

iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

3rd Quarterly Report 2000/2001



THIRD QUARTER RESULTS FOR THE NINE MONTHS ENDED 31ST DECEMBER, 2000

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

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This announcement, for which the directors of iSteelAsia.com Limited ("the Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose of giving information with regard to iSteelAsia.com Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

FINANCIAL RESULTS

HIGHLIGHTS

- For the nine months ended 31st December, 2000, the Group recorded a turnover of approximately HK\$140,497,000, representing a 10% increase as compared to the same period in 1999/2000.
- The Group's loss attributable to shareholders continues to improve. Loss attributable to shareholders decreased to approximately HK\$12,135,000 in Q3, representing a 17% and 64% decrease by comparing to the loss attributable to shareholders incurred in Q2 and Q1 respectively.

	Q3 (Oct to Dec 2000) HK\$'000	Q2 (Jul to Sep 2000) HK\$'000	Q1 (Apr to Jun 2000) HK\$'000
Profit (Loss) attributable to shareholders	(12,135)	(14,615)	(33,350)
Q3's improvement (in %) as compared to prior quarters	n/a	-17%	-64%

- Up till 31st December, 2000, a total of approximately US\$162 million worth of traded transactions have been concluded through iSteelAsia.com since the launching of the website in December 1999.
- In January 2001, the Group completed the 1st stage of investment of US\$3 million into Stemcor, the London-based and the largest independent international steel trader.

RESULTS

The Board of Directors of iSteelAsia.com Limited ("the Company") has the pleasure in presenting the unaudited consolidated results of the Company and its subsidiaries (together "the Group") for the three months and the nine months ended 31st December, 2000, together with the comparative unaudited figures for the corresponding periods in 1999, as follows:

	Note	For the three months ended		For the nine months ended	
		31st December, 2000 HK\$'000	1999 HK\$'000	31st December, 2000 HK\$'000	1999 HK\$'000
Turnover	2	35,042	48,423	140,497	128,096
Cost of sales		<u>(28,828)</u>	<u>(41,491)</u>	<u>(125,689)</u>	<u>(111,826)</u>
Gross profit		6,214	6,932	14,808	16,270
Distribution and selling expenses		(683)	(2,248)	(1,867)	(3,870)
Research and development expenses		(2,938)	(2,245)	(19,487)	(2,245)
Marketing and branding expenses		(1,793)	(3,024)	(13,061)	(3,024)
General and administrative expenses		<u>(13,112)</u>	<u>(3,540)</u>	<u>(42,437)</u>	<u>(5,864)</u>
(Loss) Profit from operations		(12,312)	(4,125)	(62,044)	1,267
Interest income		1,175	—	3,619	63
Interest expense		(423)	—	(657)	—
(Loss) Profit before taxation		(11,560)	(4,125)	(59,082)	1,330
Taxation	3	<u>(575)</u>	<u>(515)</u>	<u>(1,018)</u>	<u>(1,019)</u>
(Loss) Profit attributable to shareholders		<u>(12,135)</u>	<u>(4,640)</u>	<u>(60,100)</u>	<u>311</u>
(Loss) Earnings per share — Basic	4	<u>(0.83) cents</u>	<u>(0.36) cents</u>	<u>(4.17) cents</u>	<u>0.02 cents</u>

FINANCIAL RESULTS

Notes:

1. Basis of presentation

Pursuant to a group reorganisation scheme in preparation for the listing of the Company's shares, the Company became the holding company of the companies comprising the group on 13th April, 2000. The group reorganisation involved companies under common control, and the Company and its subsidiaries resulting from the reorganisation are regarded as a continuing group. Accordingly, the reorganisation has been accounted for on the basis of merger accounting. Details of the group reorganisation are described in the Company's prospectus dated 14th April, 2000.

The unaudited combined income statements for the nine months ended 31st December, 2000 include the results of operations of the Company and its subsidiaries as if the group structure resulting from the aforementioned reorganisation executed on 13th April, 2000 had been in existence throughout the nine months ended 31st December, 2000 or since the dates of incorporation of the respective group companies where these were of a shorter period. The 1999 comparative figures for the three months and the nine months ended 31st December, 1999 have presented on the same basis.

2. Turnover

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

3. Taxation

Taxation consisted of:

	For the three months ended 31st December,		For the nine months ended 31st December,	
	2000	1999	2000	1999
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Current taxation				
— Hong Kong profits tax	<u>575</u>	<u>515</u>	<u>1,018</u>	<u>1,019</u>

Hong Kong profits tax was provided at the rate of 16% (1999 — 16%) on the estimated assessable profit arising in or derived from Hong Kong.

There was no significant unprovided deferred taxation as at 31st December, 2000.

4. (Loss) Earnings per share

The calculations of basic loss per share for the three months and the nine months ended 31st December, 2000 were based on the unaudited consolidated loss attributable to shareholders of approximately HK\$12,135,000 (1999 — HK\$4,640,000) and HK\$60,100,000 (1999 — profit of HK\$311,000), respectively, and on the weighted average number of 1,454,500,000 (1999 — 1,280,000,000) shares and 1,442,443,636 (1999 — 1,280,000,000) shares in issue during the three months and the nine months ended 31st December, 2000, respectively, assuming the 1,280,000,000 shares issued pursuant to the group reorganisation described in Note 1 had been outstanding throughout the nine months ended 31st December, 2000.

Diluted (loss) earnings per share for the three months and the nine months ended 31st December, 2000 and the three months and the nine months ended 31st December, 1999 are not presented because the exercise of the share options granted by the Company would have an anti-dilutive effect.

5. Dividends

The Directors do not recommend the payment of an interim dividend for the nine months ended 31st December, 2000.

FINANCIAL REVIEW

The global environment of the steel industry for the past few months has experienced an extremely challenging period over many years. With the oversupply of steel products from third countries, for example, Japan's quayside inventory level has increased to the highest level since the last 17 months, and the overall steel prices are in a downtrend due to an overbuilt supply capacity and softening of the economy. Many international countries are trying to implement some anti-dumping measures to protect their local businesses. These macro economical factors have adversely affected the operating environment of the Group.

Against such adverse economic condition, the Board of Directors is pleased to report the Group's third quarter results for the year 2000/2001. For the nine months ended 31st December, 2000, the Group recorded a turnover of approximately HK\$140,497,000, representing a 10% increase as compared to the same period in 1999/2000. As iSteelAsia.com was only launched in December 1999, the general and administrative expenses were increased substantially as compared to the three months ended 31st December, 1999 with an increase in headcount, rental expenses and expansion of business. In order to have a reasonable evaluation of online steel trading operation, performance of online steel trading operation was compared between the periods for the three months ended 31st December, 2000 ("Q3") and the three months ended 30th September, 2000 ("Q2"). The turnover for both online and traditional steel trading operations has dropped 29% to approximately HK\$35,042,000 by comparing turnover in Q3 against Q2. The drop was mainly due to an extended depression in the steel industry as stated before with prices falling in the range of 14% to 34% in long and flat products for the past few months and thus caused a shrink in transaction tonnage and also transaction volume. This fall in the prices of steel products represented a new low in the recent decade. The gross profit percentage from traditional steel trading operation has however attained an impressive growth from approximately 5% to approximately 12% by comparing results in Q3 against Q2 through the Group's effort to focus more on higher margin products. As a whole, the Group's gross profit percentage has also increased by 5% when comparing Q3 with Q2. This confirms the concerted effort by the Group to effectively combining old economy and new economy is crucial to the success of the Group's business model. In addition, the Group has also endeavored to strengthen its revenue stream by capturing values from resources spent on research and development as well as from alliances with other parties. For the nine months ended 31st December, 2000, commission income of approximately HK\$8,435,000 was derived from online steel trading services. Up to 31st December, 2000, a total of approximately US\$162 million worth of traded transactions have been concluded through iSteelAsia.com since the launching of the website in December 1999.

On the cost side, our operating cost has been dramatically decreased from approximately HK\$37,071,000 for the three months ended 30th June, 2000 ("Q1") to HK\$18,526,000 in Q3. This also represents a 13% drop as compared to approximately HK\$21,255,000 in Q2. The management is pleased to report that this ongoing substantial cost reduction is not through any exceptional means like redundancy, instead it is mainly attributable to the significant decreases in marketing and branding expenses through a strategy of fringe marketing, as well as a more efficient utilisation of research and development expenses.

With our highly focused marketing efforts in Q1, a strong brand "iSteelAsia.com" has been successfully built. In addition, during the start-up stage in Q1, the Group had made substantial investments to pave the way for future long-term sustainable profitability. As a result, marketing and branding expenses decreased both 78% and 40% by comparing results in Q3 against Q1 and Q2 respectively. Similarly, research and development expenses decreased 79% from approximately HK\$14,141,000 to HK\$2,938,000 by comparing results in Q3 against Q1.

As a result of all these efforts and achievements, the Group's loss attributable to shareholders has been continuously decreased to approximately HK\$12,135,000 in Q3, representing a 17% and 64% decrease by comparing to the loss attributable to shareholders incurred in Q2 and Q1 respectively.

Analysis of membership, transaction postings, completed transaction volume and commission income have all indicated continued and healthy growth since the listing of the Company on 20th April, 2000. Since the Group's listing in April, 2000, membership has grown 110%, transaction postings have grown 399%, completed transaction volume has grown 387% and commission income has grown 610%.

Synergies creation by merging old economy and new economy

In January 2001, the Group completed the 1st stage of investment of US\$3 million into the London-based and the largest independent international steel trader, Stemcor Holdings Limited ("Stemcor") by acquiring a strategic stake of approximately 3.5%. As part of the acquisition, Stemcor committed to transact a portion of its steel trading volume through iSteelAsia.com. This investment will most definitely add to boost the Group's online trading platform's liquidity while at the same time opens the door to access Stemcor's knowledge base both in terms of value-added service and steel trading. Stemcor has been in the steel industry for more than 50 years and has well developed networks with value-added service providers such as financial institutions and logistics providers. Given the background of Stemcor as a neutral and independent steel trader, and its well established global presence, the Company is in an advantageous position to leverage on these resources to further strengthen its competitiveness in the steel industry.

Global vision, Asian focus

The Group continues to focus its strategy on international cross-border trading as well as domestic trading with an Asian focus. In Asia, the Group also seeks to capture additional business opportunities by developing country specific website in certain countries. In India, the Group has initiated resources to establish a steel portal focusing on the Indian domestic market (iSteelIndia.com) using a franchise model. Initially, the Company will partner with Himachal Futuristic Communications Limited ("HFCL"), a leading Indian technology company, Consolidated Press Holdings ("CPH"), a leading Australian multimedia company, and Stemcor to set up the new venture. The Group will take a strategic stake in iSteelIndia.com by providing its platform and technology support under license. The Group believes that a country specific platform will create ample value propositions to steel industry participants by offering a more efficient and cost saving steel sourcing channel. The Group is also progressively pursuing domestic joint ventures or franchises in its other key Asian markets like China and Korea.

For markets outside Asia, the Group is continuing to explore suitable opportunities that offer synergy to strengthen our market position globally. The Group believes that the current consolidation in the marketplace will bring tremendous opportunities to the Group.

Customers Focus

After an aggressive membership drive, the Group has started in the third quarter to focus its resources in helping these members to appreciate the benefits of an online platform. The approach is through a very systematic account management program that involves close interactions with iSteelAsia.com's members. It is the Group's belief that customer satisfaction is the key to path to profitability. Supported by a core key account management team in conjunction with the Electronic Customer Relationship Management ("eCRM") team and training team, the Group ensures the customers experience the first-class services with iSteelAsia.com. New key account managers have been hired and processes are put in place. Key steel mills, traders and end-users are assigned a dedicated account manager. The key account manager is responsible for acquiring, developing and servicing each major user with the intention to provide an efficient and professional service and thus retaining them. These key account managers are supported by a training team and a customer service team to help in familiarising user staff with the platform and dealing with any problems that may arise. In addition, iSteelAsia.com distributes newsletters both online (iSteel Focus) and offline (Forging Ahead) to its members (customers) so that timely useful market information is being disseminated.

Human Resources Focus

The Group strongly believes human capital is a key success factor for the fast growing business-to-business ("B2B") e-Commerce market. The Group has continued to build, refine and strengthen its organisation with vast diversity in human talent to fulfill the needs in the ever-changing environment in the Internet world. The existing management team shares a wide range of expertise from steel trading, telecommunication, banking and finance, technology, logistics, marketing, customer services and legal.

OUTLOOK

Despite the difficult market situation encountered in the previous quarter, the Group is optimistic about the future outlook of online steel trading market in the world given the synergies created and the Group's achievements since the launching of iSteelAsia.com. With the importance of economy of scale and global reach, industry consolidation is likely to occur. The Group continues to proactively investigate several options to drive consolidation and broaden its geographical reach. In addition, further growth options exist through the Group's strong technology and domain expertise, which it may leverage into new businesses over time.

The Group continues its aim to be the dominant online steel trading network in Asia by providing efficient and cost saving services for customers throughout the entire steel ecosystem.

DIRECTORS' INTEREST IN SHARES

As at 31st December, 2000, the interests of the directors and the chief executives of the Company in the share capital of the Company or any of its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance")) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Ordinary shares ("the Shares") of the Company of HK\$0.10 each

Name	Type of Interest	Attributable interest to the Director	Number of Shares	Total number of Shares
Mr. Andrew Cho Fai Yao	— Corporate interest held by TN (Note 1)	deemed interest (indirectly)	245,760,000	
	— Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344	
	— Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	278,000,000	
	— Corporate interest held by Right Action (Note 4)	100% (directly)	102,400,000	785,971,344
Ms. Miriam Che Li Yao	— Corporate interest held by TN (Note 1)	deemed interest (indirectly)	245,760,000	
	— Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	159,811,344	
	— Corporate interest held by VSC BVI (Note 3)	through Huge Top (indirectly)	278,000,000	683,571,344
Mr. Moses Kwok Tai Tsang	— Corporate interest held by Oboe (Note 5)	100% (directly)	51,200,000	51,200,000
Mr. Philip King Huen Ma	— Corporate interest held by S & S (Note 6)	—	159,324	159,324

Notes:

- As at 31st December, 2000, TN Development Limited ("TN") owns 245,760,000 Shares. Van Shung Chong (B.V.I.) Limited ("VSC BVI") owns 54% of the issued share capital of TN and Andrew Cho Fai Yao owns 10% of the issued share capital of TN. The board of directors of TN only comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.

All Shares held by TN 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 14th April, 2000. The sole purpose of TN 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 31st December, 2000, Huge Top Industrial Ltd. ("Huge Top") owns 159,811,344 Shares. Andrew Cho Fai Yao directly and indirectly owns more than one-third of the issued share capital of Huge Top. The board of directors of Huge Top only comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.
- As at 31st December, 2000, VSC BVI owns 278,000,000 Shares and Huge Top owns approximately 57.59% of the issued share capital of Van Shung Chong Holdings Limited ("VSC"). Andrew Cho Fai Yao is a director of VSC. VSC BVI is a wholly-owned subsidiary of VSC. The board of directors of VSC BVI comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the issued Shares of the Company were corporate interests.
- As at 31st December, 2000, Right Action Offshore Inc. ("Right Action") owns 102,400,000 Shares. 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.
- As at 31st December, 2000, Oboe Development Trading Limited ("Oboe") owns 51,200,000 Shares of which Moses Kwok Tai Tsang is the sole director and sole shareholder. These interests were corporate interests in the Company. Mr. Tsang resigned as the non-executive director of the Company with effect from 23rd January, 2001.
- As at 31st December, 2000, S & S Management Co. Ltd. ("S & S") owns 159,324 Shares. Philip King Huen Ma is deemed to be interested in these 159,324 Shares.

(b) Employee options to purchase Shares from TN:

Name	Shares to be acquired under the employee options
Ms. Drina C. Yue (Note 1)	30,720,000
Mr. Daniel Takuen Shih (Note 1)	2,000,000

Note:

- Each of Drina C. Yue and Daniel Takuen Shih has been granted an option to purchase 30,720,000 Shares and 2,000,000 Shares respectively from TN, at an exercise price per Share of HK\$0.054, under separate share option agreements both dated 13th April, 2000. The option shall vest starting on 13th April, 2001 and may be exercised in whole or in part in the following manner:
 - During the period starting from 13th April, 2001 to 12th April, 2002, the option may be exercised up to one-third of such Shares.
 - During the period starting from 13th April, 2002 to 12th April, 2003, the option may (to the extent not be exercised in accordance with (a) above) be exercised up to two-thirds of such Shares.
 - During the period starting from 13th April, 2003 to 12th April, 2004, the option may (to the extent not be exercised in accordance with (a) and (b) above) be exercised in full.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option scheme approved by the shareholders on 13th April, 2000 (the "Share Option Scheme"), the Board of Directors of the Company may, at their discretion, invite any employee of the Company or any of the group companies, including any executive directors, to take up options to subscribe for Shares in the Company. The maximum number of Shares in respect of which options may be granted under the Share Option Scheme may not exceed 10% of the issued share capital of the Company. The scheme became effective upon the listing of the Company's Shares on 20th April, 2000.

FINANCIAL RESULTS

Pursuant to the Share Option Scheme of the Company, the share options granted to and held by the Directors up to 31st December, 2000 were as follows:

Name	Date of grant	Exercise price per Share	Exercise period	No. of shares options
Ms. Drina C. Yue	3rd July, 2000	HK\$0.36	1st October, 2001 to 12th April, 2010	2,000,000
	7th November, 2000	HK\$0.485	8th November, 2001 to 12th April, 2010	5,000,000
Ms. Miriam Che Li Yao	3rd July, 2000	HK\$0.36	1st October, 2001 to 12th April, 2010	2,500,000
	7th November, 2000	HK\$0.485	8th November, 2001 to 12th April, 2010	5,000,000
Mr. Andrew Cho Fai Yao	7th November, 2000	HK\$0.485	8th November, 2001 to 12th April, 2010	5,000,000

Save as disclosed above, and other than in connection with the group reorganisation scheme prior to the Company's listing of Shares, at no time during the period was the Company or any of the companies comprising the Group a party to any arrangement to enable the Company's Directors or their associates to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2000, according to the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, those shareholders (other than those interests of Directors disclosed above) having an interest of 10% or more of the issued share capital of the Company are as follows:

Name		Number of Shares	Total number of Shares	Notes
VSC BVI	— directly	278,000,000		
	— indirect deemed interest through TN	245,760,000	523,760,000	1
VSC	— indirectly through VSC BVI	278,000,000		
	— indirect deemed interest through TN	245,760,000	523,760,000	1 & 2
Huge Top	— directly	159,811,344		
	— indirectly through VSC BVI	278,000,000		
	— indirect deemed interest through TN	245,760,000	683,571,344	1, 2 & 3
TN	— directly	245,760,000	245,760,000	4
Mr. Leroy Lin Yuen Kung	— indirectly through Grand Bridge	204,800,000	204,800,000	5
Galaface Limited	— indirectly through Grand Bridge	204,800,000	204,800,000	5
Asian Gold Associates Limited	— indirectly through Grand Bridge	204,800,000	204,800,000	5
iMerchants Group Limited	— indirectly through Grand Bridge	204,800,000	204,800,000	5
Grand Bridge Enterprises Limited	— directly	204,800,000	204,800,000	5

Notes:

- VSC BVI owns 54% of the share capital of TN and is deemed to be interested in the 245,760,000 Shares held by TN. VSC BVI directly owns 278,000,000 Shares. VSC BVI is therefore interested in an aggregate of 523,760,000 Shares.
- VSC owns the entire issued share capital of VSC BVI, VSC is therefore deemed to be interested in an aggregate of 523,760,000 Shares.
- Huge Top is beneficially interested in approximately 57.59% of the issued share capital of VSC as at 31st December, 2000 and is therefore deemed to be interested in the 245,760,000 Shares held by TN and the 278,000,000 Shares held by VSC BVI. Huge Top also directly owns 159,811,344 Shares. Huge Top is therefore interested in an aggregate of 683,571,344 Shares.
- All Shares held by TN 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 14th April, 2000. The sole purpose of TN 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.
- Grand Bridge Enterprises Limited ("Grand Bridge") directly owns 204,800,000 Shares. Grand Bridge is a wholly-owned subsidiary of iMerchants Group Limited which is a wholly-owned subsidiary of Asian Gold Associates Limited ("AGA"). AGA is a company in which Galaface Limited is entitled to exercise more than one-third of its voting power. Galaface Limited is a company owned and controlled by Mr. Leroy Lin Yuen Kung.

SPONSOR'S INTERESTS

As updated and notified by the Company's sponsor, BNP Paribas Peregrine Capital Limited (formerly known as BNP Prime Peregrine Capital Limited) ("the Sponsor"), as at 31st December, 2000, an associated company of the Sponsor held 2,500,000 Shares in the Company, representing approximately 0.17% of the issued share capital of the Company.

Save as disclosed herein, neither the Sponsor nor its director or employees or associates (as referred to in Note 3 to rule 6.35 of the GEM Listing Rules) had any interests in the securities of the Company, including options or rights to subscribe for such securities.

Pursuant to the agreement entered into between the Company and the Sponsor, the Sponsor will receive a fee for acting as the Company's retained sponsor for the period from 20th April, 2000 to 30th April, 2003.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) has an interest in a business which competes or may compete with the business of the Group.

PURCHASES, 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 nine months ended 31st December, 2000.

AUDIT COMMITTEE

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. Yeung Kwok Keung and Mr. Philip King Huen Ma.

On behalf of the Board of Directors
DRINA C. YUE
Director

Hong Kong, 13th February, 2001