

iSteelAsia.com Limited



iSteelAsia.com





INTERIM REPORT FOR THE SIX MONTHS ENDED 30TH SEPTEMBER, 2001

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

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

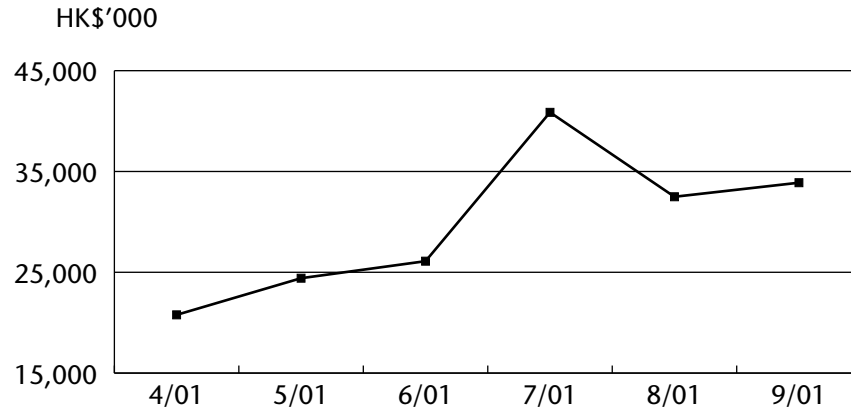
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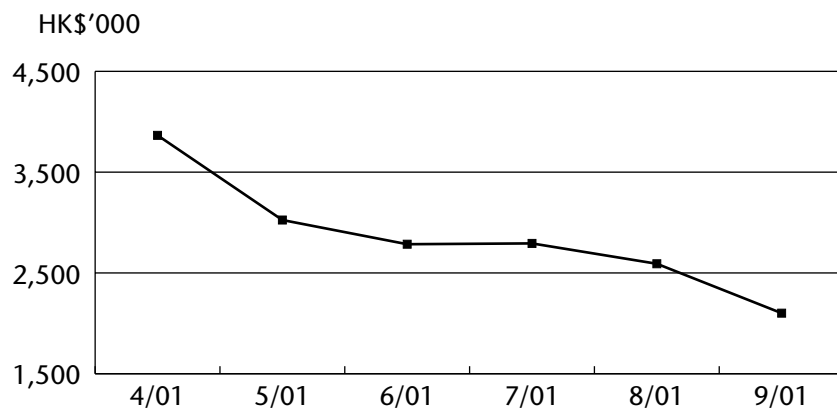
This report, for which the directors of iSteelAsia.com Limited ("the Directors") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange for the purpose 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 report 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 report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

HIGHLIGHTS

- Comparing a Q1 turnover of approximately HK\$71 million and a Q2 turnover of approximately HK\$107 million, operating turnover grows by over 50%. On a month-to-month basis, operating turnover grows by over 10% per month.
- Monthly turnover was on the rising trend despite the poor economic environment.

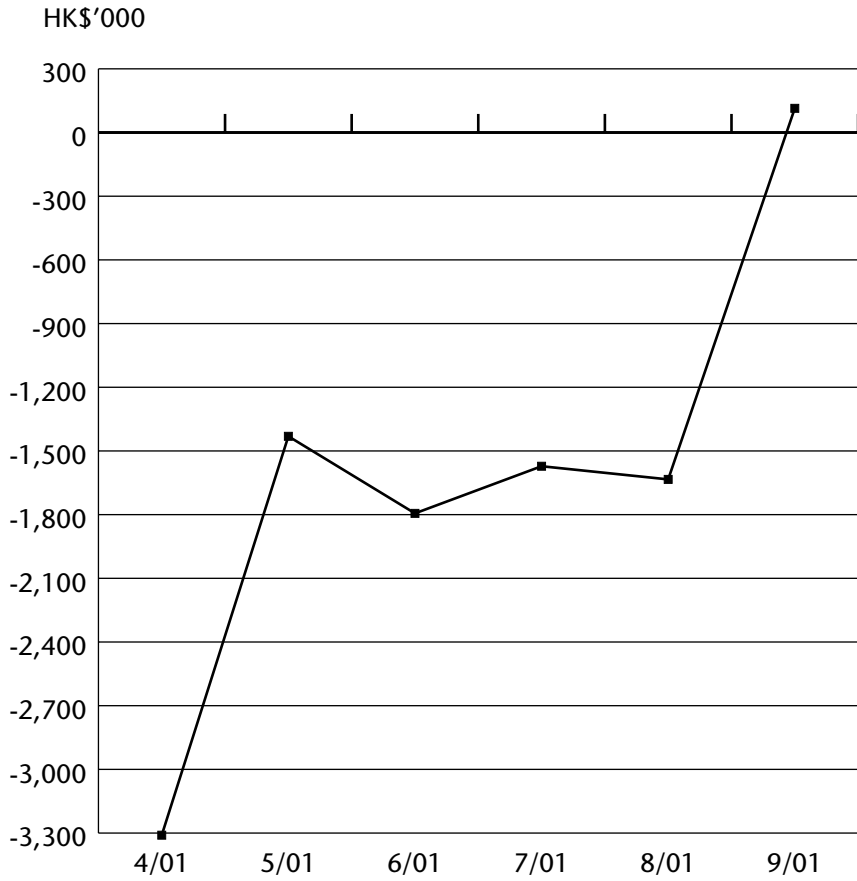


- Comparing to the same reporting period in the previous financial year, total headcount decreases by 15 persons or 23%, while average monthly Operating Cost decreases by approximately HK\$7,133,000 or 71%.
- Monthly Operating Cost was on the decreasing trend due to our efforts and focus on lowering our operating cost.





- The Group is able to record a net operating profit of approximately HK\$115,000 for the month of September 2001.



- The Group is successful in developing its own customer base. As at 30th September, 2001, membership has exceeded 4,000 with traded transactions volume reaches over HK\$2,056 million. For the reporting period, majority of traded transactions volume is achieved through third party sales. The contribution to total traded transactions volume by the VSC Group was only 12%.

RESULTS

The Board of Directors of iSteelAsia.com Limited (“the Company” or “iSteelAsia”) has the pleasure of presenting the unaudited consolidated results of the Company and its subsidiaries (together “the Group”) for the three months and six months ended 30th September, 2001 together with the comparative unaudited figures for the corresponding periods in 2000, as follows:

	Note	For the three months ended 30th September,		For the six months ended 30th September,	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Turnover					
— Sales		105,486	44,036	174,533	97,947
— Commission		1,759	5,321	3,504	7,508
	1	107,245	49,357	178,037	105,455
Cost of inventories sold		(101,994)	(42,935)	(169,145)	(95,227)
Staff costs		(3,941)	(10,431)	(9,416)	(18,894)
Research and development expenses		(350)	(2,408)	(699)	(11,634)
Marketing and branding expenses		(50)	(3,018)	(207)	(11,268)
Amortisation of website development costs		(272)	—	(544)	(429)
Write off of website development costs		—	—	—	(4,915)
Depreciation of furniture and equipment		(176)	(122)	(360)	(189)
Other operating expenses		(2,697)	(5,639)	(5,935)	(12,631)
Loss from operations		(2,235)	(15,196)	(8,269)	(49,732)
Interest income		636	924	1,477	2,444
Interest expense		(1,468)	(124)	(2,774)	(234)
Loss before taxation		(3,067)	(14,396)	(9,566)	(47,522)
Taxation	2	(25)	(219)	(62)	(443)
Loss attributable to shareholders		(3,092)	(14,615)	(9,628)	(47,965)
Loss per share — Basic	3	(0.20) cents	(1.00) cents	(0.65) cents	(3.34) cents

Notes:

1. Turnover

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

2. Taxation

Taxation consisted of:

	For the three months ended 30th September, 2001		For the six months ended 30th September, 2001	
	HK\$'000	2000 HK\$'000	HK\$'000	2000 HK\$'000
Current taxation				
— Hong Kong profits tax	—	219	—	443
— Mainland China enterprise income tax	25	—	62	—
	<u>25</u>	<u>219</u>	<u>62</u>	<u>443</u>

No provision for Hong Kong profits tax has been provided as the Group had no assessable profit during the three months and six months ended 30th September, 2001 (2000 — Hong Kong profits tax was provided at the rate of 16% on the estimated assessable profit arising in or derived from Hong Kong). Subsidiaries operated in Mainland China are subject to Mainland China enterprise income tax at the rate of 33% (2000 — Nil).

3. Loss per share

The calculations of basic loss per share for the three months and six months ended 30th September, 2001 were based on the unaudited consolidated loss attributable to shareholders of approximately HK\$3,092,000 (2000 — HK\$14,615,000) and HK\$9,628,000 (2000 — HK\$47,965,000) respectively, and on the weighted average number of 1,525,043,478 (2000 — 1,454,500,000) shares and 1,489,964,481 (2000 — 1,436,382,514) shares in issue during the three months and six months ended 30th September, 2001 respectively.

Diluted loss per share for the three months and six months ended 30th September, 2001 and the three months and six months ended 30th September, 2000 are not presented because the exercise of the share options granted by the Company would have an anti-dilutive effect.

4. Dividends

The Directors do not recommend the payment of an interim dividend for the six months ended 30th September, 2001.

BUSINESS REVIEW

Financial and Business Performance

The Board of Directors is pleased to report the Group's half-yearly results for the financial year ending 31st March, 2002. For the three months and six months ended 30th September, 2001, the Group recorded a turnover of approximately HK\$107,245,000 and HK\$178,037,000 respectively, representing 117% and 69% increase by comparing the results in the corresponding periods last year, respectively. Loss attributable to shareholders decreased by more than 78% in both cases to approximately HK\$3,092,000 and HK\$9,628,000 for the three months and six months ended 30th September, 2001. In addition, as a result of the Group's very focused efforts in expanding the business and controlling resources, the Group is able to announce that it achieved a net profit from normal operations of approximately HK\$115,000 for the month of September, 2001.

For the three months ended 30th September, 2001 ("Q2"), the turnover and commission from the offline steel trading business reached HK\$106,767,000 while the commission received from the online steel trading business was approximately HK\$478,000. By comparing the results in prior year, the offline steel trading business supported by online capability has grown by 137%. Turnover and net loss attributable to shareholders have both shown encouraging improvement, reflecting the Group's penetration into the Mainland China steel market. The half-yearly turnover has almost reached the level achieved for the whole of last financial year. Living standards in Mainland China continue to improve which will indirectly drive the sales demand in flat products. Flat products are the main components for white goods and technology products like computer casings, enclosure systems, etc. The Group's mandate and core competence remain to focus in providing value-added services to our customers in the steel industry. This entails providing services that range from generating additional marketing and distribution channels to suppliers to providing e-Commercialisation services (e.g. Enterprise Resource Planning ("ERP") implementation) to customers in the steel industry. In the past year, the Group had continued to expand its operation in various key cities in the Mainland China. As at 30th September, 2001, regional offices have been opened in Beijing, Shanghai, Guangzhou and Tianjin. With the successful accession to the World Trade Organisation ("WTO") and the successful bid to host the 2008 Olympic Games, business opportunities in the Mainland China are attractive. With the low cost structure and enormous business potential in the Mainland China, the Group will continue to tap the opportunities and increase the shareholders' value.

For the six months ended 30th September, 2001, total cost excluding cost of inventories sold and finance cost ("Operating Cost") was approximately HK\$17,161,000, representing an over 70% decrease by comparing the figure in prior year. And for the three months ended 30th September, 2001, Operating Cost was approximately HK\$7,486,000, representing an over 20% decrease by comparing the figure for the three months ended 30th June, 2001 ("Q1"). Such improved cost efficiency is mainly due to the success of a resource redeployment plan implemented last year. As a result, the total headcount for the Group as at 30th September, 2001 is approximately 50, representing decrease of only 15 persons or 23% from the same period last year. A further analysis of the decrease reflected a basic cut in two non-income generating areas, the first one being corporate marketing, and second being corporate administrative support. Most of the supporting sales and marketing functions are now located in the Mainland China. The top management considers the move will provide more flexible and responsive services to our customers in a professional manner.

In addition, the Group has continued its conscious effort to develop and diversify its own customer base independent to Van Shung Chong Holdings Limited and its subsidiaries ("the VSC Group"), a substantial shareholder of the Group. As a result, for the six months ended 30th September, 2001, percentage transactions with relation to the VSC Group (i.e. the VSC Group being either a seller or a buyer in a specific trade transaction through iSteelAsia.com) had dropped to a more desirable level of approximately 12% as compared to a more dominating figure of over 50% for the previous six months. For the reporting period, no one single customer accounts for more than 18% of the Group's turnover.

Since the collapse of the dot-com bubble in the second half of 2000, rapid consolidation of the Internet industry continues. As the success and the growth of the online steel trading business still largely depends on the technology readiness of value-added service providers like financial institutions, insurance companies, logistic providers and surveyors, which takes some further time to come, the commission earned from the online steel trading business decreased approximately 68% for the six months ended 30th September, 2001. Consistent with its core objective to develop the steel trading services both online and offline, the Group will seek various opportunities to enhance the value propositions from iSteelAsia. As at 30th September, 2001, membership has exceeded 4,000 with traded transaction volume reaching over HK\$2,056 million. In addition, the trading postings have exceeded 1,000 as at 30th September, 2001. The Group will continue to improve the stickiness of the website community by continuing its effort to provide value to the customers of iSteelAsia.

The Group has capitalised its relationship in Stemcor Holdings Limited ("Stemcor") which has yielded trades transacted of approximately 50,000 tonnes of steel over the reporting period. The Group has enjoyed a harmonious and fruitful relationship with Stemcor but in light of, the downturn of the global steel industry and the trade actions in the U.S., the management will continue to monitor the performance of Stemcor as an investment against the business objectives of the Group.

OUTLOOK

Looking forward, the Group expects the Asian recovery will continue to be highly volatile as a result of the current situation in the U.S. The already slowing U.S. economy was further worsened by the tragic event on the 11th September, 2001. Further complicating the steel industry, is the liquidation of Metalsite in the U.S., and the filing for bankruptcy protection by major mills in the U.S. (e.g. Bethlehem Steel) — events that had prompted the U.S. government to implement a much harsher import environment for steel products. As a whole, the Group believes the Western business environment will continue to be harsh and volatile in the near future. In light of this, the Group has implemented a very specific strategy (both in terms of geographical areas and business model) at the beginning of this fiscal year. The improving performance of the Group operations over the last few months served as a success reflection of the Group's strategy.

All along, the Group remains steadfastly committed to its belief that the steel industry is long overdue for another maturity exercise. The steel industry, especially in steel trading, remains highly inefficient, and coupled with the recent recession, the need for a transformation is imminent. The Group believes that it is in an extremely favorable position to play a significant role of this transformation in the Asian steel industry. It is the Group's management mandate to leverage the Group's resources mainly on its core competence: knowledge base in the Asian trading industry for buyer and seller, expertise in technology (both in terms of e-Commerce and operation management — like ERP) and the whole value chain process — deploying the resources in a high yield market e.g. the Mainland China, in an efficient manner.

As commented by a local newspaper article: "It showed that, while the rest of Asia has seen double-digit falls in exports, the Mainland China had reversed the trend. The Mainland China is now the second largest trader in the region." The management of the Group concurred with such assessment, and believes that the Mainland China will be the growth engine, and would continue to seek various opportunities to expand its presence in the Mainland China steel industry.



COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

From 1st April, 2001 to 30th September, 2001

Business objectives as stated in the prospectus of the Company dated 14th April, 2000 ("the Prospectus")

Actual business progress in respect of the six-month period ended 30th September, 2001

Market Research

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| 1. Continue to assist the operation team in formulating/revamping/refining its overall and focused country business strategy | Given the recent volatility of the worldwide steel industry, and the US 301 action, the Group is now focusing the Mainland China market |
| 2. Additional research will be conducted to investigate the possibility of establishing a country specific website in an additional Asian country such as Taiwan and/or other countries in the world | Deferred due to market situation |
| 3. Two half-yearly strategic review workshops for the Group's senior management will be conducted | More frequent (weekly or monthly) strategic review meetings are conducted with the Group's senior management in response to the quick changing macro situation |
| 4. Identify and develop sources of steel piles in Japan which are not manufactured in the People's Republic of China ("PRC") | The Group is acting as one of the importers of steel to the Mainland China's end users |
| 5. Explore the South-East Asia market which may have excessive steel demand as a result of insufficient production capacity | In progress |

Development of Services

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| 1. Efforts will be made to continue to revamp and/or enhance the functions on the website as appropriate | In progress, continued improvement to the security and user interface |
| 2. Explore the feasibility of launching additional language support (both Asian and others) on the website | Deferred due to market response, the website remains a bilingual (Chinese and English) site |
| 3. Explore new revenue sources to diversify sources of revenue | The Group is exploring the feasibility of providing ERP services to users in the Mainland China and Hong Kong |
| 4. Begin to acquire content for the website, if possible | Given the abundance of information available, leasing is economically more efficient than acquiring |
| 5. Begin efforts to establish mirror sites to enhance performance of the iSteelAsia.com website | Performance is now guaranteed through improved network bandwidth with acceptable response time and has avoided the need for physical mirror sites |
| 6. Implement an online real time help function on the website | The website has already launched a much more user centric customer support program, that includes 24 hours a day and 7 days a week customer inquiry, real time co-browsing, and voice over Internet Protocol |
| 7. Commence trading of steel bearing piles for foundation use in constructing high rise buildings in Shenzhen and Guangzhou as well as power plants | In progress |
| 8. Commence trading of rebars and cold rolled steel sheets for sale in Vietnam | In progress |

Marketing Activities

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| 1. Continue to focus on the PRC, Korea, India and Taiwan | Marketing activities are now focused on the PRC while discussion in Korea, India and Taiwan continues |
| 2. Begin to focus on Thailand | Deferred due to market response |
| 3. Explore opportunities in other countries in Asia and elsewhere | Deferred due to slowdown of economies in other Asian countries |
| 4. Continue to create brandname awareness of the iSteelAsia.com website through promotional activities such as press conferences, conventions, conferences and personal visits to well-established international industry participants in various countries | Brandname of “iSteelAsia.com” has already been successfully built in the past 2 years |
| 5. Continue to establish strategic alliances with various participants in the supply chain | In progress |
| 6. Explore the possibility of allying with other online businesses | The Group had allied with a marketing partner — steelonthenet.com. The Group is also investigating the possibility to ally with other online service providers (banks, insurance, and information) in the Mainland China |
| 7. Develop a relationship with a new steel mill with a view to acting as its agent to assist its distribution of products to Southern China and Hong Kong | In progress |

Resources Deployment

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| 1. Focus efforts to assemble domestic teams for individual countries | Some resources have been redeployed to the Mainland China. We will continue to work for the most cost efficient model |
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DIRECTORS' INTEREST IN SHARES

As at 30th September, 2001, the interests of the Directors and the chief executives of the Company in the equity or debt securities 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 (“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 (<i>Note 1</i>)	deemed interest (indirectly)	227,733,600	767,944,944
	— 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	
Ms. Miriam Che Li Yao	— Corporate interest held by TN (<i>Note 1</i>)	deemed interest (indirectly)	227,733,600	665,544,944
	— 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	
Mr. Philip King Huen Ma	— Corporate interest held by S & S (<i>Note 5</i>)	—	159,324	159,324

Notes:

- As at 30th September, 2001, TN Development Limited (“TN”) owns 227,733,600 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 30th September, 2001, 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 30th September, 2001, VSC BVI owns 278,000,000 Shares and Huge Top owns approximately 57.64% of the issued share capital of Van Shung Chong Holdings Limited (“VSC”). Andrew Cho Fai Yao and Miriam Che Li Yao are directors 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 30th September, 2001, 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 30th September, 2001, 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 (<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, 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.

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 employees 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 subscription price will be determined by the Company's Board of Directors and will be the highest of (i) the nominal value of the Shares, (ii) the quoted closing price of the Company's Shares on the trade day immediately preceding the date of offer of the options, and (iii) the average of the quoted closing prices of the Company's Shares on the five trading days immediately preceding the date of offer of the options. The scheme became effective upon the listing of the Company's Shares on 20th April, 2000.

Pursuant to the Share Option Scheme of the Company, the share options granted to and held by the Directors up to 30th September, 2001 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\$0.360	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\$0.360	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, at no time during the period was the Company or any of its subsidiaries 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 debt securities (including debentures) of, the Company or any other body corporate.

Other than disclosed above, as at 30th September, 2001, neither the Directors nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th September, 2001, 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 were as follows:

Name		Number of Shares	Total number of Shares	Notes
VSC BVI	— directly	278,000,000		
	— indirect deemed interest through TN	227,733,600	505,733,600	1
VSC	— indirectly through VSC BVI	278,000,000		
	— indirect deemed interest through TN	227,733,600	505,733,600	1 & 2
Huge Top	— directly	159,811,344		
	— indirectly through VSC BVI	278,000,000		
	— indirect deemed interest through TN	227,733,600	665,544,944	1, 2 & 3
TN	— directly	227,733,600	227,733,600	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 227,733,600 Shares held by TN. VSC BVI directly owns 278,000,000 Shares. VSC BVI is therefore interested in an aggregate of 505,733,600 Shares.
- VSC owns the entire issued share capital of VSC BVI, VSC is therefore deemed to be interested in an aggregate of 505,733,600 Shares.
- Huge Top is beneficially interested in approximately 57.64% of the issued share capital of VSC as at 30th September, 2001 and is therefore deemed to be interested in the 227,733,600 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 665,544,944 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

The Company and BNP Paribas Peregrine Capital Limited (formerly known as BNP Prime Peregrine Capital Limited) ("BNP Peregrine") have mutually agreed to terminate their sponsorship agreement dated 14th April, 2000 with effect from 16th August, 2001 and ICEA Capital Limited ("the New Sponsor") has been appointed as the new sponsor to the Company from 16th August, 2001.

As at 15th August, 2001, an associated company of BNP Peregrine held 2,500,000 Shares in the Company, representing approximately 0.16% of the issued share capital of the Company.

Save as disclosed herein, neither BNP Peregrine nor any of its directors 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.

As updated and notified by the New Sponsor, since the commencement of its sponsoring period, i.e. 16th August, 2001:

1. Neither the New Sponsor nor its associates have any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe such securities);
2. No director or employee of the New Sponsor who is involved in providing advice to the Company has any interest in any class of securities of the Company or any other company in the Group (including options or rights to subscribe such securities);
3. Neither the New Sponsor nor its associates expect to have accrued any material benefit as a result of the successful outcome of any transaction, including by way of example, the repayment of material outstanding indebtedness and payment of any underwriting commissions or success fees; and
4. No director or employee of the New Sponsor has a directorship in the Company or any other company in the Group.

Pursuant to the agreement dated 3rd August, 2001 entered into between the Company and the New Sponsor, the New Sponsor would receive a fee for acting as the Company's retained sponsor for the period from 16th August, 2001 to 30th April, 2003.

COMPETING INTERESTS

Mr. Ralph David Oppenheimer, is a non-executive director of the Company, and is the chairman and chief executive of Stemcor Holdings Limited whose business is principally engaged in the international steel trading. 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 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 (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 six months ended 30th September, 2001.

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 November, 2001