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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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This circular is for information purposes only and does not constitute an invitation or offer to acquire or subscribe for securities.

**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 iSteelAsia.com Limited, you should at once hand this circular to the purchaser or to the transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

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.

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*iSteelAsia.com*  
**iSteelAsia.com Limited**  
*(Incorporated in Bermuda with limited liability)*

**DISCLOSEABLE TRANSACTION  
SUBSCRIPTION OF NEW SHARES  
IN STEMCOR HOLDINGS LIMITED**

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This circular will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) and on the website of iSteelAsia.com Limited at [www.isteelasia.com](http://www.isteelasia.com).

22nd December, 2000

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## CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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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, shareholders of the Company should note that they need to have access to the GEM website in order to obtain up-to-date information on GEM listed issuers.

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## DEFINITIONS

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

“Agreed Completion Accounts”	the Year 2000 Accounts reviewed by ISAS’s accountants and agreed between Stemcor’s accountants and ISAS’s accountants in accordance with the terms of the Subscription Agreement
“Audited Net Assets”	the audited consolidated net assets of the Stemcor Group as at 31st December, 2000, excluding the subscription price of the Tranche A Shares and any assets acquired therewith
“Audited Net Trading Profit”	the audited consolidated net profit after taxation of the Stemcor Group from Steel Trading for the year ending 31st December, 2000
“Board”	the board of Directors
“Bye-laws”	the bye-laws of the Company adopted on 13th April, 2000, a summary of which is set out in the section headed “Bye-laws” in Appendix IV of the Prospectus
“Company”	iSteelAsia.com Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on GEM
“Directors”	the directors of the Company
“Final Agreed Valuation”	the amount equal to the greater of 10 times the Audited Net Trading Profit and 1.5 times the Audited Net Assets (but excluding the subscription price of the Tranche A Shares to be paid to Stemcor and any assets acquired by Stemcor therewith) as shown in the Agreed Completion Accounts
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of the Hong Kong Limited
“Group”	the Company and its subsidiaries
“Initial Agreed Valuation”	being the higher of (i) 10 times the aggregate of the profit from Steel Trading identified in Stemcor’s unaudited management accounts for the period from 1st January, 2000 to 30th November, 2000 and one month of forecast profit for December 2000; and (ii) 1.5 times the consolidated net assets identified in Stemcor’s unaudited management accounts as at 30th November, 2000 and any change forecast to have taken place as at 31st December, 2000 (assuming the disposition of any assets relating to the Other Activities)
“ISABVI”	iSteelAsia Limited, an indirect wholly-owned subsidiary of the Company
“ISAS”	iSteelAsia (Stemcor) Holdings Limited, a company incorporated in the British Virgin Islands and an indirect wholly-owned subsidiary of the Company

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## DEFINITIONS

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“Latest Practicable Date”	20th December, 2000, 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 options market) and which stock market continues to be operated by the Stock Exchange in parallel with GEM
“Other Activities”	businesses which are in the process of being closed down or disposed of by the Stemcor Group
“Prospectus”	the prospectus of the Company dated 14th April, 2000
“Put Option”	an option which may be granted to ISAS to require Stemcor to buy back Tranche A Shares (as adjusted) and Tranche B Shares (as adjusted and assuming that Tranche B Option is exercised) in full
“Put Option Agreement”	an ancillary agreement expected to be entered into between ISAS and Stemcor, on or before 29th December, 2000 in relation to the Put Option
“Revenue Option Agreement”	an ancillary agreement expected to be entered into between TN Development and Stemcor, on or before 29th December, 2000 pursuant to which TN Development may grant options to Stemcor as a Founding Member (as defined in the Prospectus)
“SDI Ordinance”	Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
“Share(s)”	share(s) of HK\$0.10 each in the capital of the Company
“Steel Products”	steel and steel products traded on the iSteelAsia.com portal
“Steel Trading”	all the businesses of the Stemcor Group (except the Other Activities) which is to say the buying and selling of steel products and steelmaking raw materials on a proprietary or agency basis, together with ancillary services in related areas such as stockholding, processing, arranging shipping and transportation, arranging insurance of steel products, other financial services and incidental trade in other commodities, all carried out in order to facilitate and increase the profitability of steel trading
“Stemcor”	Stemcor Holdings Limited, a private company incorporated in the UK
“Stemcor Group”	Stemcor and its subsidiaries
“Stemcor Share(s)”	ordinary share(s) of £1.00 each in the issued share capital of Stemcor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Subscription”	the subscription by ISAS of Tranche A Shares on the terms and conditions under the Subscription Agreement
“Subscription Agreement”	the share subscription agreement dated 1st December, 2000, entered into between the Company, ISAS and Stemcor regarding the subscription of new shares in Stemcor
“TN Development”	TN Development Limited, a company incorporated in the British Virgin Islands with limited liability
“Tranche A Shares”	new Stemcor Shares to be subscribed for at the consideration of US\$3 million by ISAS pursuant to the Subscription Agreement
“Tranche B Option”	an option granted by Stemcor to ISAS to acquire Tranche B Shares
“Tranche B Shares”	additional Stemcor Shares to be acquired by ISAS upon exercise of the Tranche B Option
“Tranche C Option”	an option granted by Stemcor to ISAS to acquire Tranche C Shares
“Tranche C Shares”	additional Stemcor Shares to be acquired by ISAS upon exercise of the Tranche C Option
“VSC”	Van Shung Chong Holdings Limited, a company incorporated in Bermuda, the securities of which are listed on the Main Board of the Stock Exchange
“VSC Group”	VSC and its subsidiaries
“Website Trading Agreement”	an ancillary agreement expected to be entered into between ISABVI and Stemcor, on or before 29th December, 2000 regarding the commitments by Stemcor to make purchases or sales of Steel Products through the iSteelAsia.com portal
“Year 2000 Accounts”	the audited consolidated balance sheet of the Stemcor Group as at 31st December, 2000 which shall include the Audited Net Assets and the audited consolidated profit and loss account of the Stemcor Group for the year ending on 31st December, 2000 which shall include the Audited Net Trading Profit. Such accounts are expected to be provided by Stemcor to ISAS no later than 31st March, 2001
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“£”	Pound Sterling, the lawful currency of United Kingdom
“US\$”	United States dollars, the lawful currency of the United States of America
“UK”	United Kingdom

*Note:* For the purpose of illustration only, translation of pound Sterling, US dollars and Renminbi into Hong Kong dollars is based on the exchange rates of £1.00 = HK\$11.14, US\$1.00 = HK\$7.80 and RMB1.00 = HK\$0.93 respectively.

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## LETTER FROM THE BOARD

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*iSteelAsia.com*

**iSteelAsia.com Limited**

*(Incorporated in Bermuda with limited liability)*

*Board of Directors:*

Andrew Cho Fai Yao (*Chairman and Chief Executive Officer*)

Miriam Che Li Yao (*Deputy Chairman*)

Drina C. Yue (*Chief Operating Officer*)

Moses Kwok Tai Tsang\*

Lena Foo\*

Daniel Takuen Shih\*

Yeung Kwok Keung\*\*

Philip King Huen Ma\*\*

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and*

*principal place of business*

52nd Floor, The Center

99 Queen's Road Central

Hong Kong

\* *Non-executive Directors*

\*\* *Independent Non-executive Directors*

22nd December, 2000

*To the shareholders of the Company*

Dear Sir or Madam,

### **DISCLOSEABLE TRANSACTION SUBSCRIPTION OF NEW SHARES IN STEMCOR HOLDINGS LIMITED**

#### **INTRODUCTION**

It was announced on 1st December, 2000, that the Subscription Agreement had been entered into between the Company, ISAS and Stemcor, pursuant to which:

- (i) ISAS, an indirect wholly-owned subsidiary of the Company, had conditionally agreed to subscribe for the Tranche A Shares at a cash consideration of US\$3 million (approximately HK\$23.4 million); and
- (ii) Stemcor granted to ISAS the Tranche B Option and the Tranche C Option to subscribe for the Tranche B Shares and the Tranche C Shares at a consideration of US\$5 million (approximately HK\$39 million) and US\$8 million (approximately HK\$62.4 million) respectively.

In connection with the Subscription Agreement, a number of ancillary agreements/arrangements, including, the Put Option Agreement, Revenue Option Agreement and Website Trading Agreement are presently expected to be entered into between Stemcor and ISAS and/or ISABVI and/or TN Development on or before 29th December, 2000.

Based on the adjusted net tangible assets of the Company as at 30th September, 2000, the Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to provide the shareholders of the Company with further information relating to the Subscription.

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## LETTER FROM THE BOARD

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### THE SUBSCRIPTION

The Subscription Agreement was entered into between the Company, ISAS and Stemcor on 1st December, 2000 pursuant to which ISAS had conditionally agreed to subscribe for new shares in Stemcor which is a private company and not a connected person (as defined under the GEM Listing Rules) of the Company. The obligations of ISAS under the Subscription Agreement are guaranteed by the Company.

#### The Subscription

ISAS had conditionally agreed to subscribe for the Tranche A Shares for a total cash consideration of US\$3 million (approximately HK\$23.4 million). The consideration has been determined after arm's length negotiations.

The number of Tranche A Shares which will be issued upon completion of the Subscription is initially determined based on the Initial Agreed Valuation of Stemcor. It is currently expected that Tranche A Shares will represent approximately 3.5% of the issued share capital of Stemcor as enlarged by the issue of Tranche A Shares.

The number of Tranche A Shares under the Subscription is subject to adjustment. Once the Agreed Completion Accounts are available, the Final Agreed Valuation will be calculated based on the higher of (i) 10 times the Audited Net Trading Profit and (ii) 1.5 times the Audited Net Assets (but excluding the subscription price of Tranche A Shares to be paid to Stemcor and any assets acquired by Stemcor therewith) as shown in the Agreed Completion Accounts. If the Final Agreed Valuation is higher or lower than the Initial Agreed Valuation, the number of Tranche A Shares will then be revised upwards or downwards (as the case may be) to equal the number that would have applied if the Final Agreed Valuation had been used in calculating and deriving the number of Tranche A Shares.

#### The Options

Under the Subscription Agreement, Stemcor has granted to ISAS the Tranche B Option and the Tranche C Option to subscribe for additional Stemcor Shares.

Under the Tranche B Option, ISAS has the option to subscribe for a certain number of Stemcor Shares for a total consideration of US\$5 million (approximately HK\$39 million).

Notice to exercise the Tranche B Option must be provided to Stemcor no earlier than the date on which the Year 2000 Accounts are delivered by Stemcor to ISAS. In the event that the Year 2000 Accounts are delivered by Stemcor to ISAS on or before 31st March, 2001, notice to exercise the Tranche B Option must be provided to Stemcor no later than 31st May, 2001. However, if the Year 2000 Accounts are delivered by Stemcor to ISAS after 31st March, 2001, notice to exercise the Tranche B Option must be provided to Stemcor within two months after the date on which the Year 2000 Accounts are delivered by Stemcor to ISAS.

Under the Tranche C Option, ISAS has the option to subscribe for a certain number of Stemcor Shares for a total consideration of US\$8 million (approximately HK\$62.4 million).

Notice to exercise the Tranche C Option must be provided to Stemcor no earlier than the date on which Stemcor delivers the Year 2000 Accounts to ISAS. In the event that the Year 2000 Accounts are delivered by Stemcor to ISAS on or before 31st March, 2001, notice to exercise the Tranche C Option must be provided to Stemcor no later than 31st August, 2001. However, if the Year 2000 Accounts are delivered by Stemcor to ISAS after 31st March, 2001, notice to exercise the Tranche C Option must be provided to Stemcor within five months after the date on which the Year 2000 Accounts are delivered by Stemcor to ISAS.



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## LETTER FROM THE BOARD

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The number of Stemcor Shares under the Tranche B Option and the Tranche C Option is also determined based on the Initial Agreed Valuation of Stemcor and is also subject to the same adjustment as referred to in the paragraph “The Subscription” above.

Based on the total number of issued shares of Stemcor as at the Latest Practicable Date and the anticipated Initial Agreed Valuation of Stemcor, it is currently expected that:

- (i) the number of Stemcor Shares to be acquired upon the exercise of Tranche B Option will represent approximately 5.5% of the issued share capital of Stemcor as enlarged by the Stemcor Shares to be acquired upon completion of the Subscription and upon exercise of the Tranche B Option; and
- (ii) the number of Stemcor Shares to be acquired upon the exercise of Tranche C Option will represent approximately 8.1% of the issued share capital of Stemcor as enlarged by the Stemcor Shares to be acquired upon completion of the Subscription and upon exercises of the Tranche B Option and the Tranche C Option.

### Conditions of the Subscription

ISAS is not obliged to complete the Subscription unless the following remaining conditions are satisfied or waived by ISAS:

- (i) the representations and warranties made by Stemcor in the Subscription Agreement shall be true and correct;
- (ii) all government approvals and all consents, waivers or approvals of any third party necessary for the consummation by Stemcor of the transactions relating to the Subscription shall have been obtained to the reasonable satisfaction of ISAS;
- (iii) there shall be no order of any court or government agency outstanding and no litigation (civil or criminal), arbitration, inquiry or other administrative proceedings by or before any competent government authority or pre-litigation claim or demand pending or ongoing against the Stemcor Group, wherein an unfavourable injunction, judgment, order, decree, ruling or charge would (a) prevent consummation of such transactions, (b) cause any of such transactions to be rescinded following consummation, (c) affect adversely the right of ISAS to own Tranche A Shares and/or Tranche B Shares and/or Tranche C Shares or exercise its rights thereunder or (d) otherwise have a material adverse effect on Stemcor or any of its subsidiaries, its assets or its business;
- (iv) ISAS shall have completed its legal, financial and technical due diligence of the Stemcor Group; provided, however, that if within four weeks after the date of the Subscription Agreement ISAS shall not have terminated the Subscription Agreement based on its dissatisfaction with the results of such due diligence, this condition shall be deemed to have been waived;
- (v) the Stemcor Group’s businesses shall have been carried on in the ordinary course of business and there shall have been no material adverse change in the Stemcor Group and its businesses taken as a whole from 31st December, 1999 to the date of completion of the Subscription;
- (vi) Stemcor shall have divested itself of substantially all of the assets and discontinued all of the activities constituting part of the Other Activities;
- (vii) Stemcor shall have performed and complied with all of its covenants under the Subscription Agreement and any other agreement among the parties of the Subscription Agreement in all material respects; and

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## LETTER FROM THE BOARD

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(viii) the ancillary agreements/arrangements shall have been executed and delivered by all relevant parties.

Stemcor is not obliged to complete the Subscription unless the following remaining conditions are satisfied or waived by Stemcor:

- (i) the representations and warranties made by the Company in the Subscription Agreement shall be true and correct;
- (ii) prior to the completion of the Subscription, the Subscription Agreement and the issuances of the Tranche A Shares, the Tranche B Shares and the Tranche C Shares shall have been approved by the shareholders of Stemcor and all other requirements of section 165 of the Companies Act 1985 of the UK shall have been complied with;
- (iii) the ancillary agreements/arrangements shall have been executed and delivered by all relevant parties;
- (iv) ISAS shall have performed and complied with all of its covenants under the Subscription Agreement in all material respects as of completion of the Subscription; and
- (v) there shall be no order of any court or government agency outstanding and no litigation (civil or criminal), arbitration, inquiry or other administrative proceedings by or before any competent government authority or pre-litigation claim or demand pending or ongoing against ISAS, wherein an unfavourable injunction, judgment, order, decree, ruling or charge would (a) prevent consummation of any of the transactions hereunder or (b) cause any of the transactions under the Subscription Agreement to be rescinded following consummation.

**If the aforesaid conditions are not completed or waived by ISAS and Stemcor (as appropriate), the Subscription will not proceed.**

### **Exclusivity**

Stemcor has agreed not to engage in discussions that will lead to commercial undertakings or arrangements of any business relationship with any third party that operates an online steel trading portal that competes with the iSteelAsia.com portal. Stemcor will be permitted to offer or purchase steel on other online steel trading portals other than the iSteelAsia.com portal in the ordinary course of business; provided that the board of directors of Stemcor affirmatively determines that the conduct of such business and the volume of such trading on any other portal is not and will not be detrimental to the strategic alliance of Stemcor with the Company.

### **Completion of the Subscription**

Completion of the Subscription will take place on the second business day following the due fulfilment or waiver of the conditions above or on such other date as may be agreed in writing between Stemcor and ISAS but is expected to be no later than 29th December, 2000.

Promptly after completion of the Subscription, the Company will procure the Board to appoint a nominee of Stemcor to the Board, to serve on the same basis as the other non-executive Directors of the Board, who is subject to retirement by rotation and re-election at the annual general meeting in accordance with the Bye-laws of the Company, and Stemcor will procure the election of a nominee of ISAS to the board of directors of Stemcor, to serve as a non-executive director.

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## LETTER FROM THE BOARD

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However, if ISAS at any time after 31st December, 2002 holds less than 5% of the issued share capital of Stemcor as at 1st December, 2000, representing approximately 285,107 Stemcor Shares, ISAS then will no longer be entitled to nominate any director to the board of directors of Stemcor.

Stemcor has undertaken to ISAS that from the date of completion of the Subscription and so long as ISAS has the right to nominate a director to the board of directors of Stemcor, it shall not without the consent of the director nominated by ISAS enter into any business other than Steel Trading, which shall include such investments, ancillary and related activities within the steel and related businesses as are commonly engaged in by steel trading companies as part of the ordinary course of their business.

### **Put Option Agreement**

The Put Option Agreement is expected to be entered into between ISAS and Stemcor on or before 29th December, 2000. Under the terms of the Put Option Agreement, ISAS may be granted the Put Option to require Stemcor to buy back all of the Tranche A Shares (as adjusted) and Tranche B Shares (as adjusted and assuming that Tranche B Option is exercised) for US\$3 million and US\$5 million respectively, such amounts being the respective subscription price paid by ISAS. The Put Option will be exercisable by ISAS no earlier than 30th April, 2002 and no later than 31st October, 2002. Further, no put option for Tranche C Shares will be granted by Stemcor to the Company under the Put Option Agreement.

**The Directors would like to emphasise that the agreement has not been finalised and will be subject to further changes and amendments.**

### **Website Trading Agreement**

The Website Trading Agreement is expected to be entered into between ISABVI and Stemcor on or before 29th December, 2000 pursuant to which Stemcor will undertake to complete purchases and sales of Steel Products on the iSteelAsia.com portal in the amount of at least 750,000 tonnes during the six-month period following the date of completion of the Subscription and (ii) an additional 750,000 tonnes during the nine-month period thereafter.

**The Directors would like to emphasise that the agreement has not been finalised and will be subject to further changes and amendments.**

### **Revenue Option Agreement**

The Revenue Option Agreement (as referred in the announcement of the Company dated 1st August, 2000 as the New Revenue Option Agreement) is also expected to be entered into between the Company and Stemcor on or before 29th December, 2000 pursuant to which Stemcor will also become a Founding Member (as defined in the Prospectus) of the Company. The Revenue Option Agreement allows Founding Members to acquire certain existing Shares from TN Development at a predetermined price based on the volume of trades conducted through the iSteelAsia.com portal. In the case of Stemcor, and in relation to the Revenue Option Agreement, the initial commitment of 750,000 tonnes under the Website Trading Agreement will not be eligible for credit under the Revenue Option Agreement. However, if ISAS exercises the Put Option, any trades completed by Stemcor on the iSteelAsia.com portal after the date of completion of the Subscription will be eligible for credit under the Revenue Option Agreement.

**The Directors would like to emphasise that the agreement has not been finalised and will be subject to further changes and amendments.**

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## LETTER FROM THE BOARD

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### INFORMATION ON STEMCOR

Stemcor was founded in 1951 with its headquarters in London and is principally engaged in international steel trading. The Stemcor Group also operates as a global provider of specialist services to the steel and metals industries, in areas such as marketing, procurement, logistics and trade finance. Stemcor's main trading centres are located in London, Dusseldorf, New York, Singapore and Sydney. The Stemcor Group also maintains offices in Bangkok, Beijing, Bucharest, Dnepropetrovsk, Dubai, Hong Kong, Istanbul, Johannesburg, Karachi, Kiev, Krakow, Lagos, Lisbon, Madrid, Mexico City, Miami, Moscow, Mumbai, Nairobi, Rio de Janeiro, Shanghai, Sofia, Tehran and Tokyo. In countries where there is no Stemcor office, the Stemcor Group is represented by appointed agents.

The tonnage of steel invoiced by Stemcor for each of the five years ended 31st December, 1999 were 1,963,000 tonnes, 2,505,000 tonnes, 3,919,000 tonnes, 3,534,000 tonnes and 4,397,000 tonnes respectively.

The audited equity shareholders' funds of Stemcor as at 31st December, 1999, amounted to approximately £20,943,000 (approximately HK\$233,305,000).

The turnover, the profit/(loss) on ordinary activities before taxation, profit/(loss) attributable to shareholders, and dividend paid of the Stemcor Group which were prepared in accordance with the Companies Act 1985 of UK and the applicable UK accounting standards, for each of the two years ended 31st December, 1999 and for the six months ended 30th June, 2000, are set out below:

	<b>For the year ended 31st December,</b>				<b>For the six months</b>	
	<b>1998</b>		<b>1999</b>		<b>ended 30th June,</b>	
	(Audited)		(Audited)		2000	
	£'000	HK\$'000	£'000	HK\$'000	£'000	HK\$'000
Turnover	759,842	8,464,640	787,610	8,773,975	493,128	5,493,446
Profit/(loss) on ordinary activities before taxation	(1,795)	(19,996)	3,548	39,525	3,368	37,520
Profit/(loss) attributable to shareholders	(3,469)	(38,645)	1,759	19,595	2,268	25,266
Dividend paid	228	2,540	342	3,810	—	—

The turnover, the profit/(loss) on ordinary activities before taxation and profit/(loss) attributable to shareholders from the Steel Trading operation of the Stemcor Group which were prepared in accordance with the Companies Act 1985 of UK and the applicable UK accounting standards, for each of the two years ended 31st December, 1999 and for the six months ended 30th June, 2000, are set out below:

	<b>For the year ended 31st December,</b>				<b>For the six months</b>	
	<b>1998</b>		<b>1999</b>		<b>ended 30th June,</b>	
	(Unaudited)		(Unaudited)		2000	
	£'000	HK\$'000	£'000	HK\$'000	£'000	HK\$'000
Turnover	745,414	8,303,912	770,669	8,585,253	488,640	5,443,450
Profit/(loss) on ordinary activities before taxation	(1,096)	(12,209)	5,259	58,585	4,125	45,953
Profit/(loss) attributable to shareholders	(2,770)	(30,858)	3,195	35,592	2,865	31,916

*Note:* All the information sets out above regarding the Stemcor Group has been provided by Stemcor without any independent investigation or verification by the Group.

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## LETTER FROM THE BOARD

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### INFORMATION ON THE GROUP

The Group is principally engaged in the provision of trading and other value-added services for participants in the supply chain of the steel industry. The Group's traditional steel trading operation was originated in 1994 by the VSC Group. As the industry becomes increasingly competitive, many competitors are beginning to adopt the latest technology to increase their productivity and profits. The iSteelAsia.com portal provides an Internet-based platform as an additional means for buyers to source steel products and sellers to sell steel products with online access to steel industry information and a range of value-added services such as insurance and trade finance. All of the Company's services, including those of its subsidiaries, are focused on serving customers in the steel industry.

For the six months ended 30th September, 2000, over 531,000 tonnes of Steel Products were traded through the iSteelAsia.com portal.

### REASONS FOR THE SUBSCRIPTION

As disclosed in the Prospectus, expansion and acquisition strategies will play a significant role in the future growth plan of the Group. The Directors believe that the Subscription is part of the expansion and acquisition strategies of the Group and represents a good opportunity for the Group to enhance future growth.

As the Subscription will be accounted for as an investment on the books of the Group at cost and the consideration will be satisfied in cash, the Directors expect that the Subscription will not have any material impact on the net assets of the Group immediately. Upon the completion of the Subscription, the Directors expect that the Subscription will not have any material immediate impact on the profitability of the Group.

### GENERAL

The terms of the Subscription Agreement were arrived at after arm's length negotiations and the Directors consider that the terms of the Subscription Agreement are fair and reasonable so far as the Company and its shareholders taken as a whole are concerned.

The Directors expect that the Subscription will be financed by a combination of the Group's internal resources, banking facilities and/or the net proceeds generated from the pre-placing of new Shares of the Company to Li Ka Shing Foundation Limited pursuant to a placing agreement dated 29th March, 2000 as disclosed in the Prospectus.

At present, the Directors have not decided on whether to exercise the rights granted to ISAS by Stemcor under Tranche B Option and Tranche C Option. Should the Directors decide that ISAS will exercise its rights under Tranche B Option and Tranche C Option, the Group may finance the consideration through internal resources, banking facilities, other debt arrangements, equity financing or a combination of any of the above.

The exercise of Tranche B Option and/or the exercise of Tranche C Option by ISAS will be in compliance with the GEM Listing Rules.

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## LETTER FROM THE BOARD

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The rights of ISAS under each of the Tranche B Option, the Tranche C Option and the Put Option are not conditional upon the exercise of the other options.

**The Subscription Agreement is conditional upon, among other things, the entering into of a number of ancillary agreements/arrangements, including, among other things, the Put Option Agreement, the Revenue Option Agreement and the Website Trading Agreement on or before completion of the Subscription. The terms of such ancillary agreements have not been finalised as at the Latest Practicable Date. Further announcement will be made in relation to the ancillary agreements/arrangements once they are entered into.**

None of the Directors, management shareholders and substantial shareholders of the Company and its associates has any interests in Stemcor.

Based on the adjusted net tangible assets of the Company as at 30th September, 2000, the Subscription constitutes a discloseable transaction for the Company under Chapter 19 of the GEM Listing Rules. Your attention is also drawn to the additional information set out in the Appendix to this circular.

**Shareholders should be aware that completion of the Subscription Agreement is subject to certain conditions being satisfied. In particular, ISAS may decide not to proceed with the Subscription if ISAS is not satisfied with the results of its due diligence on Stemcor or the parties fail to agree on the terms of the ancillary agreements/arrangements and completion of the Subscription is subject to approval by the shareholders of Stemcor. Furthermore, there can be no assurance that the ancillary agreements/arrangements will be entered into. Shareholders should therefore exercise extreme caution when dealing in the Shares.**

By Order of the Board  
**Drina C. Yue**  
*Director*

**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:

- (a) the information contained in this circular is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this circular misleading; and
- (c) 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.

**DISCLOSURE OF INTERESTS**

As at the Latest Practicable Date, 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 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 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 Development ( <i>Note 1</i> )	deemed interest (indirectly)	245,760,000	
	— Corporate interest held by Huge Top ( <i>Note 2</i> )	more than one third (indirectly)	159,811,344	
	— Corporate interest held by VSC BVI ( <i>Note 3</i> )	through Huge Top (indirectly)	278,000,000	
	— Corporate interest held by Right Action ( <i>Note 4</i> )	100% (directly)	102,400,000	785,971,344
Ms. Miriam Che Li Yao	— Corporate interest held by TN Development ( <i>Note 1</i> )	deemed interest (indirectly)	245,760,000	
	— Corporate interest held by Huge Top ( <i>Note 2</i> )	more than one third (indirectly)	159,811,344	
	— Corporate interest held by VSC BVI ( <i>Note 3</i> )	through Huge Top (indirectly)	278,000,000	683,571,344
Mr. Moses Kwok Tai Tsang	— Corporate interest held by Oboe ( <i>Note 5</i> )	100% (directly)	51,200,000	51,200,000
Mr. Philip King Huen Ma	— Corporate interest held by S & S ( <i>Note 6</i> )	—	159,344	159,344

*Notes:*

1. As at the Latest Practicable Date, TN Development owns 245,760,000 Shares. Van Shung Chong (B.V.I.) Limited (“VSC BVI”) owns 54% of the issued share capital of TN Development and Andrew Cho Fai Yao owns 10% of the issued share capital of TN Development. The board of directors of TN Development 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 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 14th 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 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 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.
3. As at the Latest Practicable Date, VSC BVI owns 278,000,000 Shares and Huge Top owns approximately 57.59% of the issued share capital of 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.
4. As at the Latest Practicable Date, 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.
5. As at the Latest Practicable Date, 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.
6. As at the Latest Practicable Date, S & S Management Co. Ltd. (“S & S”) owns 159,344 Shares. Philip King Huen Ma is deemed to have corporate interests in these 159,344 Shares.

## (b) Employee options to purchase Shares from TN Development:

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

*Note:*

1. 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 Development, 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:
  - (a) During the period starting from 13th April, 2001 to 12th April, 2002, the option may be exercised up to one third of such Shares.
  - (b) 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.
  - (c) 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.



- (c) Pursuant to the share option scheme of the Company, the share 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	Exercise period	Number 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 the Latest Practicable Date, 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 Development	245,760,000	523,760,000	1
VSC	— indirectly through VSC BVI	278,000,000		
	— indirect deemed interest through TN Development	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 Development	245,760,000	683,571,344	1, 2 & 3
TN Development	— 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:*

1. VSC BVI owns 54% of the share capital of TN Development and is deemed to be interested in the 245,760,000 Shares held by TN Development. VSC BVI directly owns 278,000,000 Shares. VSC BVI is therefore interested in an aggregate of 523,760,000 Shares.
2. 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.
3. Huge Top is beneficially interested in approximately 57.59% of the issued share capital of VSC as at the Latest Practicable Date and is therefore deemed to be interested in the 245,760,000 Shares held by TN Development 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.
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 14th 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.
5. 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.

**LITIGATION**

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors to be pending or threatened against the Company any of its subsidiaries.

**SERVICE CONTRACTS**

Each of the executive Directors has entered into a service contract with the Company commencing from 1st April, 2000 in the case of Mr. Andrew Cho Fai Yao, 1st March, 2000 in the case of Ms. Drina C. Yue and 1st April, 2000 in the case of Ms. Miriam Che Li Yao. The term of each agreement 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.

The current aggregate annual remuneration (including basic monthly salary, guaranteed bonus and other allowances, if applicable) of the executive Directors are as follows:

Andrew Cho Fai Yao	HK\$3,120,000
Drina C. Yue	US\$246,250 (approximately HK\$1,920,750) plus HK\$420,000
Miriam Che Li Yao	HK\$1,040,000

In addition, Ms. Drina C. Yue is entitled to a one-off signing on bonus and other allowances of US\$115,000 (approximately HK\$897,000) and RMB360,000 (approximately HK\$334,800).

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

**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 the Latest Practicable Date, 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.

Saved 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.

**GENERAL**

- (a) The head office and principal place of business of the Company is at 52nd Floor, The Center, 99 Queen's Road Central, Hong Kong. The Hong Kong branch share registrar and transfer office of the Company is Central Registration Hong Kong Limited, 19th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (b) The qualified accountant of the Company is Ms. Lee Wing Chee, *AHKSA, ACCA*. Ms. Lee joined the Group in April 2000. Ms. Lee is an associate member of both the Hong Kong Society of Accountants and the Association of Chartered Certified Accountants. Ms. Lee received a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University. Prior to joining the Group, Ms. Lee was the Finance Manager of International Paper — Asia Pacific region, and prior to that Ms. Lee was working with Arthur Andersen & Co.
- (c) The compliance officer of the Company is Ms. Drina C. Yue. Ms. Yue joined the Group in March 2000 and is responsible for the implementation of the Group's overall strategic planning and operations. Ms. Yue holds a bachelor degree in electrical engineering and a master degree in computer science from the University of Illinois, Urbana. Ms. Yue has over 20 years of multi-functional experience in the telecommunications field, during part of which time she held various senior management positions with international conglomerates overseeing business developments and regional operations such as Motorola in China before joining the Group. Ms. Yue also holds 3 US patents.
- (d) The company secretary of the Company is Ms. Tse Sau Wai, *FCS, FCIS*. Ms. Tse graduated with honours from The City University of Hong Kong with a bachelor of arts degree in accountancy. Ms. Tse is a Fellow of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Company Secretaries. She has over 10 years of experience in company secretarial practice. Ms. Tse joined the Company in March 2000.

- (e) 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 primary duties of the audit committee are to review the Company's annual reports and quarterly reviews and to provide 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.

Mr. Yeung has been engaged in international transportation and logistics since the early 1970s. He joined the Group in March 2000. He has been involved with the design, development and management of some of the world's largest automated high capacity air cargo facilities in the last 25 years. He has also been involved in the innovative application of information technology to the air cargo industry and in the promotion of its use in his professional and public capacities. Mr. Yeung is the Chief Operating Officer of EC.com Limited.

Mr. Ma is the Group Managing Director of The Sincere Company Limited, a listed company on the Stock Exchange. He joined the Group in March 2000. Mr. Ma holds a master of business administration degree from McMaster University in Canada. Mr. Ma is also very active in his community services and serves on many Government committees, including Economic Advisory Committee, and Tourism Strategy. Mr. Ma was the Chairman of the Hong Kong Retail Management Association (HKRMA) from 1996-2000. HKRMA is the major Association representing Hong Kong's retail industry with over 600 member companies which employs over 200,000 people.

- (f) The authorised share capital of the Company is HK\$400,000,000 divided into 4,000,000,000 Shares of HK\$0.10 each.
- (g) Dealings in the Shares may be settled through the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited, and investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangement and how such arrangements will affect their rights and interests.
- (h) Save as disclosed in this circular, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital (including options in respect of such capital) carrying rights to vote in all circumstances at general meeting of the Company or any of its subsidiaries.