THIS PROSPECTUS CONSTITUTES A PUBLIC OFFERING OF THESE SECURITIES ONLY IN THOSE JURISDICTIONS WHERE THEY MAY BE LAWFULLY OFFERED FOR SALE AND THEREIN ONLY BY PERSONS PERMITTED TO SELL SUCH SECURITIES. NO SECURITIES COMMISSION OR OTHER SIMILAR AUTHORITY IN CANADA HAS IN ANY WAY PASSED UPON THE MERITS OF THE SECURITIES OFFERED HEREUNDER AND ANY REPRESENTATION TO THE CONTRARY IS AN OFFENCE.

Initial Public Offering June 4, 2001

STEPSTONE ENTERPRISES LTD.

(a capital pool company)

Suite 1000
543 Granville Street
Vancouver, British Columbia V6C 1X8
Telephone: (604) 682-2742
Facsimile: (604) 682-2743

$300,000
1,500,000 Common Shares

Stepstone Enterprises Ltd. (the "Company") hereby offers through its agent, Yorkton Securities Inc. (the "Agent"), 1,500,000 common shares in the capital of the Company ("Common Shares") for sale to the public at a price of $0.20 per share (the "Offering"). The purpose of the Offering is to provide the Company with funds with which to identify and evaluate assets or businesses with a view to completing a Qualifying Transaction (as defined herein) acceptable to the Canadian Venture Exchange (the "Exchange") and a majority of the minority shareholders of the Company in accordance with the Exchange's Policy 2.4 ("Policy 2.4") entitled "Capital Pool Companies". See "Use of Proceeds" and "Business of the Company".

	Price to the Public(1)	Agent's Commission(2)	Net Proceeds to the Company(3)
Per Common Share	$0.20	$0.02	$0.18
Total	$300,000	$30,000	$270,000

(1) The price of this Offering has been determined by negotiation between the Company and the Agent.
(2) The Agent will receive a commission equal to 10% of the gross proceeds of this Offering. Upon completion of the Offering, the Agent will also be granted non-transferable options (the "Agent's Options") to acquire up to 150,000 Common Shares at a price of $0.20 per share, exercisable for a period of 18 months from the date of listing of the Common Shares on the Exchange. The Agent's Options are qualified and distributed pursuant to this prospectus. The Company has also paid the Agent a corporate finance fee of $8,000 plus applicable taxes and has agreed to pay the Agent's reasonable expenses, of which $5,000 has already been paid, including legal fees, in connection with the Offering. See "Plan of Distribution".
(3) Before deduction of the remaining expenses of this Offering payable by the Company, estimated to be $15,000.

The Offering is made on a reasonable best efforts basis and completion of the Offering is subject to the receipt by the Company of subscriptions totalling $300,000 for the entire Offering of 1,500,000 Common Shares. In the event that all 1,500,000 Common Shares offered hereby are not sold, then all subscription proceeds will be returned to subscribers in full without interest or deduction. In accordance with Policy 2.4, the maximum purchase by any single subscriber to the Offering is restricted to 30,000 Common Shares, being 2% of the total Offering, and the maximum purchase by any single subscriber to the Offering, together with that subscriber's associates and affiliates, is restricted to 60,000 Common Shares, being 4% of the total Offering. See "Plan of Distribution".

The Exchange has conditionally approved the listing of the Common Shares being offered under this prospectus. The listing is subject to the Company fulfilling all of the listing requirements of the Exchange, including prescribed distribution and financial requirements, on or before ●, 2001. The Exchange may suspend from trading or delist the Common Shares of the Company if the Company fails to complete a Qualifying Transaction within 18 months after the date of listing. See “Description of Business”. Notwithstanding that a transaction may meet the definition of a Qualifying Transaction, the Exchange may not approve a Qualifying Transaction where the Company fails to meet the Exchange’s minimum listing requirements upon completion of the Qualifying Transaction or for any reason at the sole discretion of the Exchange.

No person is authorized by the Company to provide any information or to make any representations other than those contained in this prospectus in connection with the issue and sale of the Common Shares offered pursuant to this prospectus.

INVESTMENTS IN SMALL BUSINESSES INVOLVE A HIGH DEGREE OF RISK AND INVESTORS SHOULD NOT INVEST ANY FUNDS IN THIS OFFERING UNLESS THEY CAN AFFORD TO LOSE THEIR ENTIRE INVESTMENT. SEE “RISK FACTORS”.

The Company was only recently incorporated and does not have business operations or assets other than cash. The Company has not entered into any agreement in principle for the acquisition of a business or other assets. If a prospect is identified by the Company and acquisition or participation is desired, additional funds may be required to complete the acquisition or participation and there is no guarantee that the Company will be able to obtain such financing. Investors will be relying on management’s ability to find and finance business opportunities. Therefore, this Offering is suitable only for those investors who are willing to rely solely on the management of the Company and who can afford to lose all of their investment. See “Risk Factors”, “Business of the Company”, “Directors, Officers and Promoters” and “Use of Proceeds”.

Upon completion of this Offering, but prior to any exercise of the Agent’s Options or outstanding stock options, this issue will represent 1,500,000 Common Shares (or 50%) of the Common Shares of the Company then outstanding and held by the public, as compared to 1,500,000 Common Shares (or 50%) of the Common Shares then outstanding that will be held by promoters, insiders, holders of escrowed shares and the Agent as a group. The Agent does not currently own any Common Shares of the Company.

The Common Shares are conditionally offered by the Agent, as agent, on behalf of the Company, subject to prior sale, if, as and when issued by the Company and accepted by the Agent in accordance with the conditions contained in the agency agreement referred to under “Plan of Distribution” and subject to the approval of all legal matters on behalf of the Company by Koffman Kalef and on behalf of the Agent by Anfield Sujir Kennedy & Durno.

YORKTON SECURITIES INC.
1100 –1055 Dunsmuir Street
Vancouver, British Columbia V7X 1P2

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SUMMARY OF PROSPECTUS

The following is a summary of the principal features of this Offering. More detailed information is contained in the body of the prospectus. Capitalized terms not defined in this summary will have the meaning provided on the cover page or elsewhere in this prospectus.

The Company: The Company, Stepstone Enterprises Ltd., was incorporated in British Columbia on July 25, 2000.

The Business: The Company is a capital pool company and does not have an operating business or assets, other than minimal working capital. The sole business of the Company will be to identify and evaluate opportunities for acquisition of an interest in assets or businesses which, if acquired, would provide a basis for listing on the Exchange. Once identified and evaluated, the Company will attempt to negotiate an acquisition or participation in the assets or businesses, subject to receipt of shareholder approval and acceptance for filing by the Exchange. Until the completion of a Qualifying Transaction, the Company will not carry on any business other than the identification and evaluation of assets or businesses in connection with potential Qualifying Transactions. As yet, the Company has not identified a potential acquisition. See “Business of the Company”.

Management: Because the Company does not currently have an operating business or assets other than minimal working capital, investors will be relying entirely on management’s ability to both find and finance business opportunities. The Company has directors and officers with experience in the management and financing of public companies, in identifying business opportunities, and in structuring and financing business transactions.

The directors and officers of the Company are as follows:

Hugh Dickson Hall	President, Chief Executive Officer, Director and Promoter
Ronald G. Erdman	Secretary, Chief Financial Officer and Director
Ke Yin	Director
Ronald Shon	Director

See “Directors, Officers and Promoters”.

Offering: The Company is offering to the public, through Yorkton Securities Inc. (the “Agent”), 1,500,000 Common Shares at a price of $0.20 per share for gross proceeds of $300,000. The Agent will receive a commission equal to 10% of the gross proceeds of the Offering. Upon completion of the Offering, the Agent will also be granted non-transferable Agent’s Options to acquire up to 150,000 Common Shares at a price of $0.20 per share, exercisable for a period of 18 months from the date of listing of the Common Shares on the Exchange. The Company has also paid the Agent a corporate finance fee of $8,000 plus applicable taxes and has agreed to pay the Agent’s reasonable expenses, including legal fees, in connection with the Offering. See “Plan of Distribution”.

Use of Proceeds:	Assuming completion of the Offering, the Company will receive net proceeds of $270,000, after deduction of the Agent's commission. The net proceeds of the Offering, together with working capital as at April 30, 2001 of $135,093, amounts to $405,093 which is intended to be used as follows:

Estimated costs to identify and evaluate potential acquisitions	$325,913
Repayment of shareholder advances	$18,550
Estimated remaining offering costs (including printing costs, and legal and transfer agent fees)	$15,000
Estimated general and administrative expenses for 18 months	$45,630
	$405,093

Until the completion of a Qualifying Transaction, the Exchange's Policy 2.4 provides that no more than 30% of the gross proceeds from the sale of securities issued by the Company, including the Common Shares under the Offering, may be used for purposes other than those relating to identification and evaluation of assets or businesses and obtaining shareholder approval for a prospective Qualifying Transaction. The Company may not have sufficient funds to secure an acquisition once identified and additional funds may be required. See "Use of Proceeds" and "Risk Factors".

Risk Factors:

There is no established market for the Common Shares of the Company. Investment in the Common Shares should be regarded as highly speculative due to the proposed nature of the Company's business and its present stage of development.

The Company was only recently incorporated and does not have any business operations or assets other than cash from seed capital and has not entered into any agreement in principle for the acquisition of a business or asset. The Company is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. While it is management's intent to seek, identify and secure a business opportunity for the Company, there is no guarantee that it will find a suitable opportunity or that, if found, it will be able to acquire it on the desired terms. The Company will be in competition with others with greater resources. If a suitable business or asset is identified, the Exchange may not approve the transaction as a Qualifying Transaction or management may determine that market conditions make the terms of the acquisition uneconomic. Furthermore, the Company may require additional financing to both secure and exploit the business opportunity and there is no guarantee that such financing will be available.

If the Company fails to complete a Qualifying Transaction acceptable to the Company's shareholders and the Exchange within 18 months of the date of listing or if the Company fails to comply with the Exchange's listing maintenance requirements, the Company's Common Shares may be suspended from trading or delisted.

Where the acquisition is financed by the issuance of shares from the Company's treasury, control of the Company may change and investors in this Offering may suffer further dilution to their investment.

The directors and officers of the Company will not be devoting all of their time to the affairs of the Company as they are directors and officers of other companies or are engaged in other businesses or employment. The directors and officers are required by law to act in the best interests of the Company and have the same obligations to the other companies in respect of which they act as directors and officers. There is no assurance that conflicts of interest that may arise will be resolved in a manner favourable to purchasers of Common Shares under the Offering.

As a result of the foregoing factors, this Offering is suitable only for those investors who are willing to rely solely on the management of the Company and who can afford to lose all of their investment. See "Business of the Company", "Directors, Officers and Promoters", "Risk Factors" and "Use of Proceeds".

THE COMPANY

Stepstone Enterprises Ltd. (the "Company") was incorporated under the Company Act (British Columbia) on July 25, 2000. The Company has no subsidiaries or proposed subsidiaries.

The Company's head and registered office and address for service is located at Suite 606, 938 Howe Street, Vancouver, British Columbia, V6Z 1N9

BUSINESS OF THE COMPANY

Operating History

The Company is a capital pool company as defined in the Exchange's Policy 2.4 entitled "Capital Pool Companies". The only business operations that the Company has had to date relate to preparing the Company for the Offering described herein. This has consisted of, among other things, raising seed capital, putting in place a management team and board of directors, retaining legal counsel and an auditor and securing the Agent for the purpose of effecting this Offering. These matters are described in more detail under "Business Objectives", "Share Capital" and "Plan of Distribution".

Business Objectives

Assuming the successful completion of this Offering, the Company will use the net proceeds to search out and finance a business prospect and will use cash, secured or unsecured debt, the issuance of securities or a combination of the foregoing for the purpose of financing its acquisition or participation in the business prospect. Where the acquisition or participation in the business prospect is financed by the issuance of shares from the Company's treasury, control of the Company may change and shareholders may suffer further dilution to their investment.

The Company is seeking a high technology manufacturing business prospect. Although it is the Company's desire to locate a business prospect in this business sector, the Company will also give equal consideration to business prospects in other sectors. The Company has not yet entered into any negotiations or completed any arrangements with any prospective businesses.

Once a prospective acquisition target has been identified and evaluated, the Company will proceed to negotiate the terms upon which it may acquire an interest in the business prospect. All potential acquisitions will be screened initially by management of the Company to determine their economic viability. Approval of proposed acquisitions will be made by the board of directors of the Company. The board of directors will examine proposed acquisitions having regard to sound business fundamentals, utilizing the expertise and experience of the directors and officers. The Company will not complete the transaction unless the Exchange provides its final approval of the Company's acquisition or participation in the business prospect. See "Qualifying Transaction", "Risk Factors" and "Use of Proceeds".

Qualifying Transaction

A "Qualifying Transaction", pursuant to Policy 2.4, is a transaction whereby a capital pool company:

(a) issues or proposes to issue, in consideration for the acquisition of significant assets, common shares or securities convertible, exchangeable or exercisable into common shares which, if fully converted, exchanged or exercised would represent more than 25% of its common shares issued and outstanding immediately prior to the issuance;

(b) enters into an arrangement, amalgamation, merger or reorganization with another issuer with significant assets, whereby the ratio of securities which are distributed to the securityholders of the capital pool company and the other issuer results in the securityholders of the other issuer acquiring control of the resulting entity; or

(c) otherwise acquires significant assets (other than cash),

but excludes a transaction which consists solely of the issuance for cash by the capital pool company of common shares or securities convertible, exchangeable or exercisable into common shares, representing more than 25% of the capital pool company's common shares issued and outstanding immediately prior to the issuance. Significant assets which may be the subject of a Qualifying Transaction may be those that are controlled by related parties of the Company. In respect of Qualifying Transactions, the phrase "significant assets" means one or more assets or businesses which, when acquired by a capital pool company, together with any other concurrent transactions, results in the capital pool company meeting the minimum listing requirements of the Exchange for an issuer other than a capital pool company.

Any Qualifying Transaction will be subject to approval by the majority of the minority shareholders (as defined below) of the Company, acceptance for filing by the Exchange, and sponsorship by a member firm of the Exchange.

Upon the Company entering into an agreement in principle with respect to a Qualifying Transaction, a comprehensive news release disclosing its terms will be disseminated and trading in the Common Shares of the Company will be halted. Trading will remain halted until a sponsor in connection with the Qualifying Transaction has been retained and a sponsor acknowledgement form has been filed with the Exchange, personal information forms have been filed in respect of new insiders and promoters of the resulting entity, a pre-filing conference with the Exchange in respect of the Qualifying Transaction has been held, and the Exchange has completed any preliminary background searches it considers necessary or advisable.

The Company will be required to submit the terms of the Qualifying Transaction to a meeting of its shareholders for "majority of the minority" approval. The Qualifying Transaction must be approved by a vote at a properly constituted meeting of the shareholders of the Company by at least 50% plus one vote of the votes cast by shareholders voting at the meeting, other than related parties of the Company and related parties of the Qualifying Transaction. Related parties of the Company include promoters, officers, directors, other insiders or control persons of the Company and any associates or affiliates of any such persons. Related parties of the Qualifying Transaction include:

(a) the sellers, being one or all of the beneficial owners other than a target issuer, of the significant assets which are to be purchased, optioned or otherwise acquired by the capital pool company as its Qualifying Transaction;

(b) any target issuer, being a company which is the beneficial owner of the significant assets where the acquisition of the assets is to be conducted through the purchase of securities of such company whether by security purchase agreement, take-over bid, amalgamation, plan of arrangement or other corporate reorganization;

(c) related parties of the sellers (as defined above);

(d) related parties of the target issuer (as defined above); and

(e) all other parties to or associated with the Qualifying Transaction and associates or affiliates of all such other parties.

In connection with the shareholders' meeting, an information circular containing full, true and plain disclosure assuming completion of the proposed Qualifying Transaction will be sent to the shareholders of the Company.

In connection with obtaining Exchange approval of the Qualifying Transaction, the Company will be required to file with the Exchange a number of documents, including the information circular for the shareholders' meeting to approve the Qualifying Transaction, copies of material contracts, engineering reports or valuation reports, and financial statements pertaining to the business to be acquired and pro forma financial statements of the Company after giving effect to the acquisition. As part of the review of the Qualifying Transaction, the Exchange will review the expenses, disclosure, trading history and other transactions undertaken by the Company during its listing to determine the Company's compliance with Exchange requirements.

Acceptance for filing by the Exchange of a Qualifying Transaction also calls for sponsorship by a member of the Exchange. The role of the sponsoring member firm is an integral part of the Qualifying Transaction process. Effectively, the sponsoring firm will review the Qualifying Transaction to determine the suitability of the Company's listing on the Exchange upon the completion of the Qualifying Transaction.

Notwithstanding that a transaction may meet the definition of a Qualifying Transaction, the Exchange may not approve a Qualifying Transaction where the Company fails to meet the minimum listing requirements of the Exchange upon completion of the Qualifying Transaction or for any other reason at the sole discretion of the Exchange. In addition, the Exchange may suspend from trading or delist the Common Shares of the Company where it has failed to complete a Qualifying Transaction within 18 months of its date of listing.

Description of Offices

The Company rents office space at Suite 1000, 543 Granville Street, Vancouver, British Columbia. This office is rented from an arm's length party at a monthly rent of $1,000.

Administration and Overhead

Management anticipates that the total administrative expenses that will be incurred in order to meet its stated business objectives over the 18-month period following the Offering are estimated to average approximately $2,285 per month. No significant variation in the monthly administrative expenses is expected, excluding such expenses that may be related to identifying and evaluating potential Qualifying Transactions. These estimated expenses may be broken down as follows:

Type of Expense	Monthly	18-month period
Office rent, supplies and expenses	$1250	$22,500
Accounting and audit fees	$300	$5,400
Legal fees	$500	$9,000
Regulatory filing fees	$200	$3,600
Transfer agent and escrow agent fees	$135	$2,430
Miscellaneous expenses	$150	$2,700
Total:	$2,535	$45,630

The foregoing is based on the Company's anticipated expenses. There may be circumstances where, for sound business reasons, a re-allocation of funds may be necessary, or expenses in a category may be less than or may exceed the amount budgeted. The Company will only redirect funds to other expense categories in accordance with the policies of the Exchange.

DIRECTORS, OFFICERS AND PROMOTERS

The following table sets out the name, age and municipality of residence of the directors, officers and promoters of the Company, their position with the Company, their present principal occupation, the number of Common Shares beneficially owned or over which control or direction is exercised, directly or indirectly, by each of them, and the percentage of Common Shares to be held by each of them prior to and on completion of the Offering. The following persons comprise the Company's entire management team.

Name, age, municipality of residence	Position with the Company	Present principal occupation	Common Shares held (percentage prior to Offering)[1]	Percentage of Common Shares after Offering
HUGH DICKSON HALL, 48 Vancouver, B.C.	President and Director	President, Dickson Hall & Associates, a consulting firm specializing in strategic business development in China	300,000 (20%)	10%
RONALD G. ERDMAN, 49 West Vancouver, B.C.	Secretary and Director	President and Chief Executive Officer of Allied Hotel Properties Inc., a hotel ownership and management company	200,000 (13.33%)	6.7%
KE YIN, 37 Shanghai, China	Director	Director, Guotai Junan Securities, a Shanghai-based investment bank	300,000 (20%)	10%
RONALD SHON, 47 Vancouver, BC	Director	President, Shon Group, an investment holding firm involved in real estate development	200,000 (13.33%)	6.7%

(1) All of these Common Shares are subject to escrow restrictions as required by the Exchange. See “Share Capital — Escrowed Shares”.

Further information on the business experience and professional qualifications of the Company’s directors, officers and promoters is set forth below:

Hugh Dickson Hall – Mr. Dickson Hall has been the President and a director of the Company since the Company’s incorporation. Mr. Hall may also be considered to be the promoter of the Company under applicable securities laws in that he took the initiative in founding the Company. Mr. Hall is currently the president of Dickson Hall & Associates, a consulting firm specializing in strategic business development in China. Mr. Hall is also a director of Nova Canada Enterprises Ltd., a Capital Pool Company that is making an application for the listing of its common shares on the Exchange. Over the past twenty years, Mr. Hall has been involved in business and commerce in the Asia Pacific region. He was the director of the Pacific Rim Group in Hong Kong, a consulting firm specializing in strategic business development in Hong Kong and China, as well as providing accounting and company secretarial services, from April 1997 to April 1998, the managing director of Dickson Hall Asia Ltd., a consulting firm specializing in business development in China from November 1993 to March 1997 and the director of the British Columbia Trade & Investment Office in Hong Kong from 1986 to 1993 where he directed Hong Kong and China trade and investment promotion activities on behalf of the British Columbia Government. Mr. Hall also represented the Vancouver Stock Exchange in Asia from 1993 to 1998. From 1993 to 1997, Mr. Hall was the managing director of International Education and Student Services Ltd., a Hong Kong based company developing education projects in Hong Kong and China, including representing the Canadian Association of Independent Schools. Mr. Hall received his Bachelor of Arts from the University of British Columbia in 1976 and his Master of Arts from the same university in 1980. Mr. Hall also has diplomas from the Beijing Language Institute (1977), Beijing University (1978) and the Central Academy of Fine Arts in Beijing (1979). Mr. Hall is fluent in English and Mandarin. Mr. Hall proposes to devote 30% of his time to the Company.

Ronald G. Erdman – Mr. Ronald Erdman has been the Secretary and a director of the Company since the Company’s incorporation. Mr. Erdman is currently President and Director of Allied Hotel Properties Inc., a company involved in hotel ownership and management. He has held these positions since October 1997. Mr. Erdman is also President, Chief Executive Officer and a director of Nova Canada Enterprises Ltd., a Capital Pool Company that is making an application for the listing of its common shares on the Exchange. Mr. Erdman was a principal of Forum Capital Partners, an investment banking firm, from June to October 1997. He also serves as a Director and member of the Executive Committee of China Ventures Inc., a company involved in mining exploration and development, and President and Director of Allied Pacific Properties and Hotels Ltd., a company involved in hotel ownership and management. Prior to May 1997, Mr. Erdman was President of Nam Tai Electronics (Canada) Ltd. and Chief Financial Officer, Secretary and Director of Nam Tai Electronics, Inc. a company quoted on the NASDAQ National Market System and listed on the Toronto Stock Exchange and involved in electronics design and manufacturing service provision. From 1990 to 1995, Mr. Erdman was employed by HSBC Capital Canada Inc. (formerly Wardley China Inc.), a member of the HSBC Group involved in merchant banking, acting as Chief Executive Officer from 1992. From 1980 to 1989, Mr. Erdman was employed by Pemberton Securities Inc., an investment banking firm, most recently as Vice-President and Director. He obtained a Bachelor of Science (Chemical Eng.) from Queen's University, Kingston, Ontario in 1973 and a Master of Business Administration from the Cranfield School of Management, Bedfordshire, U.K. in 1979. He proposes to devote 10% of his time to the Company.

Ke Yin – Mr. Ke Yin has been a director of the Company since the Company's incorporation. Mr. Yin is currently Director of Guotai Junan Securities of Shanghai. He is also a director of Guotai Junan Securities (HK) Ltd., a financial services company registered in Hong Kong and a director of United Securities Ltd., an investment dealer based in Shenzen, China. From 1992 to 1999, he was vice president and then executive director of J & A Securities in Shenzhen, China, responsible for corporate finance and M & A activities. Mr. Yin was a manager of Shenzhen Stock Exchange in China from 1991 to 1992 and an Assistant Professor at Zhejiang University in Hangzhou, China from 1985 to 1988. Mr. Yin received a Bachelor of Engineering from Zhejiang University in 1985 and a Masters of Business Administration from the same university in 1991. He proposes to devote 30% of his time to the Company.

Ronald Shon – Mr. Ronald Shon has been a director of the Company since the Company's incorporation. Mr. Shon is the President of Shon Group, an investment holding company involved in real estate development. Mr. Shon is currently President and a director of China Ventures Inc., a company listed on the Exchange. He has held these positions since March 2000. Mr. Shon is also a director of Acacia Capital Corp., a Capital Pool Company listed on the Exchange and a director of The Spectra Group of Great Restaurants Inc., a company listed on the Toronto Stock Exchange. He also has experience as a director of a number of natural resource companies listed on the Exchange, including Iriana Resources Ltd. and International Skyline Gold Corporation. Mr. Shon was granted a Bachelor of Arts from Stanford University in California in 1975 and he received his Masters of Business Administration from the University of Pennsylvania in 1977. He proposes to devote up to 10% of his time to the Company.

None of the Company's officers or directors are subject to a non-competition or non-disclosure agreement with the Company.

Aggregate Ownership of Securities

Upon completion of the Offering, the directors, officers and promoters of the Company, as a group, will directly or indirectly own 1,500,000 Common Shares representing 50% of the Common Shares then issued and outstanding.

Other Reporting Issuers

The following table sets out information on the directors, officers and promoters of the Company who have served as directors, officers or promoters of other reporting issuers during the past five years:

Name of Director, Officer or Promoter	Reporting Issuer	Position	Period
RONALD G. ERDMAN	Allied Hotel Properties Inc.	President, Chief Executive Officer and Director	October 1999 to present
	Allied Pacific Properties and Hotels Ltd.	President and Director	October 1997 to present
	China Ventures Inc.	President	August 1997 to July 2000
		Director	August 1997 to present
	Nam Tai Electronics, Inc.	Chief Financial Officer and Director	January 1996 to May 1997
RONALD SHON	Acacia Capital Corp.	Director	January 2001 to present
	China Ventures Inc.	President and Director	July 2000 to present
	The Spectra Group of Great Restaurants Inc.	Director	July 1993 to present
	International Skyline Gold Corporation	Chairman	May 1986 to present
	Iriana Resources Ltd.	Director	December 1996 to June 1999

Corporate Cease Trade Orders or Bankruptcies

During the past five years, none of the directors, officers and promoters of the Company was a director, officer or promoter of any other issuer that was, during his tenure, the subject of a cease trade order or similar order or an order that denied that issuer access to any statutory exemptions for a period of more than 30 consecutive days, or was declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under any legislation relating to bankruptcy or insolvency or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of that person other than Mr. Ke Yin.

On June 17, 1997, the China Securities Regulatory Commission issued an order which suspended the "trading as principal" business of J & A Securities Ltd. ("J & A") for a period of six months, ordered the sale of stocks held by J & A as principals and ordered the confiscation of profits made by J & A from speculation on certain stocks. Mr. Yin was the Vice-President and a director of J & A at the time. The cease trade order was issued because (a) J & A exceeded the scope of its business while managing the assets of a client by investing in securities; (b) J & A opened personal stock accounts instead of institutional accounts to avoid supervision or monitoring; (c) J & A bought and sold shares against regulations; and (d) a subsidiary of J & A, J & A International Finance Ltd. carried on business in mainland China without authorization.

Penalties or Sanctions

None of the directors, officers and promoters of the Company has, during the past ten years, been subject to any penalties or sanctions imposed by a court or securities regulatory authority relating to trading in securities, promotion or management of a publicly traded issuer, or theft or fraud.

Individual Bankruptcies

None of the directors, officers and promoters of the Company has, during the past five years, been declared bankrupt or made a voluntary assignment in bankruptcy, made a proposal under bankruptcy or insolvency legislation or been subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

Conflicts of Interest

The directors and officers of the Company are also directors, officers or members of management of other public and private companies and are engaged in other businesses or professions and, accordingly, will be devoting less than all of their time to the business and affairs of the Company. Some of the other companies are engaged in and will continue to be engaged in the search for properties or business prospects that may be suitable Qualifying Transactions for the Company. The directors and officers of the Company are required by law to act in the best interests of the Company. At the same time, they have the same obligations to the other companies of which they act as directors and officers. Accordingly, conflicts of interest may arise from time to time. Any conflict will be subject to the procedures and remedies under the Company Act (British Columbia). The discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies and, in certain circumstances, this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. Such conflicting legal obligations may expose the Company to liability to others and impair its ability to achieve its business objectives. See “Risk Factors”.

INDEBTEDNESS OF DIRECTORS, OFFICERS AND PROMOTERS

None of the directors, officers and promoters of the Company or any of their respective associates or affiliates has been indebted to the Company since the date of the Company’s incorporation.

PAYMENTS TO INSIDERS AND PROMOTERS

Compensation of Officers and Directors

Cash Compensation

No cash compensation or bonus has been paid by the Company to any director, officer or promoter since the Company’s incorporation.

Pursuant to Policy 2.4, until the Company has completed a Qualifying Transaction, the Company will not make, directly or indirectly, any payment to any person who is a related party of the Company (including its directors, officers and promoters) or who is a related party to the Qualifying Transaction in respect of remuneration, which includes salaries, consulting fees, management contract fees or directors’ fees, finder’s fees, loans, advances and bonuses. The Company may, however, reimburse related parties to the Company for certain reasonable expenses, including those incurred in pursuing the business of the Company and for office supplies, office rent and related utilities and equipment leases. See “Business of the Company — Description of Offices”.

Stock Options

The directors and officers of the Company have been granted stock options to purchase Common Shares. The stock options have been granted in accordance with the requirements of Policy 2.4. See "Share Capital — Stock Options" for particulars of the stock options.

Related Party Transactions

The Company has not, since its incorporation, acquired assets or services from any director, officer, promoter or principal holder of the Company's securities, or any associate or affiliate thereof.

RISK FACTORS

An investment in the Common Shares should be considered a highly speculative investment and investors should carefully consider all of the information disclosed in this prospectus prior to making an investment in the Company. **The Offering is suitable only for those investors who are willing to rely solely on the management of the Company and who can afford to lose all of their investment.** In addition to the other information presented in this prospectus, the following risk factors should be given careful consideration when evaluating an investment in the Common Shares.

No Established Market or Operating History

There is no established market for the Common Shares and there can be no assurance that one will develop. This Offering should be considered highly speculative due to the proposed nature of the Company's business and the fact that the Company was only recently incorporated. The price of these securities to the public and the commission to the Agent was established by negotiation between the Company and the Agent.

No Proposed Business

The Company has neither a history of earnings nor has it paid any dividends and it is unlikely to enjoy earnings or pay dividends in the immediate or foreseeable future. The Company has no business operations or assets other than cash from seed capital, and has no written or oral agreements in principle for the acquisition of a business or asset at this time.

Terms of Qualifying Transaction and Need for Additional Financing

The proposed business objectives of the Company involve a high degree of risk and there is no assurance that future acquisitions or participations will be identified. Moreover, if potential acquisitions or participations are identified, the Company may determine that the current market, pricing conditions or terms of participation may make the acquisition or participation uneconomical. The Company will be in competition with others with greater resources. The Company may find that, even if the terms of the acquisition or participation are economical, additional funds may be required to complete the acquisition or participation, and the Company may not be able to obtain financing on the terms acceptable to the Company, or at all. Where an acquisition or participation is financed by the issuance of shares from the treasury, control of the Company may change and shareholders may suffer further dilution to their investment.

Possible Trading Suspension or Delisting

The Exchange may suspend from trading or delist the Common Shares if the Company fails to complete a Qualifying Transaction within 18 months following the date the shares are listed on the Exchange, or if the Company fails to comply with the Exchange's listing maintenance requirements. The Exchange will review the expenses, disclosure, trading history and other transactions undertaken by the Company during the listing of its Common Shares to determine compliance with Exchange policies. The Exchange may refuse to accept a transaction as a Qualifying Transaction if significant concerns arise from its review and where, among other things, the Company fails to meet the minimum listing requirements prescribed by the Exchange upon completion of the

Qualifying Transaction, or the consideration proposed to be paid by the Company in connection with the transaction is not acceptable to the Exchange.

Reliance on Management

The Company is relying solely on the past business success of its directors and officers to identify a Qualifying Transaction of merit. The success of the Company is dependent upon the efforts and abilities of its management team. The loss of any member of the management team could have a material adverse effect upon the business and prospects of the Company. In such event, the Company will seek satisfactory replacements but there can be no guarantee that appropriate personnel may be found.

Directors' and Officers' Conflicts

The directors and officers of the Company will not be devoting all of their time to the business and affairs of the Company. The directors and officers of the Company are directors and officers of other companies. See "Directors, Officers and Promoters". Some of the other companies are engaged in and will continue to be engaged in the search for properties or business prospects that may be suitable Qualifying Transactions for the Company. The directors and officers of the Company are required by law to act in the best interests of the Company. At the same time, they have the same obligations to the other companies of which they act as directors and officers. Accordingly, conflicts of interest may arise from time to time. Any conflict will be subject to the procedures and remedies under the Company Act (British Columbia). The discharge by the directors and officers of their obligations to the Company may result in a breach of their obligations to the other companies and, in certain circumstances, this could expose the Company to liability to those companies. Similarly, discharge by the directors and officers of their obligations to the other companies could result in a breach of their obligation to act in the best interests of the Company. As a consequence of such conflicting legal obligations, the Company may be exposed to liability to others and its ability to achieve its business objectives may be impaired.

Dilution

Investors acquiring Common Shares offered hereby will suffer immediate dilution. After giving effect to the Offering, the dilution per Common Share, based upon the balance sheet of the Company as at October 23, 2000, will be as follows:

Offering price per Common Share..		$0.20
Net tangible book value before the Offering..	$0.10	
Increase in net tangible book value attributable to the Offering	$0.05	
Net tangible book value after the Offering..		$0.15
Dilution per Common Share		$0.05
Percentage of dilution in relation to offering price per Common Share.................		25%

Dilution has been computed on the basis of total gross proceeds to be raised pursuant to the Offering and from sales of Common Shares by the Company before the filing of this prospectus, without deduction of expenses incurred by the Company in connection with the Offering.

DESCRIPTION OF SECURITIES OFFERED

The authorized share capital of the Company consists of 100,000,000 Common Shares without par value and 100,000,000 preferred shares without par value, of which 1,500,000 Common Shares are issued and outstanding. All of the issued Common Shares are fully paid and not subject to any future call or assessment.

All of the Common Shares rank equally as to voting rights, participation in a distribution of the assets of the Company on a liquidation, dissolution or winding-up of the Company and the entitlement to dividends. The holders of the Common Shares are entitled to receive notice of all meetings of shareholders and to attend and vote at the meetings. Each Common Share carries with it the right to one vote.

In the event of the liquidation, dissolution or winding-up of the Company or other distribution of its assets, the holders of the Common Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the Company has paid out its liabilities. Distributions in the form of dividends, if any, will be set by the board of directors.

Provision as to the modification, amendment or variation of the rights attached to the Common Shares are contained in the Company's articles and the Company Act (British Columbia). Generally speaking, substantive changes to the share capital require the approval of the shareholders by special resolution passed by a majority of not less than three-quarters of the votes cast in person or by proxy by holders of the Common Shares.

The preferred shares may at any time be issued in one or more series with the special rights and restrictions attached to them determined by a resolution of the directors of the Company. The preferred shares are non-voting, subject to the Company Act (British Columbia) and they rank ahead of the Common Shares on the liquidation, dissolution or winding-up of the Company or other distribution of its assets.

PLAN OF DISTRIBUTION

By an agreement dated November 6, 2000 (the "Agency Agreement"), the Company appointed Yorkton Securities Inc. as its agent to offer, on a reasonable best efforts basis, 1,500,000 Common Shares at a price of $0.20 per share. The price of the Common Shares offered hereby and the commission to the Agent was established through negotiation between the Company and the Agent.

An application has been made to list the Common Shares offered hereby on the Exchange. Listing is subject to the Company fulfilling all of the listing requirements of the Exchange. The Agency Agreement also provides that the Agent is to act as the Company's sponsor, and undertake prescribed sponsorship duties, in accordance with the requirements of the Exchange until the close of business on the date that the Common Shares commence trading on the Exchange.

The Offering will be made in accordance with the rules and policies of the Exchange and on a day determined by the Agent and the Company, with the consent of the Exchange. The closing of the Offering will occur on a date to be determined by the Company and the Agent no earlier than 10 business days after the Agent has mailed this prospectus to purchasers of the Common Shares offered hereby and, in any event, within 90 days after a final receipt for this prospectus is issued by each of the British Columbia and Alberta Securities Commissions. The Agent will, on the closing date of the Offering, pay the proceeds of the Offering to the Company, through the Company's registrar and transfer agent, against delivery of the certificates representing the Common Shares offered hereby. Completion of the Offering is subject to the receipt by the Company of subscriptions totalling $300,000 for the entire Offering of 1,500,000 Common Shares. In the event that all 1,500,000 Common Shares offered hereby are not sold, then all subscription proceeds will be returned to subscribers in full without interest or deduction.

Under the terms of the Agency Agreement, the Company has agreed to pay to the Agent, upon completion of the Offering, a commission equal to 10% of the gross proceeds of the Offering payable in cash. In addition, upon completion of the Offering, the Agent will be granted non-transferable Agent's Options to acquire up to 150,000 Common Shares at a price of $0.20 per share, exercisable for a period of 18 months from the date of listing of the Common Shares on the Exchange. The Agent's Options are qualified and distributed pursuant to this prospectus. The Agent's Options may be exercised in whole or in part by the Agent before the completion of the Qualifying Transaction by the Company, provided that no more than 50% of the Common Shares issuable upon exercise of the Agent's Options may be sold by the Agent before the completion of the Qualifying Transaction. As at the date hereof, the Agent does not own any Common Shares. The Company has also paid the Agent a corporate finance fee of $8,000 plus applicable taxes and has agreed to pay the Agent's reasonable expenses, of which $5,000 has already been paid, including legal fees, in connection with the Offering.

The Agent has reserved the right to offer selling group participation in the normal course of the brokerage business to selling groups of other licensed broker-dealers, brokers and investment dealers who may or may not be offered part of the commission and/or Agent's Options derived from the Offering.

The Agent may terminate its obligations under the Agency Agreement at any time before the day the Common Shares commence trading on the Exchange if there is an occurrence of any nature which, in the opinion of the Agent, seriously affects or will seriously affect the financial markets or the ability of the Agent to perform its obligations under the Agency Agreement. The Agent may also terminate the Agency Agreement upon the occurrence of certain stated events in the Agreement, including the non-fulfilment of the conditions of closing.

The Company has granted the Agent a right of first refusal to act as agent on any future equity financings that the Company requires or proposes to obtain up to that date which is 12 months following the date of closing of the Qualifying Transaction.

Other than as described herein, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder or any other person or company in connection with the Offering.

In accordance with the rules and policies of the Exchange, the Agent is required to give full client preference of the entire Offering for purchase by retail clients. Clients of the Agent will have preference, to the extent there is demand, for the entire Offering. The Agent may allocate the Offering among its clients with such preference as it may determine in its sole discretion. If client demand is less than all of the Offering, the difference between the total Offering and client demand may be allocated to members of the Exchange and their partners, directors, officers, registered representatives and employees. The directors, officers and any other insiders of the Company may purchase Common Shares under the Offering. Any Common Shares purchased under the Offering by directors, officers and any other insiders of the Company will be subject to escrow restrictions in accordance with Policy 2.4.

The maximum number of Common Shares which may be directly or indirectly purchased by any one purchaser on the Offering will be 30,000 Common Shares (being 2% of the total Offering), provided that the maximum number of Common Shares which may be directly or indirectly purchased by any purchaser, together with that purchaser's associates and affiliates, is 60,000 Common Shares (being 4% of the total Offering).

Pursuant to Policy 2.4, other than the Common Shares offered hereby, the Agent's Options and stock options granted to an officer or director of the Company, no securities of the Company may be issued or traded during the period between the date of the receipt for the Company's preliminary prospectus and the time the Common Shares begin trading on the Exchange, except with the prior written acceptance by the Exchange and the British Columbia and Alberta Securities Commissions.

USE OF PROCEEDS

Assuming completion of the Offering, the Company will receive net proceeds of $270,000, after deduction of the Agent's commission. The net proceeds of the Offering, together with working capital as at April 30, 2001 of $135,093 amounts to $405,093[1] which is intended to be used as follows:

Estimated costs to identify and evaluate potential acquisitions[2]	$325,913
Repayment of shareholder advances[3]	$18,550
Estimated remaining offering costs, including printing costs, and legal and transfer agent fees	$15,000
Estimated general and administrative expenses[4]	$45,630
	$405,093

(1) As of April 30, 2001 the Company had accounts payable and accrued liabilities of $4,000 consisting of an audit accrual of $4,000

(2) In the event that the Company completes an approved Qualifying Transaction prior to spending the entire $325,913 on identifying and evaluating properties or businesses, the Company may use the remaining funds to finance or partially finance the acquisition of, or participation in, such property or business or for other purposes.

(3) These funds were advanced by shareholders to pay the Agent's corporate finance fee plus G.S.T. ($8,560), the Agent's expense retainer ($5,000) and a retainer for the Company's legal counsel ($5,000)

(4) Management of the Company anticipates that these general and administrative expenses will be incurred in order to meet the Company's stated business objectives over the 18-month period following the Offering. See "Administration and Overhead".

In the event that the Agent's Options are exercised, there will be available to the Company a maximum of $30,000 which will be added to the working capital of the Company. See "Plan of Distribution".

Pursuant to Policy 2.4, until the completion of the Qualifying Transaction, a maximum of 30% of the gross proceeds from the sale of all securities of the Company, including the Common Shares under this Offering, may be used by the Company for listing and filing fees, agent's fees, costs or commissions, legal and audit expenses, other costs of the issue of securities and administrative and general expenses. Until the completion of the Qualifying Transaction, no monies may be spent by the Company to acquire or lease a vehicle. The remainder of the gross proceeds received from the sale of securities of the Company may be used by the Company only to identify and evaluate assets or businesses for a prospective Qualifying Transaction, including expenses such as valuations or appraisals, business plans, feasibility studies and technical assessments, geological reports, financial statements, legal and accounting fees relating to the identification of a Qualifying Transaction and obtaining shareholder approval in respect thereof, and up to an aggregate of $100,000 as a deposit for a proposed arm's length Qualifying Transaction (a maximum of $25,000 of which may be non-refundable or unsecured, with the balance of at least $75,000 to be refundable and held in trust pending completion of the Qualifying Transaction).

No remuneration, compensation, advances or finder's fees of any nature whatsoever will be paid, directly or indirectly, by the Company to a party related to the Company prior to completion of Qualifying Transaction or for any services rendered or obligations incurred prior to completion of or in connection with a Qualifying Transaction. The Company may compensate a party related to the Company for reasonable out-of-pocket expenses and for general and administrative expenses such as office supplies, rent and utilities, incurred by such person on behalf of the Company. See "Description of Offices" for existing arrangements for such expenses.

The Company will spend the funds available to it on the completion of this Offering to further the Company's stated business objectives set out in "Business of the Company". There may be circumstances where, for sound business reasons, a reallocation of funds may be necessary in order for the Company to achieve its stated business objectives.

SHARE CAPITAL

Existing and Proposed Share Capital

The following represents the Company's share capital both before and after the issuance of the 1,500,000 Common Shares offered hereby:

	Number of Issued Common Shares	Price per Share	Total Consideration
Prior issuances of Common Shares	1,500,000 [(1)]	$0.10	$150,000
Offering	1,500,000	$0.20	$300,000
To be issued if all Common Shares being offered are sold[(2)]	3,000,000		$450,000

(1) All of these shares are held in escrow in accordance with Policy 2.4. See "Escrowed Shares".
(2) Prior to any exercise of the Agent's Options.

See "Description of Securities Offered" for a summary of the authorized Common Shares and the rights attached thereto.

Options and Other Rights to Purchase Shares

The Company has outstanding the following incentive stock options to purchase Common Shares which have been granted to directors and officers of the Company in accordance with Policy 2.4:

Name of Optionee	Number of Optioned Shares	Exercise Price per Share
Hugh Dickson Hall	75,000	$0.20
Ronald G. Erdman	75,000	$0.20
Ke Yin	75,000	$0.20
Ronald Shon	75,000	$0.20
	300,000	

The stock options all expire on the earliest to occur of (a) the fifth anniversary of the date on which the Common Shares begin trading on the Exchange, (b) the 30th day after the optionee last ceases to be a director, senior officer or employee of the Company for any reason other than death, and (c) the first anniversary of the date of the death of the optionee.

Pursuant to Policy 2.4, none of the foregoing stock options may be exercised before completion of the Qualifying Transaction unless the optionee agrees in writing to deposit the Common Shares acquired into escrow until the issuance of final notice by the Exchange that the Company has completed a Qualifying Transaction.

Upon completion of the Offering, the Company will also have outstanding Agent's Options for the purchase of up to 150,000 Common Shares. See "Plan of Distribution" for particulars of the Agent's Options.

An aggregate of 450,000 Common Shares are issuable upon the exercise of the foregoing stock options and the Agent's Options. There are no assurances that the stock options or the Agent's Options will be exercised in whole or in part.

Fully Diluted Share Capital

The following is a summary of the Company's share capital presented on a fully diluted basis:

	Number of Shares	Percentage of Total
Shares Held in Escrow (see below):	1,500,000	43.5%
Offered Under this Prospectus:	1,500,000	43.5%
Reserved for Stock Options:	450,000	13.0%
Total	3,450,000	100%

See "Escrowed Shares".

Principal Holders of Voting Securities

The only persons who have, or are known by the Company to have, direct or indirect beneficial ownership of or control or direction over Common Shares that will constitute more than 10% of the outstanding Common Shares upon completion of the Offering are as set out in the following table:

Name and municipality of residence	Common Shares held	Percentage of Common Shares prior to Offering	Percentage of Common Shares after Offering
WU CHING HO, Hong Kong	500,000	33.33%	16.7%

Escrowed Shares

Pursuant to an escrow agreement dated October 24, 2000 (the "Escrow Agreement"), the current shareholders of the Company (all being directors or officers of the Company, except for Wu Ching Ho) have deposited an aggregate of 1,500,000 Common Shares (the "Escrowed Shares") with Montreal Trust Company of Canada to be held in escrow pursuant to the terms and conditions of the Escrow Agreement. See "Directors, Officers and Promoters" and "Principal Holders of Voting Securities".

The following table sets out information on the Common Shares held in escrow as at the date hereof:

Name	Number of Common Shares held in escrow	Percentage of Common Shares outstanding prior to Offering	Percentage of Common Shares outstanding after Offering
Wu Ching Ho	500,000	33.3%	16.7%
Hugh Dickson Hall	300,000	20%	10%
Ronald Erdman	200,000	13.3%	6.7%
Ke Yin	300,000	20%	10%
Ronald Shon	200,000	13.3%	6.7%
	1,500,000	100%	50.0%

In that the 1,500,000 Common Shares were all issued to insiders of the Company prior to the Offering at a price that is less than the offering price of the Common Shares offered hereby, Policy 2.4 deems them to all be "Discount Seed Shares". As such, the Escrow Agreement provides that the Discount Seed Shares shall be immediately cancelled upon any notice by the Exchange delisting the Company from the Exchange.

Policy 2.4 further requires the escrow of Common Shares, beneficially owned or controlled, directly or indirectly, by related parties of the Company which are acquired under the Offering or are acquired from the Company's treasury after the Offering but prior to the completion of a Qualifying Transaction. All Common Shares acquired by a control person of the Company in the secondary market prior to the completion of the Qualifying Transaction will also be subject to escrow restrictions. In addition, Common Shares (other than Common Shares issued in conjunction with a Qualifying Transaction), which are acquired by a private placement or any other manner by a control person of the Company (determined after giving effect to the issuance) or by related parties to the Company before completion of the Qualifying Transaction, must be escrowed. Pursuant to Policy 2.4, all escrowed shares, other than Discount Seed Shares, must be forfeited and cancelled ten years after any notice by the Exchange delisting the Company.

Pursuant to Policy 2.4 and the Escrow Agreement, the Escrowed Shares shall not be released unless a Qualifying Transaction is completed by the Company. The original number of all escrowed shares of the Company (including Discount Seed Shares) may be released as to 10% following receipt of final notice from the Exchange that the Company has completed a Qualifying Transaction and as to 15% every six months after the initial release so that all escrowed shares will have been released three years after completion of the Qualifying Transaction. In addition, any escrowed Common Shares acquired upon the exercise of a stock option granted by the Company prior to the completion of the Qualifying Transaction will also be released upon receipt of final notice from the Exchange that the Company has completed a Qualifying Transaction. The Exchange may approve an accelerated release schedule if the Company, after completion of the Qualifying Transaction, meets "Tier 1 Issuer" listing requirements.

Securities issued pursuant to the Qualifying Transaction will be required to be escrowed as follows: (a) all securities which will be held by then principals of the Company upon completion of the Qualifying Transaction are required to be escrowed pursuant to the Exchange's Policy 5.4 entitled "Escrow and Vendor Consideration"; and (b) any securities issued to any other person in conjunction with or contemporaneous to the Qualifying Transaction may also be subject to escrow requirements pursuant to the Exchange's Policy 5.4.

Escrow agreements, in the form prescribed by the Exchange, restrict the sale, assignment, hypothecation and transfer of all escrowed shares without the prior written consent of the Exchange. Policy 2.4 provides that the Exchange will generally only permit a transfer of escrowed shares to incoming principals of the Company in connection with a Qualifying Transaction. In the event of the bankruptcy or death of a holder of escrowed shares, the escrow agent, with written notification to the Exchange, may transmit such holders' escrowed shares to the trustee in bankruptcy, executor, administrator or such other person as is legally entitled to become the registered owner of the escrowed shares. Escrowed shares which are transferred to a trustee in bankruptcy will remain in escrow subject to the applicable escrow agreement. Escrowed shares transferred upon death will be released from escrow to the applicable legal representative unless the Exchange objects.

DIVIDEND RECORD AND POLICY

The Company has not paid any dividends since incorporation and it has no plans to pay dividends in the immediate future. If the Company generates earnings in the future, it expects that they will be retained to finance further growth, if any, and, when appropriate, retire debt. The directors of the Company will determine if and when dividends should be declared and paid in the future based on the Company's financial position at the relevant time. All of the Common Shares are entitled to an equal share in any dividends declared and paid.

SPONSORSHIP AND FISCAL AGENCY AGREEMENTS

The Company has not entered into any sponsorship or fiscal agency agreements other than the Agency Agreement wherein the Agent has agreed to act as the Company's sponsor for the listing of the Common Shares on the Exchange. The Company has paid the Agent a corporate finance fee of $8,000 plus applicable taxes and has agreed to pay the Agent's reasonable expenses, of which $5,000 has already been paid. The Company will also be required to obtain sponsorship by a member firm of the Exchange at the time the Company enters into a Qualifying Transaction.

INVESTOR RELATIONS ARRANGEMENTS

The Company has not entered into any investor relations agreements. Pursuant to Policy 2.4, at the time of listing on the Exchange and until completion of a Qualifying Transaction, neither the Company nor any other party on behalf of the Company will have engaged or will engage the services of any person to provide investor relations, promotional or market-making services.

RELATIONSHIP BETWEEN COMPANY AND AGENT

The Company is not a related party or connected party, as those terms are defined in British Columbia and Alberta securities legislation, of the Agent.

RELATIONSHIP BETWEEN COMPANY AND PROFESSIONAL PERSONS

No professional person, as defined in section 106 of the Securities Rules (British Columbia) or section 85 of the Securities Rules (Alberta), has any beneficial interest, direct or indirect, in any securities or property of the Company or an associate or affiliate of the Company and no such professional person expects to be elected, appointed or employed as a director, senior officer or employee of the Company or of any associate or affiliate of the Company, or is a promoter of the Company or of any associate or affiliate of the Company.

LEGAL PROCEEDINGS

There are no outstanding or, to the Company's knowledge, contemplated legal proceedings involving the Company that are material to the business or affairs of the Company.

AUDITOR

The auditor of the Company is Nemeth Thody Anderson, Chartered Accountants, 540 – 475 West Georgia Street Vancouver, British Columbia V6B 4M9.

REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent of the Common Shares is Montreal Trust Company of Canada, 510 Burrard Street, Vancouver, British Columbia V6C 3B9.

MATERIAL CONTRACTS

The following are the material contracts of the Company that have been entered into since incorporation or that will be entered into prior to completion of the Offering:

(a) Agency Agreement described under "Plan of Distribution";

(b) Escrow Agreement described under "Share Capital – Escrowed Shares"; and

(c) Stock Option Agreements described under "Options and Other Rights to Purchase Shares".

The material contracts described above may be inspected at the offices of the Company, Suite 606, 938 Howe Street, Vancouver, British Columbia, during normal business hours while the Common Shares offered hereby are in the course of distribution and for a period of 30 days thereafter.

OTHER MATERIAL FACTS

There are no other material facts relating to the Common Shares proposed to be offered which have not been disclosed elsewhere in this prospectus.

PURCHASERS' STATUTORY RIGHTS

The Securities Act (British Columbia) and Securities Act (Alberta) provide purchasers with the right to withdraw from an agreement to purchase securities within two business days after receipt or deemed receipt of a prospectus and any amendment. The securities legislation further provides a purchaser with remedies for rescission or damages where the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation. The purchaser should refer to sections 83, 131, 135 and 140 of the Securities Act (British Columbia) and sections 105, 168, 170 and 175 of the Securities Act (Alberta) for the particulars of these rights or consult with a legal advisor.

STEPSTONE ENTERPRISES LTD.

AUDITED FINANCIAL STATEMENTS
OCTOBER 23, 2000

And

UNAUDITED FINANCIAL STATEMENTS
APRIL 30, 2001

CHARTERED ACCOUNTANTS

NEMETH THODY ANDERSON

AUDITORS' REPORT

To the Directors of
Stepstone Enterprises Ltd.:

We have audited the balance sheet of Stepstone Enterprises Ltd. as at October 23, 2000, and the statements of operations, deficit and cash flow for the 91 day period then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at October 23, 2000, and the results of its operations and changes in its cash flow for the period then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Nemeth Thody Anderson

Chartered Accountants
Vancouver, B.C.
November 13, 2000, *except as to Note 5(c) which is as of February 28, 2001*

CA

SUITE 540 - 475 WEST GEORGIA STREET
VANCOUVER, B.C. CANADA V6B 4M9

TEL. (604) 684-8221
FAX. (604) 684-8299

A PARTNERSHIP OF CORPORATIONS:

GERALD S. NEMETH LTD.
GRAHAM C. THODY LTD.
BRUCE J. ANDERSON LTD.

STEPSTONE ENTERPRISES LTD.
BALANCE SHEET
(AUDITED)
(NOTE 1)

	April 30 2001	October 23 2000
	$ (Unaudited)	$
ASSETS		
Current Assets		
Cash and short-term deposits	123,559	150,000
Deposits and advance fees	14,550	18,550
Deferred expenditures	19,534	-
	157,643	168,550
Capital Assets (Notes 2(a) and 3)	4,997	-
	162,640	168,550
LIABILITIES		
Current Liability		
Accounts payable and accrued liabilities	4,000	3,000
Advances From Shareholder (Note 4)	18,550	18,550
	22,550	21,550
SHAREHOLDERS' EQUITY		
Share Capital (Note 5)	150,000	150,000
Deficit	(9,910)	(3,000)
	140,090	147,000
	162,640	168,550

APPROVED BY THE DIRECTORS

Ron Erdman

Dickson Hall

Refer to accompanying notes.

STEPSTONE ENTERPRISES LTD.
STATEMENT OF OPERATIONS AND DEFICIT
(AUDITED)
(NOTE 1)

	189 Day Period Ended April 30 2001	91 Day Period Ended October 23 2000
	$ (Unaudited)	$
Revenue	-	-
Expenses		
Amortization	919	-
Bank service charges	112	-
Occupancy costs	2,618	-
Office	973	-
Professional fees	-	3,000
Travel	2,288	-
	6,910	3,000
Net Loss For The Period	(6,910)	(3,000)
Deficit, beginning of period	(3,000)	-
Deficit, End Of Period	(9,910)	(3,000)

Refer to accompanying notes.

STEPSTONE ENTERPRISES LTD.
STATEMENT OF CASH FLOW
(AUDITED)
(NOTE 1)

	189 Day Period Ended April 30 2001	91 Day Period Ended October 23 2000
	$ (Unaudited)	$
Cash Flow From Operating Activities		
Net loss for the period	(6,910)	(3,000)
Item not involving cash		
Amortization	919	-
Change in non-cash working capital	(14,534)	(15,550)
	(20,525)	(18,550)
Cash Flow From Financing Activities		
Sale of common shares	-	150,000
Advances from shareholder	-	18,550
	-	168,550
Cash Flow From Investing Activity		
Purchase of capital assets	(5,916)	-
Decrease In Cash	(26,441)	150,000
Cash, beginning of period	150,000	-
Cash, End Of Period	123,559	150,000

Refer to accompanying notes.

1. Incorporation

The company was duly incorporated under the laws of the Province of British Columbia on July 25, 2000, and, as at October 23, 2000, the company had not yet commenced operations.

2. Significant Accounting Policies

To facilitate review of these financial statements, the significant accounting policies followed by the company are summarized below:

(a) Capital Assets

Capital assets are recorded at cost, including betterment and renewals subsequent to acquisition, less accumulated amortization. When assets are sold or abandoned, the recorded costs and related accumulated amortization are removed form the accounts and any gains or losses are included in the determination of net earnings. Repairs and maintenance are recorded as an expense as incurred.

Amortization of the computer equipment is calculated at 30% declining balance per annum.

(b) Financial Instruments

(i) Disclosures About Fair Value Of Financial Instruments

The company is required to disclose the methods and assumptions used to estimate the fair value of each of the on and off balance sheet financial instruments.

(ii) Short-Term Financial Assets And Liabilities

The carrying amounts of accounts payable and accrued liabilities are a reasonable estimate of their fair values because of the short period to maturity of these instruments.

(c) Use Of Estimates

The preparation of financial statements in conformity with Canadian Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

(d) Statement Of Cash Flow

The company has applied the new CICA accounting standard with respect to the presentation of cash flow.

2. **Significant Accounting Policies** (Cont'd)

(e) Incentive Stock Option Plan

The company has an incentive stock option plan which is described in Note 5(c). No compensation expense is recognized for this plan when stock or stock options are issued. Any consideration received by the company on exercise of stock options or purchase of stock is credited to share capital. If stock options are re-purchased, the excess of the consideration paid over the carrying amount of the stock or stock option cancelled is charged to retained earnings.

(f) Deferred Expenditures

Deferred expenditures represent legal ($12,504) and filing fees ($8,030) associated with the share offering. These amounts will be charged against share capital upon completion of the offering.

3. **Capital Assets**

	April 30, 2001			October 23 2000
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
	$	$	$	$
Computer equipment	5,916	919	4,997	-

4. **Related Party Transactions**

During the period ended October 23, 2000, a deposit for legal services and a deposit and due diligence fee to the company's securities agent were funded by an advance from a shareholder of the company. This advance is non-interest bearing and without stated terms of repayment.

5. **Share Capital**

(a) Authorized

The authorized share capital of the company consists of 200,000,000 shares without par value divided into 100,000,000 common shares and 100,000,000 preferred shares.

(b) Common Shares Issued

	April 30 2001	October 23 2000
	$	$
Issued – July 25, 2000 (1,500,000 shares)	150,000	150,000

5. **Share Capital** (Cont'd)

(c) Stock Options

The company has outstanding the following recentive stock options to purchase common shares which have been granted to directors and officers of the company in accordance with Policy 2.4:

Optionee	Number Of Optioned Shares	Amount Per Share $
Dickson Hall	75,000	0.20
Ronald G. Erdman	75,000	0.20
Yin Ke	75,000	0.20
Ronald Shon	75,000	0.20
	300,000	

The stock options all expire on the earliest to occur of:

(i) The fifth anniversary of the date on which the common shares begin trading on the Exchange;

(ii) The 30th day after the optionee last ceases to be a director, senior officer or employee of the company for any reason other than death; and

(iii) The first anniversary of the date of the death of the optionee.

Pursuant to Policy 2.4, none of the foregoing stock options may be exercised before completion of the Qualifying Transaction unless the optionee agrees in writing to deposit the common shares acquired into escrow until the issuance of final notice by the Exchange that the company has completed a Qualifying Transaction.

Upon completion of the Offering, the company will also have outstanding Agent's Options for the purchase of up to 150,000 common shares.

By an agreement dated November 6, 2000 (the "Agency Agreement"), the company appointed Yorkton Securities Inc. as its agent to offer, on a reasonable best efforts basis, 1,500,000 common shares at a price of $0.20 per share. The price of the common shares offered hereby and the commission to the Agent was established through negotiation between the company and the Agent.

5. **Share Capital** (Cont'd)

(c) Stock Options (Cont'd)

Under the terms of the Agency Agreement, the company has agreed to pay to the Agent, upon completion of the Offering, a commission equal to 10% of the gross proceeds of the Offering payable in cash. In addition, upon completion of the Offering, the Agent will be granted non-transferable Agent's Options to acquire up to 150,000 common shares at a price of $0.20 per share, exercisable for a period of 18 months from the date of listing of the common shares on the Exchange. The Agent's Options are qualified and distributed pursuant to this prospectus. The Agent's Options may be exercised in whole or in part by the Agent before the completion of the Qualifying Transaction by the company, provided that no more than 50% of the common shares issuable upon exercise of the Agent's Options may be sold by the Agent before the completion of the Qualifying Transaction.

6. **Subsequent Event**

Pursuant to escrow agreement dated October 24, 2000, and pursuant to policy 2.4 of the Canadian Venture Exchange, 1,500,000 common shares issued to the initial shareholders will be subject to certain terms and conditions for release. These shares shall not be released unless a *"qualifying transaction"* is completed by the company. Upon receipt of a final notice from the Exchange that the company has completed a qualifying transaction, 10% of the escrowed shares can be released and a further 15% every six months thereafter.

CERTIFICATE OF THE COMPANY

DATED: June 4, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia) and Part 8 of the Securities Act (Alberta) and the rules and regulations thereunder.

(signed) HUGH DICKSON HALL Chief Executive Officer	(signed) RONALD ERDMAN Chief Financial Officer

On behalf of the Board of Directors

(signed) KE YIN Director	(signed) RONALD SHON Director

CERTIFICATE OF THE PROMOTER

DATED: June 4, 2001

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia) and Part 8 of the Securities Act (Alberta) and the rules and regulations thereunder.

(signed) HUGH DICKSON HALL

CERTIFICATE OF THE AGENT

DATED: June 4, 2001

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the Securities Act (British Columbia) and Part 8 of the Securities Act (Alberta) and the rules and regulations thereunder.

YORKTON SECURITIES INC.

(signed) JOHN MCCOACH