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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 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)*

**Financial adviser to  
iSteelAsia Holdings Limited**

**CAH**  
**Celestial Capital Limited**

**DISCLOSEABLE TRANSACTION  
SUBSCRIPTION OF SHARES IN THE COMPANY**

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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).*

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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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## DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Company”	iSteelAsia Holdings Limited, which is incorporated in Bermuda with limited liability and the securities of which are listed on GEM
“Completion Date”	the date of completion of the Subscription Agreement
“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
“Latest Practicable Date”	4 November 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“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
“McKinsey Group”	McKinsey & Company, Inc., a company incorporated in New York, the U.S.A., and its group companies. The McKinsey Group is principally engaged in the provision of management consulting services worldwide
“McKinsey HK”	McKinsey & Company, Inc. Hong Kong, a company incorporated in Delaware, the U.S.A.

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## DEFINITIONS

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“Options”	options of the Company which were granted under the Share Option Schemes
“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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	AFAC Equity, L.P., a limited partnership incorporated in Delaware, the U.S.A.
“Subscription”	the subscription by the Subscriber of the Subscription Shares pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 20 October 2003 entered into by the Company, the Subscriber and McKinsey HK in relation to the Subscription
“Subscription Shares”	a total of 31,200,000 new Shares to be allotted and issued by the Company to the Subscriber pursuant to the Subscription Agreement
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“U.S.A.”	the United States of America
“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

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## DEFINITIONS

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“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

*iSteelAsia*  
**iSteelAsia Holdings Limited**

(亞鋼集團有限公司)<sup>†</sup>

*(Incorporated in Bermuda with limited liability)*

*Board of Directors:*

Andrew Cho Fai Yao (*Chairman*)  
Miriam Che Li Yao (*Deputy Chairman*)  
Drina C. Yue (*Chief Executive Officer*)  
Daniel Takuen Shih\*  
Ralph David Oppenheimer\*  
Philip King Huen Ma\*\*  
Kennedy Ying Ho Wong\*\*

\* *Non-Executive Directors*

\*\* *Independent Non-Executive Directors*

*Registered office:*

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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

7 November 2003

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

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION  
SUBSCRIPTION OF SHARES IN THE COMPANY**

**INTRODUCTION**

It was announced by the Board on 20 October 2003 that the Company, the Subscriber and McKinsey HK entered into the Subscription Agreement on 20 October 2003 in relation to the subscription by the Subscriber of 31,200,000 new Shares at the aggregate subscription price of HK\$3,120,000, representing a consideration of HK\$0.10 per Subscription Share. The Subscription is effected to fully settle the entire outstanding amount of US\$400,000 (equivalent to about HK\$3,120,000) currently due by the Company to McKinsey HK.

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

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## LETTER FROM THE BOARD

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The purpose of this circular is to give you further information regarding the Subscription Agreement and information on the Group.

### THE SUBSCRIPTION

#### Subscription Agreement dated 20 October 2003

##### *Parties:*

Issuer: The Company.

Subscriber: AFAC Equity, L.P., a limited partnership incorporated in Delaware, the U.S.A. The Subscriber is independent of and not connected with any of the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates. As at the Latest Practicable Date, the Subscriber held about 0.12% shareholding interest in the Company.

Other: McKinsey & Company, Inc. Hong Kong, a company incorporated in Delaware, the U.S.A. McKinsey HK is independent of and not connected with any of the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates. As at the Latest Practicable Date, the Group owed a total of US\$400,000 (equivalent to about HK\$3,120,000) to McKinsey HK, being the outstanding fees relating to the consultancy services provided by McKinsey HK to the Group since late 2000.

Both of the Subscriber and McKinsey HK are members of the McKinsey Group, which is principally engaged in the provision of management consulting services worldwide, as they are both under control of McKinsey & Company, Inc., a company incorporated in New York, the U.S.A. which is independent of and not connected with any of the Directors, chief executives, substantial shareholders or management shareholders of the Company or any of their respective associates. To the best knowledge of the Directors, McKinsey & Company, Inc. and other companies within the McKinsey Group are not listed on any stock exchanges.

##### *Subscription Shares:*

31,200,000 new Shares, representing about 1.99% of the existing issued share capital of the Company and about 1.95% of the issued share capital of the Company as enlarged by the Subscription Shares. The Subscription Shares will be issued, subject to the fulfillment of the conditions of the Subscription Agreement, under the general mandate granted by the Shareholders to the Directors at the annual general meeting of the Company held on 18 July 2003.



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## LETTER FROM THE BOARD

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### ***Subscription price:***

A total of HK\$3,120,000 for all the Subscription Shares, representing a consideration of HK\$0.10 per Subscription Share, which shall be settled by way of full settlement of the entire outstanding amount of US\$400,000 (equivalent to about HK\$3,120,000) currently due by the Group to McKinsey HK. The subscription price of HK\$0.10 per Subscription Share represents (i) a discount of about 16.67% to the closing price of HK\$0.12 per Share as quoted on the Stock Exchange on 20 October 2003 (being the date of the Subscription Agreement); (ii) a discount of about 15.25% to the average of the closing prices of the Shares as quoted on the Stock Exchange during the 10-day period up to 20 October 2003 of HK\$0.118 per Share; (iii) a discount of 37.50% to the closing price of HK\$0.16 per Share as quoted on the Stock Exchange on the Latest Practicable Date; (iv) a discount of about 15.61% to the average of the closing prices of the Shares as quoted on the Stock Exchange during the 10-day period up to the Latest Practicable Date of HK\$0.1185 per Share; and (v) a premium of about 1,072% over the audited consolidated net asset value per Share as at 31 March 2003. The subscription price was determined by the Company and the Subscriber after arm's length negotiation, with reference to the recent market prices of the Shares as quoted on the Stock Exchange.

### ***Conditions of the Subscription Agreement:***

The allotment and issue of the Subscription Shares to the Subscriber is conditional upon (i) the listing of and permission to deal in all the Subscription Shares being granted by the GEM Listing Committee of the Stock Exchange (and such permission and listing not subsequently being revoked prior to the delivery of definitive share certificate(s) representing the Subscription Shares), and (ii) the obtaining of any other requisite approvals and consents to facilitate completion of the Subscription.

If any of the conditions of the Subscription Agreement is not fulfilled or (as the case may be) waived in writing by the Subscriber on or prior to 4 December 2003 (being the date falling 45 days after the date of the Subscription Agreement) or such later date as may be agreed by the parties to the Subscription Agreement, the Subscription Agreement shall be terminated, in which case the Company shall immediately make a cash payment to McKinsey HK amounting to US\$400,000 (equivalent to about HK\$3,120,000), together with the relevant interest at the rate of 10% per annum calculated from 1 April 2001, as mutually agreed between the Group and McKinsey HK, up to the date of payment of the amount of US\$400,000 due by the Group to McKinsey HK, for the purpose of settling the entire outstanding amount currently due by the Group to McKinsey HK in full. Such cash payment to McKinsey HK (if any) will be financed by the Group's internal resources.

### ***Completion of the Subscription:***

The Completion Date is expected to fall on the third business day after the conditions of the Subscription Agreement have been fulfilled or waived (as the case may be) and shall not be later than 4 December 2003 (being the date falling 45 days after the date of the Subscription

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## LETTER FROM THE BOARD

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Agreement) or such later date as may be agreed by the parties to the Subscription Agreement. On the Completion Date, the Company shall, among other things, allot and issue to the Subscriber (or as it may direct) the Subscription Shares. Upon the allotment and issue of the Subscription Shares, the Company shall be discharged from any and all obligations in relation to the entire outstanding amount of US\$400,000 (equivalent to about HK\$3,120,000) currently due by the Group to McKinsey HK. As at the Latest Practicable Date, the Group owed a total of US\$400,000 (equivalent to about HK\$3,120,000) to McKinsey HK (as at the date of the Subscription Agreement, no interest has been accrued on such outstanding amount of US\$400,000, but it has been a term of the Subscription Agreement that if the Subscription is not completed accordingly, the Company shall immediately make a cash payment to McKinsey HK amounting to US\$400,000 together with the relevant interest at the rate of 10% per annum calculated from 1 April 2001, as mutually agreed between the Group and McKinsey HK, up to the date of payment of the amount of US\$400,000 due by the Group to McKinsey HK). On that basis and upon completion of the Subscription, the Group will not owe any amount to McKinsey HK.

### ***Application for listing:***

Application has been made by the Company to the Stock Exchange for the grant of listing of and permission to deal in the Subscription Shares.

### ***Lock up of the Subscription Shares:***

The Subscriber has agreed that for a period of 6 months from the Completion Date, it and its nominee (if any) will not transfer any of the Subscription Shares to any third party.

### ***Reasons for the Subscription:***

The Subscription is effected to fully settle the entire outstanding amount of US\$400,000 (equivalent to about HK\$3,120,000) currently due by the Company to McKinsey HK. In addition, the Subscription will enlarge the capital base of the Company. The terms and conditions of the Subscription Agreement, including the subscription price, were concluded after arm's length negotiation between the parties to the Subscription Agreement. The Directors consider that the terms of the Subscription Agreement are fair and reasonable and the Subscription is in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### SHAREHOLDING STRUCTURE BEFORE AND AFTER COMPLETION OF THE SUBSCRIPTION

Set out below is the shareholding structure of the Company immediately before and after completion of the Subscription (based on the existing shareholding structure of the Company):

	Immediately before completion of the Subscription		Immediately after completion of the Subscription	
	No. of Shares	%	No. of Shares	%
Van Shung Chong (B.V.I.) Limited ( <i>Note 1</i> )	301,026,000	19.23	301,026,000	18.86
TN Development Limited ( <i>Note 2</i> )	165,175,600	10.55	165,175,600	10.35
Huge Top Industrial Ltd. ( <i>Note 3</i> )	159,811,344	10.21	159,811,344	10.01
Right Action Offshore Inc. ( <i>Note 4</i> )	102,400,000	6.54	102,400,000	6.41
Public (including the Subscriber)	836,770,953	53.47	867,970,953	54.37
	<u>1,565,183,897</u>	<u>100.00</u>	<u>1,596,383,897</u>	<u>100.00</u>

*Notes:*

1. As at the Latest Practicable Date, Van Shung Chong (B.V.I.) Limited (“VSC BVI”) is a wholly-owned subsidiary of Van Shung Chong Holdings Limited (“VSC”), a company the shares of which are listed on the Main Board and about 54.62% of the issued share capital of which are owned by Huge Top Industrial Ltd. (“Huge Top”, please refer to Note 3 below). The board of directors of VSC BVI comprises Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao, who are Directors.
2. TN Development Limited (“TN Development”) is owned as to 54% by VSC BVI and as to 10% by Mr. Andrew Cho Fai Yao. The board of directors of TN Development comprises Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao.
3. Huge Top is owned as to more than one-third by Mr. Andrew Cho Fai Yao indirectly. The board of directors of Huge Top comprises of Mr. Andrew Cho Fai Yao and Ms. Miriam Che Li Yao.
4. Right Action Offshore Inc. (“Right Action”) is entirely owned by Mr. Andrew Cho Fai Yao.

### GENERAL

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.

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## LETTER FROM THE BOARD

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As at the Latest Practicable Date, there were (i) 1,565,183,897 Shares in issue; (ii) 312,216,103 outstanding Warrants; and (iii) 92,000,000 outstanding Options. According to the instrument of the Warrants and the Share Option Schemes, no adjustment to the subscription prices of Shares payable upon exercise of the subscription rights attaching to the outstanding Warrants and the outstanding Options respectively is required as a result of the Subscription.

According to the Company's annual report for the year ended 31 March 2003, the net tangible assets per Share as at 31 March 2002 and 2003 were HK\$0.0051 (based on audited consolidated net tangible assets of about HK\$7,901,000 and 1,564,500,000 Shares in issue as at 31 March 2002) and HK\$0.0079 (based on audited consolidated net tangible assets of about HK\$12,433,000 and 1,564,503,000 Shares in issue as at 31 March 2003). In addition, the loss per Share and earnings per Share for the years ended 31 March 2002 and 2003 were HK\$0.0114 and HK\$0.0042, respectively. As a result of completion of the Subscription, the amount of US\$400,000 (equivalent to about HK\$3,120,000) due by the Group to McKinsey HK would be set off against the total subscription price of HK\$3,120,000 for all the Subscription Shares. At the same time, Shareholders' equity would be increased by the same amount. Accordingly, the net asset value of the Group would be increased by approximately HK\$3,120,000. On the other hand, the Subscription would not have any impact on the earning position of the Group.

The aggregate subscription price for all the Subscription Shares represents about 23.89% of the adjusted consolidated net tangible assets of the Group based on the Group's audited consolidated net tangible assets as at 31 March 2003 and its unaudited net profit for the three months ended 30 June 2003. The Subscription therefore constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

### **OTHER INFORMATION**

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

By order of the Board

**Drina C. Yue**

*Director and Chief Executive Officer*

## 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 executive's 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 executive 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 5.40 to 5.58 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	Number of Warrants	Number of Options	Aggregate interest	Approximate % of the Company's issued share capital
Mr. Andrew Cho Fai Yao	— Corporate interest held by TN Development (Note 1)	deemed interest (indirectly)	165,175,600	39,260,320	—	204,435,920	13.06
	— Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344	31,962,268	—	191,773,612	12.25
	— Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	301,026,000	60,205,200	—	361,231,200	23.08
	— Corporate interest held by Right Action (Note 4)	100% (directly)	102,400,000	20,480,000	—	122,880,000	7.85
	— Personal interest (Note 5)	100% (directly)	—	—	5,000,000	5,000,000	0.32
			<u>728,412,944</u>	<u>151,907,788</u>	<u>5,000,000</u>	<u>885,320,732</u>	<u>56.56</u>

Name	Type of interest	Attributable interest to the Director	Number of Shares	Number of Warrants	Number of options	Aggregate interest	Approximate % of the Company's issued share capital
Ms. Miriam Che Li Yao	— Corporate interest held by TN Development (Note 1)	deemed interest (indirectly)	165,175,600	39,260,320	—	204,435,920	13.06
	— Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344	31,962,268	—	191,773,612	12.25
	— Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	301,026,000	60,205,200	—	361,231,200	23.08
	— Personal interest (Note 5)	100% (directly)	—	—	7,500,000	7,500,000	0.48
			<u>626,012,944</u>	<u>131,427,788</u>	<u>7,500,000</u>	<u>764,940,732</u>	<u>48.87</u>
Ms. Drina C. Yue	— Personal interest (Note 5)	100% (directly)	—	—	7,000,000	7,000,000	0.45
Mr. Daniel Takuen Shih	— Personal interest (Note 6)	100% (directly)	—	—	2,000,000	2,000,000	0.13

## Notes:

- As at the Latest Practicable Date, TN Development owns 165,175,600 Shares and 39,260,320 Warrants. 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.

2. As at the Latest Practicable Date, 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 54.62% of the issued share capital of 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 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 of Directors may at their discretion, invites 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
Ms. Drina C. Yue	3 July 2000	HK\$0.360	3 July 2000 to 30 September 2001	1 October 2001 to 12 April 2010	2,000,000
	7 November 2000	HK\$0.485	7 November 2000 to 7 November 2001	8 November 2001 to 12 April 2010	5,000,000

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.

6. Employee options to purchase Shares from TN Development held by the Director up to the Latest Practicable Date were as follows:

Name	Employee options granted	Number of employee options held
Mr. Daniel Takuen Shih	2,000,000	2,000,000

*Notes:*

- (i) Mr. Daniel Takuen Shih has been granted an option to purchase 2,000,000 Shares from TN Development, at an exercise price per Share of HK\$0.054, under a share option agreement dated 13 April 2000. Each option may be exercised in whole or in part in the following manner:
- (a) During the period starting from 13 April 2001 to 12 April 2002, the option may be exercised up to one-third of such Shares.
- (b) During the period starting from 13 April 2002 to 12 April 2003, the option may (to the extent not exercised in accordance with (a) above) be exercised up to two-thirds of such Shares.
- (c) During the period starting from 13 April 2003 to 12 April 2004, the option may (to the extent not exercised in accordance with (a) and (b) above) be exercised in full.
- (ii) 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 executive 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 Rules 5.40 to 5.58 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 executive 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	Number of Warrants	Aggregate interest	Approximate % of the Company's issued share capital	Notes
<i>Substantial shareholders of the Company</i>						
VSC BVI	— directly	301,026,000	60,205,200	361,231,200	23.08	
	— indirect deemed interest through TN Development	165,175,600	39,260,320	204,435,920	13.06	
		<u>466,201,600</u>	<u>99,465,520</u>	<u>565,667,120</u>	<u>36.14</u>	1
VSC	— indirectly through VSC BVI	301,026,000	60,205,200	361,231,200	23.08	
	— indirect deemed interest through TN Development	165,175,600	39,260,320	204,435,920	13.06	
		<u>466,201,600</u>	<u>99,465,520</u>	<u>565,667,120</u>	<u>36.14</u>	1 & 2
Huge Top	— directly	159,811,344	31,962,268	191,773,612	12.25	
	— indirectly through VSC BVI	301,026,000	60,205,200	361,231,200	23.08	
	— indirect deemed interest through TN Development	165,175,600	39,260,320	204,435,920	13.06	
		<u>626,012,944</u>	<u>131,427,788</u>	<u>757,440,732</u>	<u>48.39</u>	1, 2 & 3
Perfect Capital	— indirectly through Huge Top	159,811,344	31,962,268	191,773,612	12.25	
	— indirectly through VSC BVI	301,026,000	60,205,200	361,231,200	23.08	
	— indirect deemed interest through TN Development	165,175,600	39,260,320	204,435,920	13.06	
		<u>626,012,944</u>	<u>131,427,788</u>	<u>757,440,732</u>	<u>48.39</u>	1, 2 & 3
TN Development	— directly	165,175,600	39,260,320	204,435,920	13.06	4
<i>Other shareholder of the Company</i>						
Right Action	— directly	102,400,000	20,480,000	122,880,000	7.85	

*Notes:*

1. VSC BVI owns 54% of the share capital of TN Development and is deemed to be interested in the 165,175,600 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 466,201,600 Shares and 99,465,520 Warrants.
2. VSC owns the entire issued share capital of VSC BVI, VSC is therefore deemed to be interested in an aggregate of 466,201,600 Shares and 99,465,520 Warrants.
3. 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 54.62% 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 165,175,600 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 626,012,944 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 executive 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 the case of Mr. Andrew Cho Fai Yao, 1 March 2000 in the case of Ms. Drina C. Yue and 1 April 2000 in the case of Ms. Miriam Che Li Yao. The term of each service contract is continuous unless 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.

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. Ralph David Oppenheimer, a non-executive Director, is the chairman and chief executive of Stemcor Holdings Limited 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. Oppenheimer, 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 Ms. Drina C. Yue. Ms. Yue holds a bachelor degree in electrical engineering and a master degree in computer science from the University of Illinois, Urbana.
- (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 of Directors. The audit committee is also responsible for reviewing and supervising

the Company's financial reporting and internal control procedures. The audit committee comprises two independent non-executive Directors, namely Mr. 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.