 million due from Shunde City Dengfeng Steel Trade Co., Ltd. ("Shunde"), Boto Company Limited ("Boto") and Evermore Steel Industrial (Hong Kong) Ltd. ("Evermore"), respectively. The balances from Shunde, Boto and Evermore accounted for approximately 490%, 69% and 164% of the Group's audited net tangible assets as at 31st March, 2002, respectively. Shunde, Boto and Evermore are customers of the Group and third parties independent of any of the directors, chief executive of the Group, the substantial shareholders (within the meaning of the GEM Listing Rules) of the Company and their respective associates (within the meaning of the GEM Listing Rules). Sales transactions with Shunde, Boto and Evermore were conducted in the ordinary course of business of the Group and settlements of the accounts receivable were made in accordance with the payment terms customary to the industry and agreed on an arm's length basis with the customers. No interest was charged on the trading balances as they are still within the payment period agreed with the

customers. All three customers gave no collateral under the sales transaction. During the year under review, the Group had no bad debt from these customers and no experiences nor considered that there is material collectibility problem from these customers.

Financial Resources and Liquidity

As at 31st March, 2002, the Group's aggregate short-term bank borrowings, comprising trust receipts bank loans and short-term working capital bank loans, were approximately HK\$64,335,000 (2001 — HK\$24,489,000). The short-term working capital bank loans amounted to HK\$11,580,000 with interest rates ranging from 4.35% to 5.84% per annum. Subsequent to 31st March, 2002, a term loan balance of HK\$7,800,000 had been fully repaid with no early repayment penalty as agreed by the lending bank, while the remaining bank loan is repayable within one year. As at 31st March, 2002, the gearing ratio (short-term bank borrowings divided by the shareholders' equity) was approximately 6.39 (2001 — 1.03). The increase in gearing ratio was mainly due to considerable expansion in traditional steel trading operation for FY2002. As at 31st March, 2002, the Group had aggregated banking facilities of approximately HK\$91,180,000 (2001 — HK\$99,423,000) from several banks for overdrafts, loans, and trade financing. Unused facilities as at the same date amounted to approximately HK\$8,582,000 (2001 — HK\$54,349,000). These facilities were secured by (a) corporate guarantees provided by iSteelAsia and/or (b) the Group's inventories held under trust receipts bank loan arrangement and/or (c) the put option to sell shares in Stemcor Holdings Limited ("Stemcor").

Cash and Cash Equivalents

As at 31st March, 2002, the Group's cash and bank deposits amounted to approximately HK\$49,058,000 (2001 — HK\$28,516,000), of which approximately 17.3% were denominated in Renminbi and deposited with the banks in China.

Long-term Investments

Long-term investments comprised equity interests in AcrossAsia Multimedia Limited ("AAM") and Stemcor.

In December, 2000, the Group entered into a share subscription agreement ("the Share Subscription Agreement") with Stemcor whereby the Group agreed to subscribe for certain shares in Stemcor at a consideration of US\$3,000,000 ("Tranche A Shares"), and Stemcor agreed to grant two options to the Group to subscribe for additional shares in Stemcor for total consideration of US\$5,000,000 ("Tranche B Option") and US\$8,000,000 ("Tranche C Option"), respectively. During the year ended 31st March, 2002, both Tranche B and Tranche C Options lapsed and the Group did not subscribe for any additional shares in Stemcor.

Under the Share Subscription Agreement, Stemcor has granted to the Group a put option under which the Group may require Stemcor to repurchase all of the Tranche A Shares subscribed by the Group for US\$3,000,000. The put option will be exercisable by the 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, 2002. The Group's benefits of the put option have been pledged as collateral for certain of the Group's banking facilities.

In August, 2001, the Group had 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 the Company's ordinary shares. As at 31st March, 2002, the investment in AAM was approximately HK\$3,998,000 after a deficit on revaluation of such investment of approximately HK\$18,552,000. The Directors believe that the acquisition is the first step of forming a strategic relationship with a player of good connection in the region. Since both the Company and AAM are involved in Internet related business, it is the Company's strategy to more fully capitalise such strategic relationship with AAM and its associated companies to capture the business opportunities in the region which aligns with the business objectives of the Company as stated in the Company's prospectus dated 14th April, 2000.

Foreign Currency Exposure

The foreign currency exposure of the 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 Group considers the foreign currency exposure is minimal for FY2002. The Group will continue to exert efforts in managing its potential currency risk profile in the future.

USE OF PROCEEDS

On 20th April, 2000, the Company's shares were successfully listed on GEM of the Stock Exchange and net proceeds of approximately HK\$79 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 Group is pleased to report that the use of proceeds is generally in line with the scope as laid down in the Company's prospectus dated 14th April 2000 as below.

	Original planned* <i>HK\$'000</i>	Amount utilised up to 31st March, 2002 <i>HK\$'000</i>
Acquisitions of interests in value-added information and service provider(s), funding start-up and on-going operating costs and the development of a country specific website	21,859	24,279
Engagement of outside consultants and/or financing internal activities to conduct market research to formulate, revamp and refine its business strategy and to investigate the possibility of establishing operations in other countries and to advise the Group in relation to customer relationship management and in relation to the development and enhancement of the Group's website	15,500	16,176
Marketing and promotional activities to build a strong brand name for iSteelAsia.com and to market benefits of its online trading platform including training programmes and direct mailings and newsletters	26,400	27,083
Acquisitions of content for the Group's websites	15,500	3,495
	<u>79,259</u>	<u>71,033</u>

* Amounts are extracted from the Company's prospectus dated 14th April, 2000 issued in relation to the Company's initial public offering exercise and proposed listing of shares on GEM of the Stock Exchange after adjustments on share issuance expenditures.

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, 2002.

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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 7th August, 2002 to Friday, 9th August, 2002, 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, Computershare Hong Kong Investor Services Limited (formerly known as Central Registration Hong Kong Limited), Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Tuesday, 6th August, 2002.

On behalf of the Board of Directors

DRINA C. YUE

Director

Hong Kong, 20th June, 2002

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.