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iSteelAsia

iSteelAsia Holdings Limited

(亞鋼集團有限公司)*

(incorporated in Bermuda with limited liability)

(Stock code: 8080)

**North Asia Strategic
Acquisition Corp.**

(incorporated in the Cayman Islands
with limited liability)

&

Mr. Moses Kwok Tai Tsang

JOINT ANNOUNCEMENT

**CAPITAL REORGANISATION,
OPEN OFFER,
SUBSCRIPTION OF NEW SHARES
AND
CONVERTIBLE BONDS,
APPLICATION FOR WHITEWASH WAIVER
AND
PROPOSED CHANGE OF COMPANY NAME**

Financial adviser to iSteelAsia Holdings Limited

CASH

Celestial Capital Limited

Financial adviser to the Ajia Parties



SOMERLEY LIMITED

**Independent financial adviser to the Independent Board Committee
and the Independent Shareholders**



* for identification only

The iSteelAsia Board and the Ajia Parties announce that agreement has been reached for Proposals for the expansion of the capital base of iSteelAsia and the introduction of the Ajia Parties as the new controlling shareholder of iSteelAsia. The Proposals, which are subject to the conditions set out below, include the following main components:

- (i) the Capital Reorganisation which will involve (a) a consolidation of every 100 existing Shares of HK\$0.10 each into 1 Consolidated Share of HK\$10.0; (b) a reduction in the par value of each issued Consolidated Share from HK\$10.0 each to HK\$0.01 each by cancelling HK\$9.99 paid-up capital on each issued Consolidated Share; (c) the reduction of the nominal value of all the unissued Consolidated Shares of HK\$10.0 each to HK\$0.01 each within iSteelAsia's authorised share capital, by way of (i) cancellation of all the authorised but unissued share capital of iSteelAsia, including the authorised but unissued share capital arising from the Capital Reduction, and (ii) an increase in the authorised share capital of iSteelAsia back to its original amount of HK\$400,000,000 by the creation of the requisite number of New Shares of HK\$0.01 each; and (d) a reduction of the entire amount standing to the credit of the share premium account of iSteelAsia. The shares of HK\$0.01 each after the Capital Reorganisation are referred to in this announcement as "New Shares";
- (ii) the Open Offer to raise approximately HK\$2.5 million (before expenses) on the basis of an assured allotment of one Offer Share for each New Share held by the Qualifying Shareholders on the Record Date at the Offer Price of HK\$0.1566 per Offer Share. Qualifying Shareholders will be able to apply for Offer Shares in excess of their assured allotments; and
- (iii) the Subscription of 63,856,960 New Shares by the Ajia Parties at a subscription price of HK\$0.1566 per New Share to raise approximately HK\$10 million and a further subscription of HK\$20 million nominal of non-interest bearing Convertible Bonds, convertible into 127,713,920 New Shares at an initial conversion price of HK\$0.1566 per Conversion Share.

The Capital Reorganisation is subject to, among other conditions, approval being obtained from Independent Shareholders at the SGM for the Open Offer, the Subscription and the Whitewash Waiver. The Open Offer and the Subscription are inter-conditional and subject to further conditions as set out below, including the grant of the Whitewash Waiver.

Van Shung Chong, through its wholly-owned subsidiary VSC BVI, currently holds 301,026,000 Shares (equivalent to 3,010,260 New Shares upon the Capital Reorganisation taking effect), representing approximately 18.9% of the existing issued share capital of iSteelAsia. VSC BVI has irrevocably undertaken to iSteelAsia to apply in full for its assured allotment under the Open Offer, amounting to 3,010,260 Offer Shares, and has agreed to underwrite the remainder of the Offer Shares. Depending on the taking up of the Offer Shares under the Open Offer by the Shareholders, the shareholding of VSC BVI in iSteelAsia would range from approximately 6.8% to 19.8% of the Enlarged Share Capital.

The Ajia Parties and their Concert Parties are independent of and not connected with iSteelAsia and its connected persons. Save for Mr. Tsang's personal interests in 50,940,000 Shares and 10,240,000 Warrants and his 5% interest in TN which in turn holds 163,367,600 Shares, the Ajia Parties and their Concert Parties currently have no interest in the issued share capital or other securities of iSteelAsia. Immediately after completion of the Capital Reorganisation, the Open Offer and the issue of the Subscription Shares at completion of the Proposals but before any exercise of the conversion rights attaching to the Convertible Bonds, and on the assumption that there are no other changes in iSteelAsia's issued share capital after the date of this announcement, the shareholding of the Ajia Parties and their Concert Parties in iSteelAsia is expected to be approximately 67.2%. As a result, an obligation to make a mandatory general offer on the part of the Ajia Parties will arise under the Takeovers Code, unless the Whitewash Waiver is obtained. If the Whitewash Waiver is not obtained, the Proposals will not become unconditional and will not proceed.

It is the intention of the Ajia Parties to maintain the listing of the New Shares on GEM after completion of the Proposals. Accordingly, the Ajia Parties, VSC BVI and iSteelAsia have each undertaken to GEM to use their best endeavours to take appropriate steps to ensure that, as soon as possible following issuance of the New Shares upon completion of the Proposals, the public float of iSteelAsia will not be less than 15% after completion of the Proposals. The Ajia Parties have undertaken to Huge Top, and Huge Top has undertaken to Ajia Parties to procure VSC BVI, to make arrangements to place down New Shares in proportion to their holdings in iSteelAsia on completion of the Proposals so as to restore the public float to at least 15% of the Enlarged Share Capital.

The iSteelAsia Group made an audited loss attributable to Shareholders of approximately HK\$25.7 million for its latest financial year ended 31 March 2004 and an unaudited loss of approximately HK\$7.8 million for the nine months ended 31 December 2004. The Open Offer and the Subscription will improve the liquidity position of the iSteelAsia Group as well as enhance its equity base, whilst allowing the Qualifying Shareholders to participate in the future expansion of iSteelAsia. The estimated proceeds (net of expenses) to be raised from the Open Offer and the Subscription are approximately HK\$30.2 million. The iSteelAsia Group plans to use approximately HK\$4.2 million as general working capital of the iSteelAsia Group and approximately HK\$26 million to finance future investments.

After completion of the Proposals, the Ajia Parties intend to conduct a review of the business operations and financial position of the iSteelAsia Group in order to formulate business plans and strategies for the iSteelAsia Group's future business development with a view to strengthening the iSteelAsia Group's overall business performance. It is the intention of the Ajia Parties that iSteelAsia should carry on its existing business in trading of steel products and the provision of procurement services for steel products, ancillary services and investment holding. The iSteelAsia Directors to be nominated by the Ajia Parties are experienced in the evaluation and execution of strategic investments into businesses and assets. Should suitable opportunities arise and subject to the results of the financial and operational review, iSteelAsia will consider investments with a view to expanding and diversifying its business from its current focus. The Ajia Parties have no intention or plans to inject any assets or business of their own into the iSteelAsia Group or to re-deploy any assets of the iSteelAsia Group after completion of the Proposals. Save for the nomination of new iSteelAsia Directors as described in this announcement, the Ajia Parties do not intend to make any changes to the continued employment of the employees of the iSteelAsia Group by reason only of the completion of the Proposals.

Subject to completion of the Subscription, it is proposed that the English name of iSteelAsia be changed to “North Asia Strategic Holdings Limited” to reflect the change in shareholder base. iSteelAsia will also adopt “北亞策略控股有限公司” as the new Chinese name for identification purpose.

The Proposals, including the Capital Reorganisation, the Open Offer, the Subscription and the Whitewash Waiver, are subject to the Independent Shareholders’ approval at the SGM by way of poll. An independent board committee of iSteelAsia will be established to consider the Proposals and to give a recommendation to the Independent Shareholders. Access Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of iSteelAsia and the Independent Shareholders. The SGM Circular containing, among other things, details of the Proposals including the Capital Reorganisation, the Open Offer, the Subscription and the Whitewash Waiver, financial information on the iSteelAsia Group, the letters of advice from the independent board committee and the independent financial adviser and notice of the SGM, will be despatched to the Shareholders as soon as practicable and in accordance with the requirements of the GEM Listing Rules and the Takeovers Code.

The Proposals are subject to certain conditions set out in this announcement including but not limited to obtaining Independent Shareholders’ approval at the SGM and obtaining the Whitewash Waiver. Accordingly, the Proposals may or may not proceed. Shareholders, Warrantholders and potential investors should therefore exercise caution when dealing in the Shares and/or Warrants.

Trading in the Shares and Warrants on GEM was suspended with effect from 9:30 a.m. on Wednesday, 20 April 2005 at the request of iSteelAsia pending the issue of this announcement. Application has been made to GEM for the resumption in trading in the Shares and Warrants on GEM with effect from 9:30 a.m. on Friday, 20 May 2005.

PROPOSED CAPITAL REORGANISATION

iSteelAsia intends to put forward at the SGM resolution(s) to approve, subject to the conditions set out below, the Capital Reorganisation which involves :

- (a) the Share Consolidation whereby every 100 issued and unissued Shares of HK\$0.10 each will be consolidated into one Consolidated Share of HK\$10.0. Fractional Consolidated Shares will not be issued to the Shareholders but will be aggregated and sold for the benefit of iSteelAsia ;
- (b) the Capital Reduction pursuant to which the par value of each issued Consolidated Share of HK\$10.0 will be reduced to HK\$0.01 by cancelling paid-up capital to the extent of HK\$9.99 on each issued Consolidated Share;
- (c) the reduction of the nominal value of all the unissued Consolidated Shares of HK\$10.0 each to HK\$0.01 each within iSteelAsia’s authorised share capital, by way of (i) cancellation of all the authorised but unissued share capital of iSteelAsia, including the authorised but unissued share capital arising from the Capital Reduction, and (ii) an increase in the authorised share capital of iSteelAsia back to its original amount of HK\$400,000,000 by the creation of the requisite number of New Shares of HK\$0.01 each; and
- (d) the Share Premium Reduction pursuant to which the entire amount standing to the credit of the share premium amount of iSteelAsia will be cancelled.

The credit arising from the Capital Reduction, which is expected to be approximately HK\$159.5 million, and from the Share Premium Reduction, which is expected to be approximately HK\$11.1 million, will be transferred to the contributed surplus account of iSteelAsia which will be used to set off against the accumulated losses of iSteelAsia in the manner permitted by the laws of Bermuda and the bye-laws of iSteelAsia. Based on the unaudited financial statements of iSteelAsia as at 31 December 2004, the accumulated losses of iSteelAsia as at 31 December 2004 amounted to approximately HK\$159.7 million.

Upon the Capital Reorganisation taking effect but before the Open Offer and the Subscription, the authorised share capital of iSteelAsia will remain at HK\$400,000,000 comprising 40,000,000,000 New Shares, of which 15,966,669 New Shares are expected to be in issue and 39,984,033,331 New Shares will be unissued.

Conditions of the Capital Reorganisation

The Capital Reorganisation will be conditional upon :

- (i) the passing at the SGM of a special resolution by the Independent Shareholders approving the Capital Reorganisation;
- (ii) the GEM Listing Committee granting listing of, and permission to deal in, the New Shares which will be in issue following completion of the Capital Reorganisation;
- (iii) compliance by iSteelAsia with the requirements of Section 46(2) of the Companies Act; and
- (iv) the Open Offer, the Subscription and the Whitewash Waiver being approved by the Independent Shareholders at the SGM.

Reasons for the Capital Reorganisation

The par value of the existing Shares is HK\$0.10 each, which represents approximately 37.0% premium over the closing price of HK\$0.073 per Share as quoted on GEM on 19 April 2005, being the last day on which the Shares were traded immediately preceding the publication of this announcement. Under Bermuda law, a company cannot issue shares at a discount to par. After the implementation of the Capital Reorganisation, the market value of the New Shares is expected to be above the par value of the New Shares of HK\$0.01 each. The iSteelAsia Board is of the opinion that reducing the par value of the existing Shares to HK\$0.01 each will facilitate the issue of New Shares by iSteelAsia for equity fund raising and is thus in the interests of iSteelAsia and the Shareholders as a whole.

The iSteelAsia Board intends that the sums credited to the contributed surplus account of iSteelAsia arising from the Capital Reduction and the Share Premium Reduction will be used to set off the accumulated losses of iSteelAsia. The unaudited financial statements of iSteelAsia as at 31 December 2004 show that iSteelAsia had accumulated losses of approximately HK\$159.7 million at that date. Set out below are the effects of the Capital Reduction and the Share Premium Reduction:

	<i>HK\$ million</i>
Credit arising from the Capital Reduction	159.5
Credit arising from the Share Premium Reduction	<u>11.1</u>
Contributed surplus account	170.6
<i>Less: Accumulated losses of iSteelAsia as at 31 December 2004</i>	<u>(159.7)</u>
Surplus after the Capital Reduction and the Share Premium Reduction	<u><u>10.9</u></u>

The Capital Reorganisation will allow iSteelAsia to eliminate such accumulated losses. With a view to preserving financial resources for the future development of iSteelAsia, the iSteelAsia Board has no present intention to distribute dividend upon completion of the Capital Reorganisation. On that basis, the iSteelAsia Board considers it appropriate to implement the Capital Reorganisation.

Effect of the Capital Reorganisation

Except for the expenses to be incurred in relation to the Capital Reorganisation and the fractional Consolidated Shares not issued to the Shareholders, the implementation of the Capital Reorganisation will not, by itself, alter the net asset value, business operations, or financial position of the iSteelAsia Group or the proportionate interests of the Shareholders.

The New Shares after the Capital Reorganisation will rank *pari passu* in all respects with each other. iSteelAsia will apply to the GEM Listing Committee for the listing of, and permission to deal in, the New Shares in issue upon the Capital Reorganisation taking effect.

Following the implementation of the Capital Reorganisation, share certificates for the existing Shares will continue to be effective as documents of title for one-hundredth of the number of the New Shares, but will cease to be marketable and will not be acceptable for dealing and settlement purposes. Details of the timetable for parallel trading arrangements, provision of matching services for the odd lots of New Shares and the free exchange of the existing share certificates for the existing Shares for new share certificates for the New Shares in connection with the Capital Reorganisation will be further announced by iSteelAsia and set out in the SGM Circular.

PROPOSED OPEN OFFER

To raise new capital and to give existing Shareholders the opportunity to participate in the future expansion of the iSteelAsia Group, the iSteelAsia Board proposes the Open Offer.

Issue statistics

Basis of Open Offer: one Offer Share for every New Share held by Qualifying Shareholders on the Record Date (which will be further announced by iSteelAsia and set out in the SGM Circular). This is equivalent to one Offer Share for every 100 existing Shares.

Excess applications: Qualifying Shareholders will be permitted to apply for New Shares in excess of their assured allotments.

Number of New Shares
expected to be in issue
upon the Capital
Reorganisation taking
effect: 15,966,669 New Shares

Number of Offer Shares: 15,966,669 Offer Shares

Offer Price: HK\$0.1566 per Offer Share

Qualifying Shareholders will be assured of receiving the number of Offer Shares applied for if application is made for a number of Offer Shares equal to or less than the number in their assured allotments. Applications for Offer Shares in excess of assured allotments will be considered (to the extent of the excess) and will be allotted to Qualifying Shareholders on a fair and equitable basis, but preference will be given to topping-up odd lots to whole board lots.

As at the date of this announcement, there are outstanding Options to subscribe for a total of 52,750,000 Shares and outstanding Warrants to subscribe for a total of 311,933,081 Shares. The Options are exercisable up to 12 April 2010 and the Warrants are exercisable up to 17 June 2005. Save as disclosed, iSteelAsia has no other outstanding convertible securities, options or warrants in respect of the Shares. Assuming that all the outstanding Options and Warrants are exercised before the Record Date, the total number of Offer Shares that may be issued under the Open Offer will be 19,613,499 Offer Shares.

Save for the Open Offer, iSteelAsia did not have any fund raising activity in the past 12 months.

Qualifying Shareholders and Overseas Shareholders

iSteelAsia will send the Prospectus Documents to the Qualifying Shareholders only. To qualify for the Open Offer, a Shareholder must be registered as a member of iSteelAsia at the close of business on the Record Date. Overseas Shareholders are qualified for the Open Offer only if the iSteelAsia Board, after making relevant enquiry as required under the GEM Listing Rules, considers that the offer to these Shareholders would not contravene any legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place. No assured allotment of the Offer Shares will be made to such Overseas Shareholders if, after making such enquiry, the iSteelAsia Board is of the opinion that it would be necessary or expedient, on account either of the legal restrictions under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place, not to offer the Offer Shares to such Overseas Shareholders. iSteelAsia will send the Prospectus to such Overseas Shareholders for their information only but will not send the assured allotment letter and excess application form to them.

Under the Open Offer, there will be no trading in assured allotments of Offer Shares. In view of the relatively low recent trading volume of the Shares, the iSteelAsia Board does not expect there would be active trading in nil-paid Shares had the present exercise been structured as a rights issue. In the circumstances and given that the Open Offer enables existing Shareholders to maintain their percentage interests in iSteelAsia, the iSteelAsia Board decided that the additional administrative burden and expenses of providing for trading in nil-paid rights would not be justified.

Closure of register of members

The dates for the closure of the register of members of iSteelAsia for determining Shareholders' entitlement to the Open Offer will be fixed and announced by the iSteelAsia Board as soon as practicable.

Offer Price

The Offer Price of HK\$0.1566 per Offer Share, which is payable in full on application, was set by reference to the unaudited net assets of the iSteelAsia Group as at 31 December 2004 of approximately HK\$4.8 million less an allowance for the expenses of the Proposals of approximately HK\$2.3 million. The Offer Price represents (taking into account the effect of the Share Consolidation) :

- (i) a discount of approximately 95.8% to the theoretical ex-entitlement price of HK\$3.7283 per New Share (based on the closing price of HK\$0.073 per Share as quoted on GEM on 19 April 2005, being the last day on which the Shares were traded immediately preceding the publication of this announcement);
- (ii) a discount of approximately 47.8% to the unaudited net asset value per New Share of the iSteelAsia Group as at 31 December 2004 (before any allowance for the expenses of the Proposals) of approximately HK\$0.30;
- (iii) a discount of approximately 97.9% to the closing price of HK\$7.3 per New Share (based on the closing price of HK\$0.073 per Share) as quoted on GEM on 19 April 2005, being the last day on which the Shares were traded immediately preceding the publication of this announcement; and

- (iv) a discount of approximately 98.0% to the average closing price of HK\$7.85 per New Share (based on the average closing price of HK\$0.0785 per Share as quoted on GEM for the last ten trading days up to and including 19 April 2005).

Note: The closing prices of the New Shares referred to above are based on the relevant prices of the Shares adjusted to take into account the effect of the Capital Reorganisation, as the shares to be issued under the Open Offer will be New Shares after implementation of the Capital Reorganisation.

The iSteelAsia Board considers that the Open Offer is part and parcel of the Proposals that would improve the iSteelAsia Group's balance sheet and financial position and allow the iSteelAsia Group to leverage the experience and resources of the Ajia Parties to strengthen its business prospects by exploring new investment opportunities so as to put the iSteelAsia Group in a much more sound position to meet different challenges in future. Therefore, the iSteelAsia Board considers that the Open Offer (as part and parcel of the Proposals) is in the interests of iSteelAsia and the Shareholders as a whole.

The Offer Price is the same as the Subscription Price of the Subscription Shares to be issued to the Ajia Parties. The iSteelAsia Board considers the terms of the Open Offer to be fair and reasonable so far as the interests of the Shareholders are concerned.

Status of the Offer Shares

When fully paid, issued and allotted, the Offer Shares will rank *pari passu* in all respects with the then issued New Shares. Holders of the fully paid Offer Shares will be entitled to receive all future dividends and distributions which are declared, made or paid on or after the date of issue and allotment of the Offer Shares.

Share Certificates

Subject to the fulfillment of the conditions of the Open Offer, certificates for the Offer Shares will be posted to successful applicants at their own risk.

Application for listing and dealings

iSteelAsia will apply to the GEM Listing Committee for the listing of, and permission to deal in, the Offer Shares.

All necessary arrangements will be made for the Offer Shares to be admitted into the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited.

Dealings in the Offer Shares will be subject to the payment of stamp duty in Hong Kong.

Timetable

Details of the timetable in respect of the Open Offer will be further announced by iSteelAsia and set out in the SGM Circular.

UNDERWRITING ARRANGEMENTS

VSC BVI is interested in 301,026,000 Shares (equivalent to 3,010,260 New Shares), representing approximately 18.9% of the existing issued share capital of iSteelAsia as at the date of this announcement and is therefore a connected person of iSteelAsia. VSC BVI has irrevocably undertaken to iSteelAsia to take up in full the 3,010,260 Offer Shares to which it will be entitled under the Open Offer.

VSC BVI has also agreed to underwrite the remaining Offer Shares in accordance with the terms of the Underwriting Agreement.

Underwriting Agreement

Date :	19 May 2005	
Underwriter :	VSC BVI	
Number of Offer Shares underwritten and undertaken to apply for :	Offer Shares which VSC BVI has undertaken to apply for	3,010,260
	Underwritten Shares	<u>12,956,409*</u>
		<u><u>15,966,669*</u></u>
Commission :	HK\$1,000	

* *The number of the Underwritten Shares may be increased by 3,646,830 Offer Shares if all the outstanding Options and Warrants are exercised before the Record Date.*

Mr. Tsang has indicated to iSteelAsia that he will not subscribe for the Offer Shares to which he is entitled under the Open Offer.

Conditions of the Underwriting Agreement

The Underwriting Agreement is conditional on, among other things, the following:

- (a) (i) the approval of the Capital Reorganisation, the Open Offer, the Subscription and the Whitewash Waiver by the Independent Shareholders at the SGM on or before the Posting Date;
- (ii) the cancellation of all the Options being approved by the Shareholders (other than those Shareholders who are prohibited from voting under the relevant share option scheme of iSteelAsia) at the SGM on or before the Posting Date; and
- (iii) the Capital Reorganisation becoming unconditional and effective in all respects on or before the Posting Date;

- (b) the Subscription Agreement becoming unconditional in all respects other than any condition therein requiring the Open Offer to be completed on or before the date on which dealings commence in the Offer Shares;
- (c) the granting of the Whitewash Waiver by the Executive on or before the date on which dealings commence in the Offer Shares;
- (d) the delivery to the Stock Exchange of two copies of the Prospectus Documents duly certified in accordance with the relevant requirements of the Companies Ordinance, and the issue by the Stock Exchange of a certificate of authorisation of registration, no later than the business day before the Posting Date;
- (e) the delivery to and registration by the Registrar of Companies in Hong Kong of one copy of each of the Prospectus Documents (duly signed by or on behalf of iSteelAsia Directors in accordance with section 342C of the Companies Ordinance), together with any other documents required by such section to be attached thereto on or before the Posting Date;
- (f) the filing of one copy of each of the Prospectus Documents with the Registrar of Companies in Bermuda in accordance with the Companies Act on or before the Posting Date; and
- (g) the GEM Listing Committee granting or agreeing to grant (subject to allotment) listing of, and permission to deal in, the New Shares, the Offer Shares, the Subscription Shares and the Conversion Shares which may be issued upon any exercise of the conversion rights under the Convertible Bonds, on or before the date on which dealings commence in the Offer Shares.

If the above conditions are not satisfied or waived by VSC BVI in whole or in part by the relevant dates specified above, the Underwriting Agreement shall terminate and no party will have any claim against any other party save that all out-of-pocket expenses and legal fees as may have been properly incurred by VSC BVI in connection with the proposed offer of the Offer Shares or the arrangements contemplated by the Underwriting Agreement shall be borne by iSteelAsia and the Open Offer will not proceed. In such event, the Underwriting Agreement would not become unconditional and the Open Offer and the Subscription will not be completed.

By virtue of the interest as the Underwriter in the Underwriting Agreement, which is part and parcel of the Proposals, VSC BVI, its Concert Parties and its associates will abstain from voting in respect of the resolution to approve the Open Offer at the SGM.

Any person contemplating buying or selling the Shares and Warrants from now up to the date on which all conditions of the Open Offer are fulfilled will bear the risk that the Open Offer may not become unconditional and may not proceed.

Investors should seek professional advice regarding dealings in the Shares and Warrants during this period if they are in any doubt.

THE SUBSCRIPTION

Subject to the conditions of the Subscription set out below, the Ajia Parties will subscribe for and iSteelAsia will allot and issue to the Ajia Parties or their nominees the Subscription Shares and the Convertible Bonds for a total cash consideration of HK\$30 million.

THE SUBSCRIPTION AGREEMENT

Date : 19 May 2005

Parties : Issuer : iSteelAsia
Subscribers : Ajia Parties
Company Warrantor : Huge Top

The Subscription Shares

Number of New Shares to be subscribed for : 63,856,960 New Shares (representing approximately 400.0% of the existing issued Shares adjusting for the effect of the Capital Reorganisation and 66.6% of the Enlarged Share Capital), of which 19,693,486 New Shares and 44,163,474 New Shares will be subscribed by Mr. Tsang and NASAC respectively. After completion of the Proposals, the Ajia Parties own 64,366,360 New Shares, representing approximately 67.2% of Enlarged Share Capital

Subscription Price : HK\$0.1566 per Subscription Share which was determined after arm's length negotiations between the parties

Total consideration payable : HK\$10 million, of which HK\$3,084,000 and HK\$6,916,000 will be payable by Mr. Tsang and NASAC respectively

Listing : Application will be made by iSteelAsia to the GEM Listing Committee for the listing of, and permission to deal in, the Subscription Shares

The Convertible Bonds

Principal amount : HK\$20 million, of which HK\$6,168,000 and HK\$13,832,000 will be subscribed by Mr. Tsang and NASAC respectively

Coupon : Nil

Redemption : The holders of the Convertible Bonds will have the right to request iSteelAsia to redeem in whole or in part the outstanding Convertible Bonds on a date which is five business days after 30 November 2007.

Unless previously converted or redeemed, the outstanding principal amount of the Convertible Bonds will be redeemed by iSteelAsia at par on the date which is 5 years after the date of issue or such later date as may be agreed between the holders of the Convertible Bonds and iSteelAsia.

Overdue interest will be charged at 7% per annum, calculated on the basis of the actual days elapsed in a 365 day year, if iSteelAsia fails to meet all or any part of the redemption as described above.

Maturity:	The maturity date for the Convertible Bonds falls on a date which is 5 years after the date of issue. The yield to maturity for the Convertible Bonds is zero.
Conversion rights :	Holders of the Convertible Bonds will have the right to convert all or a portion of the Convertible Bonds into Conversion Shares at any time prior to the date upon which such Convertible Bonds are redeemed.
Conversion Share :	New Share of HK\$0.01 each to be allotted and issued by iSteelAsia upon conversion of the Convertible Bonds
Initial conversion price (subject to adjustment) per Conversion Share :	HK\$0.1566. The conversion price is subject to adjustments for, among other matters, subdivision or consolidation of the New Shares, bonus issues, rights issues and other dilutive events.
Number of Conversion Shares to be issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full based on the initial conversion price of HK\$0.1566 :	127,713,920 New Shares, representing approximately 800.0% of the existing issued Shares after adjusting for the effect of the Capital Reorganisation, and approximately 133.3% of the Enlarged Share Capital
Voting :	The holders of the Convertible Bonds will not be entitled to receive notice of, attend or vote at general meetings of iSteelAsia by reason only of their being a holder of the Convertible Bonds.
Transferability :	Subject to the relevant laws and other requirements, the Convertible Bonds are only transferable to (i) either of the Ajia Parties, (ii) any company (other than iSteelAsia) controlled by the Ajia Parties or either of them, or (iii) in the case of Mr. Tsang, (aa) to the extent applicable, any of the persons referred to in Rule 20.11(4)(b) of the GEM Listing Rules, (bb) any trustee acting in its or his capacity as such and holding

for the benefit of any or all persons described in sub-clause (aa) above, or (cc) any company controlled by a trustee described in sub-clause (bb) above, and in compliance with GEM Listing Rules where applicable. The outstanding principal amount of the Convertible Bonds may be transferred in full or in part.

Listing : No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange. Application will be made to the GEM Listing Committee for the listing of the Conversion Shares falling to be issued on exercise of the conversion rights attaching to the Convertible Bonds.

Ranking of Conversion Shares

The Conversion Shares to be issued by iSteelAsia upon exercise of the conversion rights under the Convertible Bonds will rank *pari passu* in all respects with all other New Shares in issue on the date of the conversion notice and will be entitled to all dividends, bonuses and other distributions the record date of which falls on a date on or after the date of the conversion notice.

Conversion price

The initial conversion price of HK\$0.1566 per Conversion Share, subject to adjustments in accordance with the terms of the Convertible Bonds, was determined after arm's length negotiations.

Basis of the Subscription Price and the initial conversion price

The Subscription Price and the initial conversion price per Conversion Share of HK\$0.1566 are the same as the Offer Price. They respectively represent (taking into account the effect of the Share Consolidation):

- (i) a discount of approximately 47.8% to the unaudited net asset value per New Share of the iSteelAsia Group as at 31 December 2004 (before any allowance for the expenses of the Proposals) of HK\$0.30;
- (ii) a discount of approximately 97.9 % to the closing price of HK\$7.3 per New Share (based on the closing price of HK\$0.073 per Share) as quoted on GEM on 19 April 2005, being the last day on which the Shares were traded immediately preceding the publication of this announcement; and
- (iii) a discount of approximately 98.0% to the average closing price of HK\$7.85 per New Share (based on the average closing price of HK\$0.0785 per Share as quoted on GEM for the last ten trading days up to and including 19 April 2005).

Note: The closing prices of the New Shares referred to above are based on the relevant prices of the Shares adjusted to take into account the effect of the Capital Reorganisation, as the Subscription Shares and Conversion Shares to be issued will be New Shares after implementation of the Capital Reorganisation.

The iSteelAsia Board consider that the Subscription is part and parcel of the Proposals that would improve the iSteelAsia Group's balance sheet and financial position and allow the iSteelAsia Group to leverage the experience and resources of the Ajia Parties to strengthen its business prospects by exploring

new investment opportunities so as to put the iSteelAsia Group in a much more sound position to meet different challenges in future. Therefore, the iSteelAsia Board considers that the Subscription (as part and parcel of the Proposals) is in the interests of iSteelAsia and the Shareholders as a whole.

The Subscription Price was agreed after arm's length negotiations between iSteelAsia, the Underwriter and the Ajia Parties. The iSteelAsia Board considers the Subscription Price and the initial conversion price of the Convertible Bonds to be fair and reasonable in the context of the Proposals.

Conditions of the Subscription

Completion of the Subscription shall be conditional upon satisfaction of the following conditions precedent and/or, as the case may be, waiver of the applicable conditions by the Subscriber on or before 5:00 p.m., Hong Kong time, on 31 August 2005 (or such later time and date as may be agreed between iSteelAsia and the Subscriber in writing) except as otherwise stated:

- (a) the Ajia Parties being satisfied with the results of a due diligence review on the iSteelAsia Group on or before 30 days after publication of this announcement;
- (b) the granting of the Whitewash Waiver by the Executive;
- (c) the receipts of all necessary approvals of the GEM Listing Committee for the transactions contemplated in the Subscription Agreement, including without limitation, (i) the Share Consolidation and the Capital Reduction; and (ii) listing of, and permission to deal in, the New Shares, the Offer Shares, the Subscription Shares and the Conversion Shares;
- (d) the receipt of all necessary approvals of the Shareholders and/or the Independent Shareholders at the SGM for the transactions contemplated in the Subscription Agreement, including without limitation, (i) the Capital Reorganisation; (ii) the Open Offer; (iii) the Subscription (including the conversion of the Convertible Bonds into Conversion Shares in accordance with the conditions of the Convertible Bonds); and (iv) the Whitewash Waiver;
- (e) all Options having expired or been exercised or settled such that none of the Options remains exercisable;
- (f) the Open Offer having occurred and at least 15,966,669 Offer Shares have been subscribed for at a subscription price of HK\$0.1566 per Offer Share;
- (g) trading of the New Shares not being suspended for a period of ten or more consecutive business days at any time immediately prior to the satisfaction of the last of the conditions precedent (other than the conditions described in this sub-paragraph (g) and in sub-paragraphs (h) and (i) below);
- (h) there being no indication received from GEM or the SFC that the listing of the New Shares, the Offer Shares, the Subscription Shares or the Conversion Shares on GEM will or may be revoked or withdrawn at any time after completion of the Subscription, whether in connection with any of the transactions contemplated in the Subscription Agreement or otherwise, immediately before the satisfaction of the last of the conditions precedent (other than the conditions described in this sub-paragraph (h) and in sub-paragraphs (g) above and (i) below);

- (i) the representations and warranties given by iSteelAsia and Huge Top to the Ajia Parties as described in the Subscription Agreement remaining true, accurate and complete in all material respects immediately before the satisfaction of the last of the other conditions precedent (other than the conditions described in this sub-paragraph (i) and in sub-paragraphs (g) and (h) above);
- (j) the representations and warranties given by the Ajia Parties to iSteelAsia as set out in the Subscription Agreement remaining true, accurate and complete in all material respects;
- (k) there being no material adverse change in iSteelAsia's financial condition since 31 December 2004; and
- (l) all necessary consents and approvals required to be obtained on the part of iSteelAsia in respect of the Subscription and the transactions contemplated under the Subscription Agreement having been obtained.

Conditions (a), (e), (g), (h), (i), (k) and (l) above are waivable at the absolute discretion of the Ajia Parties, while condition (j) is waivable at the absolute discretion of iSteelAsia. The remaining conditions are not waivable.

In the event of any of the conditions specified above not being fulfilled or waived in full by 5:00 p.m., Hong Kong time, on 31 August 2005 (or such other time and date as may be agreed between iSteelAsia and the Ajia Parties in writing), the Subscription Agreement shall cease and determine (save for certain general provisions governing the contract) and thereafter none of the parties shall have any obligations or liabilities thereunder save for any antecedent breaches thereof.

Completion of the Subscription

Completion of the Subscription shall take place on the third business day after all of the above conditions have been fulfilled or waived by iSteelAsia or the Ajia Parties, as the case may be, and simultaneously with the allotment of the Offer Shares under the Open Offer or such later date as iSteelAsia and the Ajia Parties may mutually agree to in writing.

Indemnities

In conjunction with the Subscription Agreement, Huge Top has given certain indemnities and undertakings in favour of iSteelAsia including but not limited to the following:

- (a) Huge Top shall use all reasonable endeavours to procure that the Existing Business is managed and conducted in such a manner as to cause the Consolidated NAV to equal or exceed HK\$5,000,000 after completion of the Proposals. In the event that:—
 - (i) as at any of 30 September 2005 and 2006 (the "Relevant Dates"), the Consolidated NAV is a negative number which is less than 15% of the sum of the i-AsiaB2B Group's inventory, deposits for purchase of inventory and prepayment for purchase and carrying of inventories balances for the financial year immediately before the Relevant Dates, Huge Top shall pay or cause to be paid to iSteelAsia without recourse a sum in cash equal to the amount that would have been required to cause Consolidated NAV to equal to HK\$5,000,000 pursuant to the terms and conditions of the Deed of Indemnity;

- (ii) as at either 31 March 2006 or 2007, the Consolidated NAV is less than HK\$5,000,000, Huge Top shall pay or cause to be paid to iSteelAsia without recourse a sum in cash equal to the amount that would have been required to cause Consolidated NAV to equal HK\$5,000,000 pursuant to the terms and conditions of the Deed of Indemnity; and
 - (iii) as at 30 September 2007, the net cash balance (being defined as the aggregate amount of cash and bank balances, free of any encumbrances, less unsecured payables and other liabilities, capital commitments, contingent liabilities, the estimated financial effect of all non-adjusting events, and future lease payments under non-cancellable operating leases and sub-leases as reflected in the audited accounts of the i-AsiaB2B Group (including the notes thereto) is less than HK\$5,000,000, Huge Top shall pay or cause to be paid to iSteelAsia without recourse a sum in cash equal to the amount that would have required to cause the net cash (as defined above) to equal HK\$5,000,000 pursuant to the terms and conditions of the Deed of Indemnity.
- (b) In the event that iSteelAsia notifies Huge Top in writing of a Potential Claim on or prior to the date which is five business days after 30 September 2007, Huge Top agrees to fully indemnify and keep iSteelAsia and its successors fully indemnified on demand from and against any and all losses, liabilities, damages, reasonable costs and expenses which iSteelAsia may directly or indirectly incur or sustain from or in consequence of the Potential Claim pursuant to the terms and conditions of the Deed of Indemnity.
- (c) Without in any way limiting its obligations under sub-paragraphs (a) and (b) above and in addition to such obligations, Huge Top undertakes to fully indemnify and keep iSteelAsia and its successors and assigns fully indemnified on demand from and against any and all losses, liabilities, damages, reasonable costs and expenses (including the fees and expenses of legal advisors and related court costs) which iSteelAsia may directly or indirectly incur or sustain from or in consequence of the Existing Business to the extent such losses, liabilities, damages, costs and expenses are not wholly or partially covered by the guarantee described in sub-paragraphs (a) and (b) above; provided that:
- (i) Huge Top shall have no further liability for the claims described above after the date five Business Days from 30 November 2007; and
 - (ii) Huge Top's liability as described in this sub-paragraph (c) shall not exceed HK\$30,000,000.
- (d) In addition, in the event of the occurrence of any one of the following circumstances, Huge Top shall have no obligation to make any payment or satisfy any claim described in sub-paragraphs (a), (b) and (c) above:
- (i) if any two of iSteelAsia's chief executive officer, chief operating officer and chief financial officer cease to be individuals nominated by the Ajia Group; or
 - (ii) any two of the three individuals who are currently directors of API cease to serve in such capacity.

TERMINATION OF THE PROPOSALS

Each of the Subscription Agreement and the Underwriting Agreement (the “**relevant agreement**”) further contains provisions entitling the Ajia Parties in the case of the Subscription Agreement, or the Underwriter in the case of the Underwriting Agreement (the “**relevant party**”), to terminate its obligations thereunder if at any time prior to completion of the Subscription Agreement in the case of the Subscription Agreement or prior to 4:00 p.m. on the date of the allotment of the Offer Shares in the case of the Underwriting Agreement there comes to the notice of the relevant party, that:

- (i) any of the representations and warranties given by the other parties to the relevant agreement is untrue or inaccurate in any material respect; or
- (ii) any of the obligations or undertakings expressed to be assumed by or imposed on the other parties to the relevant agreement has not been complied with or observed by them in any material respect;

or there shall develop, occur, exist or come into effect any moratorium, suspension or material restriction on trading in securities generally on GEM occurring due to exceptional financial circumstances or otherwise which, in the reasonable opinion of the relevant party:

- (i) is or will be materially adverse to the business, financial or other condition or prospects of the iSteelAsia Group or to any present or prospective Shareholders in his or their capacity as such; or
- (ii) make it inadvisable or inexpedient to proceed with the Subscription or the Open Offer (as the case may be) on the terms and in the manner contemplated in the relevant agreement;

then in any such case the relevant party (after such consultation with iSteelAsia and/or its advisers as the circumstances shall admit) may in their / its absolute discretion by notice in writing to iSteelAsia at any time prior to completion of the Subscription Agreement in case of the Subscription Agreement or prior to 4:00 p.m. on the date of the allotment of the Offer Shares in the case of the Underwriting Agreement terminate the relevant agreement and thereupon all obligations of the relevant party thereunder shall cease and determine, in which event it shall not have any claim against iSteelAsia for compensation, costs, damages or otherwise except in the case of the Underwriting Agreement, iSteelAsia shall bear the costs and expenses of the Open Offer properly incurred by VSC BVI.

REASONS FOR THE OPEN OFFER AND THE SUBSCRIPTION AND USE OF PROCEEDS

iSteelAsia and its subsidiaries are principally engaged in the trading of steel products, provision of procurement services for steel products, operation of an e-commerce vertical portal for the provision of online steel trading services and ancillary services.

The iSteelAsia Group made an audited loss attributable to Shareholders of approximately HK\$25.7 million for its latest financial year ended 31 March 2004 and unaudited loss attributable to Shareholders of approximately HK\$7.8 million for the nine months ended 31 December 2004. During the current financial year, turnover of the iSteelAsia Group continued to decrease when comparing to the corresponding periods in last year, which is principally due to the lasting adverse effect of the PRC government’s continuous macro-entrenchment policies to limit the excessive investments in several overheated industries

including the steel, aluminium, automobile and cement industries as well as the real estate sector. To achieve better allocation of the iSteelAsia Group's financial resources, the iSteelAsia Group has put efforts into selected higher margin steel products with a view to bringing greater return to Shareholders. The iSteelAsia Board considers that there remain uncertainties and price volatility due to unanticipated macro-control measures executed by the PRC government. In light of the tough macro-economic environment under which the iSteelAsia Group is operating, the iSteelAsia Group will continue its path to increase shareholders' value by continuing to enhance its revenue base, rationalise and streamline its resources and corporate structure to optimise operational efficiency, build a sound customer base for future growth. To this end, the iSteelAsia Board is of the view that the Proposals would improve the iSteelAsia Group's balance sheet and financial position and allow the iSteelAsia Group to leverage the experience and resources of the Ajia Parties to strengthen its business prospects by exploring new investment opportunities so as to put the iSteelAsia Group in a much more sound position to meet different challenges in future. The Board considers that the Open Offer and the Subscription are part and parcel of the Proposals and that the Open Offer would allow the Qualifying Shareholders to participate in the Proposals on equal terms as the Ajia Parties. Therefore, the iSteelAsia Board considers that the Open Offer and the Subscription are in the interests of iSteelAsia and the Shareholders as a whole.

The estimated proceeds (net of expenses) from the Open Offer and the Subscription will be approximately HK\$30.2 million. iSteelAsia plans to use approximately HK\$4.2 million as general working capital for the iSteelAsia Group and approximately HK\$26 million to finance future investments should suitable opportunities arise and subject to the results of a review of the business operations and financial position of the iSteelAsia Group to be conducted by the Ajia Parties after completion of the Proposals. Despite no specific investment targets having been identified, the iSteelAsia Board is of the view that the Subscription would give the iSteelAsia Group financial flexibility and enable it to maintain a cash reserve to capture investment opportunities should they arise. The iSteelAsia Board therefore considers that the Open Offer and the Subscription are in the interests of iSteelAsia and the Shareholders as a whole.

EFFECTS OF THE PROPOSALS

Shareholding structure

The following table sets out the shareholding structure of iSteelAsia as at the date of this announcement and the shareholding structures upon the Capital Reorganisation taking effect and after completion of the Open Offer and the Subscription (but before any exercise of the conversion rights attaching to the Convertible Bonds and assuming no outstanding Options or Warrants are exercised before the Record Date) and the effect of exercise of the conversion rights attaching to the Convertible Bonds.

(a) Assume that none of the Offer Shares are taken up by the Qualifying Shareholders

Shareholders	Existing shareholding as at the date of this announcement		Upon the Capital Reorganisation taking effect		Upon completion of the Open Offer and Subscription		Upon completion of the Open Offer and Subscription and exercising of the conversion rights of the Convertible Bonds	
	Shares	%	New Shares	%	New Shares	%	New Shares	%
	VSC BVI	301,026,000	18.9	3,010,260	18.9	18,976,929	19.8	18,976,929
TN (Note 1)	163,367,600	10.2	1,633,676	10.2	1,633,676	1.7	1,633,676	0.7
Huge Top (Note2)	159,811,344	10.0	1,598,113	10.0	1,598,113	1.7	1,598,113	0.7
Right Action Offshore Inc. (Note 3)	102,400,000	6.4	1,024,000	6.4	1,024,000	1.1	1,024,000	0.5
The Ajia Parties	50,940,000	3.2	509,400	3.2	64,366,360	67.2	192,080,280	85.9
Public	819,121,975	51.3	8,191,220	51.3	8,191,220	8.5	8,191,220	3.7
Total	1,596,666,919	100.0	15,966,669	100.0	95,790,298	100.0	223,504,218	100.0

(b) Assume all the Qualifying Shareholders (other than the Ajia Parties) take up in full their respective entitlement of Offer Shares

Shareholders	Existing shareholding as at the date of this announcement		Upon the Capital Reorganisation taking effect		Upon completion of the Open Offer and Subscription		Upon completion of the Open Offer and Subscription and exercising of the conversion rights of the Convertible Bonds	
	Shares	%	New Shares	%	New Shares	%	New Shares	%
	VSC BVI	301,026,000	18.9	3,010,260	18.9	6,529,920	6.8	6,529,920
TN (Note 1)	163,367,600	10.2	1,633,676	10.2	3,267,352	3.4	3,267,352	1.5
Huge Top (Note2)	159,811,344	10.0	1,598,113	10.0	3,196,226	3.3	3,196,226	1.4
Right Action Offshore Inc. (Note 3)	102,400,000	6.4	1,024,000	6.4	2,048,000	2.2	2,048,000	0.9
The Ajia Parties	50,940,000	3.2	509,400	3.2	64,366,360	67.2	192,080,280	85.9
Public	819,121,975	51.3	8,191,220	51.3	16,382,440	17.1	16,382,440	7.3
Total	1,596,666,919	100.0	15,966,669	100.0	95,790,298	100.0	223,504,218	100.0

Notes :

1. TN is owned as to 54% by VSC BVI, as to 10% by Mr. Andrew Yao and as to 5% by Mr. Tsang. All the 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. Details of such agreements have been disclosed in iSteelAsia's prospectus dated 14 April 2000. The sole purpose of TN is to provide an avenue to motivate iSteelAsia's employees and founding members while at the same time not incurring any dilution effect to the public investors of iSteelAsia.
2. Huge Top is owned as to more than one-third by Mr. Andrew Yao, and directly and indirectly holds approximately 47.49% of the issued share capital of Van Shung Chong. Huge Top directly holds approximately 10.01% of the issued share capital of iSteelAsia. Huge Top, through VSC BVI, indirectly holds approximately 18.86% of the issued share capital of iSteelAsia and, through its indirect deemed interest through TN, holds approximately 10.23% of the issued share capital of iSteelAsia. Therefore, in aggregation, Huge Top directly and indirectly owns approximately 39.10%
3. Right Action Offshore Inc. is beneficially and wholly owned by Mr. Andrew Yao.

Maintaining the listing of iSteelAsia

The Stock Exchange has stated that if, at the date of completion of the Proposals, less than 15% of the New Shares are held by the public or if the Stock Exchange believes that a false market exists or may exist in the trading in the New Shares, it will consider exercising its discretion to suspend trading in the New Shares. In this connection, it should be noted that upon completion of the Proposals, there may be insufficient public float for the New Shares and therefore trading in the New Shares may be suspended until a sufficient level of public float is attained. Under Rule 11.23 of the GEM Listing Rules, the Stock Exchange may require suspension of trading in an issuer's securities where the percentage of its public float falls below the minimum prescribed percentage.

Accordingly, the Ajia Parties, VSC BVI and iSteelAsia have each undertaken to the Stock Exchange to use their best endeavours to take appropriate steps to ensure that, as soon as possible following issuance of the New Shares upon completion of the Proposals, the public float of iSteelAsia will not be less than 15% after completion of the Proposals. The Ajia Parties have undertaken to Huge Top, and Huge Top has undertaken to the Ajia Parties to procure VSC BVI, to make arrangements to place down New Shares in proportion to their holdings in iSteelAsia on completion of the Proposals so as to restore the public float to at least 15% of the Enlarged Share Capital.

Each of the Ajia Parties has undertaken to the Stock Exchange that for so long as it remains a connected person of iSteelAsia, it will not exercise the conversion rights of the Convertible Bonds if the public float of iSteelAsia falls below 15% upon exercise of conversion rights of the Convertible Bonds.

It is the intention of the Ajia Parties to maintain the listing of the New Shares on GEM after completion of the Proposals. If iSteelAsia remains a listed company, the Stock Exchange will closely monitor all future acquisitions or disposals of assets by iSteelAsia. The Stock Exchange has indicated that it has the discretion to require iSteelAsia to issue an announcement and a circular to the Shareholders irrespective of the size of the proposed transactions, particularly when such proposed transactions represent a departure from the principal activities of iSteelAsia. The Stock Exchange

also has the power, pursuant to the GEM Listing Rules, to aggregate a series of transactions of iSteelAsia and any such transactions may result in iSteelAsia being treated as if it were a new listing applicant as set out in the GEM Listing Rules.

Dilution effect on Shareholders

In view of the future dilution of existing Shareholders on the exercise of the conversion rights attaching to the Convertible Bonds, iSteelAsia will keep the Shareholders informed of the level of dilution and details of conversion as follows:

- (a) iSteelAsia will make a monthly announcement (the “Monthly Announcement”) on the website of the Stock Exchange. Such announcement will be made on or before the fifth business day following the end of each calendar month and will include the following details in a table form:
 - (i) whether there is any conversion of the Convertible Bonds during the relevant month. If there is a conversion, details thereof including the conversion date, number of New Shares issued and conversion price for each conversion. If there is no conversion during the relevant month, a negative statement to that effect;
 - (ii) the number of outstanding Convertible Bonds after the conversion, if any;
 - (iii) the total number of New Shares issued pursuant to other transactions during the relevant month, including New Shares issued pursuant to exercise of options under any share option scheme(s) of iSteelAsia; and
 - (iv) the total issued share capital of iSteelAsia as at the commencement and the last day of the relevant month; and
- (b) in addition to the Monthly Announcement, if the cumulative amount of New Shares issued pursuant to the conversion of the Convertible Bonds reaches 5% of the issued share capital of iSteelAsia as disclosed in the last Monthly Announcement or any subsequent announcement made by iSteelAsia in respect of the Convertible Bonds (as the case may be) (and thereafter in a multiple of such 5% threshold), iSteelAsia will make an announcement on the website of the Stock Exchange including details as stated in (a) above for the period commencing from the date of the last Monthly Announcement or any subsequent announcement in respect of the Convertible Bonds (as the case may be) up to the date on which the total amount of New Shares issued pursuant to the conversion amounted to 5% of the issued share capital of iSteelAsia as disclosed in the last Monthly Announcement or any subsequent announcement made by iSteelAsia in respect of the Convertible Bonds (as the case may be).

Takeovers Code implications of the Proposals

Immediately after the issue of the Offer Shares and the Subscription Shares at completion of the Proposals but before any exercise of the conversion rights under the Convertible Bonds, and assuming that there have been no other changes in the issued share capital of iSteelAsia after the date of this announcement, the Ajia Parties and their Concert Parties will hold approximately 67.2% of iSteelAsia’s Enlarged Share

Capital. As a result, under the Takeovers Code, the Ajia Parties will have an obligation to make a mandatory general offer following completion of the Proposals to acquire all the New Shares other than those already owned or agreed to be acquired by the Ajia Parties and their Concert Parties, unless the Whitewash Waiver is obtained.

One of the conditions precedent for completion of the Subscription requires that the Whitewash Waiver be obtained and this condition is not waivable. If the Whitewash Waiver is not obtained, the Subscription and the Open Offer will not become unconditional and will not proceed. In the circumstances, a mandatory offer will not be made by the Ajia Parties.

An application will be made to the Executive for the Whitewash Waiver under Note 1 of the Notes on dispensations from Rule 26 of the Takeovers Code. If the Whitewash Waiver is granted by the Executive, it will be subject to approval by Independent Shareholders on a vote taken by way of a poll. The Ajia Parties and their Concert Parties have not acquired any voting rights in iSteelAsia in the 6 months prior to the date of this announcement.

Upon completion of the Proposals, the Ajia Parties and their Concert Parties will hold more than 50% of the Enlarged Share Capital then in issue. In such event, if the Whitewash Waiver is granted, the Ajia Parties may acquire additional New Shares without triggering any further obligation for a general offer under the Takeovers Code.

INFORMATION ON THE AJIA PARTIES

NASAC is a company incorporated in the Cayman Islands. Its authorised share capital comprises 1 voting participating share and 49,999 non-voting participating shares, all with par value of US\$1 each. As at the date of this announcement, NASA holds the single voting participating share of NASAC. Pursuant to the memorandum of association of NASAC, the non-voting participating shareholders have no voting rights (save for matters affecting their class of shares only) and these shares cannot be converted into voting participating shares. Accordingly, NASAC is controlled by NASA.

NASAC is a special purpose vehicle formed for the purpose of the Subscription. Save for the Subscription being contemplated, NASAC has not engaged in any other business since its incorporation and does not hold any material assets other than the subscription monies from its issued share capital. The directors of

NASAC are Mr. Chow and Mr. Cheng. The subscription monies payable by NASAC will be funded by NASAC issuing the non-voting participating shares to investors (see below) who are independent of iSteelAsia and its connected persons (as defined in the GEM Listing Rules). The shareholding structure of NASAC as at the date of this announcement is as follows:

Class of shares	Shareholder	No. of shares held	% to total issued shares within the same class
Voting participating	NASA	1	100.00
Non-voting participating	Mr. Cho	50	18.80
	Mr. Chow	50	18.80
	Mr. Malm	25	9.40
	Mr. Cheng	10	3.76
	Mr. Frederick John Lee	10	3.76
	Ms. Luk Pui Yin Grace	6	2.25
	Mr. Heffner Paul Lincoln	5	1.88
	Asia Internet Capital Ventures LP	100	37.59
	Mr. Bob Li-Shyng Ching	10	3.76
		266	100.00

Mr. Cheng is the managing director of the Ajia Group's special situations group. Mr. Frederick John Lee is a partner of the Ajia Group's real estate group. Ms. Luk Pui Yin Grace is a director and financial controller of the Ajia Group's special situations group and real estate group. Mr. Heffner Paul Lincoln is the managing director of the Ajia Group's alternative investments group. Asia Internet Capital Ventures LP is a US\$33 million venture capital fund with 12 limited partners organised for the object and purpose of making private equity investments in internet and technology-oriented companies and managed by Mr. Tsang. To the best of the knowledge of the Ajia Parties, the limited partners of the said venture capital fund are independent of iSteelAsia and its connected persons (as defined in the GEM Listing Rules). Two of the limited partners of the said venture capital fund are also interested in an investment company which is in turn a 5.1% shareholder of API and of which Mr. Tsang is the controlling shareholder. Save as disclosed herein, the limited partners of the said venture capital fund are independent of and not connected with the Ajia Parties and their Concert Parties. Mr. Bob Li-Shyng Ching is a retired professional investor.

NASA is a wholly-owned subsidiary of API and is an investment holding company. As at the date of this announcement, NASAC is the only investment held by NASA. The directors of NASA are Mr. Cho, Mr. Chiang, Mr. Tsang and Mr. Chow.

API is an investment holding company and its investee companies are engaged in the provision of investment advisory services including asset management, securities and futures dealings and wealth management. API has 24 registered shareholders who are individuals or institutional investors. The directors of API are Mr. Cho, Mr. Tsang and Mr. Chiang. Mr. Tsang, Mr. Cho, Mr. Chiang, Mr. Chow and their associates are also shareholders of API, who in aggregate hold approximately 68.0% equity interest in API. In addition, three members of the senior management team of the Ajia Group and their respective

associates hold in aggregate approximately 12.5% equity interest in API. Apart from them, the other shareholders of API with respective shareholdings in API ranging from 0.09% to 4.25% are passive investors with no participation in the management of NASAC, NASA or API. Pursuant to the shareholders' agreement for API, all the shareholders have agreed to exercise their powers in relation to API to procure that the board appoints Mr. Tsang as senior managing director, and Mr. Chiang and Mr. Cho as managing director of API and entrust to, and confer upon, the aforesaid individuals control over the day-to-day management of the company.

Mr. Tsang, the Chairman and managing partner of API, was a non-executive director of iSteelAsia and Van Shung Chong during the period from 23 February 2000 to 23 January 2001 and from 29 September 1999 to 17 August 2002 respectively. Mr. Tsang currently holds a 5% interest in TN which in turn holds 163,367,600 Shares (representing an approximately 10.2% interest in iSteelAsia). He is also beneficially interested in a total of 50,940,000 Shares, representing approximately 3.2% of the existing issued share capital of iSteelAsia, and 10,240,000 Warrants, representing approximately 3.3% of the total outstanding Warrants, as at the date of this announcement. Apart from Mr. Tsang, none of the directors or shareholders of NASAC, NASA or API owns any interest in iSteelAsia and all of them are independent of iSteelAsia and its connected persons (as defined in the GEM Listing Rules).

Save for Mr. Tsang's interest in the Shares and Warrants as disclosed above, the Ajia Parties and their Concert Parties currently have no interest in the issued share capital or other securities of iSteelAsia or any other business relationship with the iSteelAsia Group. Mr. Tsang has on two occasions during the six months prior to the date of the Subscription Agreement disposed of an aggregate of 260,000 Shares beneficially owned by him. Apart from these, the Ajia Parties and their Concert Parties have not dealt in the Shares during the six months period prior to the date of the Subscription Agreement.

PROPOSED CHANGES TO THE ISTEELASIA BOARD

The iSteelAsia Board currently consists of two executive iSteelAsia Directors, namely Mr. Andrew Yao and Mr. Desmond Hay Ching Fu, one non-executive iSteelAsia Director, namely Mr. David Michael Faktor, and three independent non-executive iSteelAsia Directors, Mr. Philip King Huen Ma, Mr. Kennedy Ying Ho Wong and Mr. Kenny King Ching Tam. As at the date of this announcement, Mr. David Michael Faktor and Mr. Kennedy Ying Ho Wong have indicated that they intend to resign on the earliest date permitted by the Takeovers Code. Apart from them, none of the aforesaid iSteelAsia Directors has informed iSteelAsia of his intention to resign as a result of the Proposals. The Ajia Parties intend to nominate Mr. Chow, Mr. Cho and Mr. Malm as executive iSteelAsia Directors after completion of the Proposals and will consider other iSteelAsia Board appointments, though no specific candidates have been identified at this time. It is anticipated that Mr. Andrew Yao and Mr. Desmond Hay Ching Fu will continue to be primarily responsible for the Existing Business while the new iSteelAsia Directors nominated by the Ajia Parties will concentrate on overall investment and development strategies of the iSteelAsia Group. It is the intention of the Ajia Parties that it will play an active part in the management of the iSteelAsia Group following completion of the Proposals.

The brief biographies of the proposed new iSteelAsia Directors are set out below:

Mr. Chow Savio Sing Nam

Mr. Chow, aged 48, is the lead partner for the Ajia Group's special situations group. Prior to joining API, Mr. Chow served as a Consultant at E.M. Warburg Pincus & Co. Asia Ltd. He has had about 20 years experience in the IT industry both in the US and Asia Pacific. He was the Managing Director of Yahoo! Inc. responsible for Asia. Prior to joining Yahoo, Mr. Chow held various senior management positions at Netscape Communications Corporation, Lotus Development Corporation and International Business Machines Corporation. He holds Master of Science degree in Engineering and Master of Business Administration degree from the University of California at Berkeley. Mr. Chow was an executive director of MediaNation Inc., a company listed on GEM (stock code : 8160), during July 2002 to February 2003.

Mr. Cho Henry Kim

Mr. Cho, aged 40, is a co-founder and Managing Partner of API. He focuses primarily on investor/partner relations and activities for the Ajia Group's real estate and special situations groups. Prior to founding the firm, he was a Principal at Bank of America, N.A. Prior to Bank of America, N.A., Mr. Cho was with HSBC Markets (Asia) Limited in Hong Kong. Mr. Cho received his Bachelor degree in Economics and International Relations from Brown University and Master of Business Administration degree from the Wharton School, University of Pennsylvania.

Mr. Göran Sture Malm

Mr. Malm, aged 58, is the Chairman of an investment company Boathouse Limited and of Project HOPE HongKong Foundation, a US originated charity. He also holds various board seats of companies in Hong Kong, Shanghai, Singapore and Sweden, including Samsung Electronics in Korea. Prior to joining Boathouse in 2000, Mr. Malm held positions as President of Dell Asia Pacific, Senior Vice President of Dell Computer Corporation, Senior Vice President of General Electric (GE) Company, President of General Electric Asia Pacific, President and Chief Executive Officer of GE Medical Systems Asia Ltd. and Vice President of General Electric (GE) Company. Mr. Malm holds a Master of Science degree in Economics and Business Administration from the University College of Economics and Business Administration in Göteborg, Sweden.

Save as disclosed above, none of the proposed executive iSteelAsia Directors held any directorships in listed public companies in Hong Kong in the last 3 years. Apart from their interests in the proposed Subscription by virtue of their being non-voting participating shareholders of NASAC, none of the above proposed executive iSteelAsia Directors hold any interests in the shares or other securities of iSteelAsia within the meaning of Part XV of the Securities and Futures Ordinance as at the date of this announcement, nor do they have any relationships with any directors, senior management, management shareholders, substantial shareholders, or controlling shareholders of iSteelAsia. There is neither any service contract between iSteelAsia and any of the proposed executive iSteelAsia Directors nor any proposed length of service with iSteelAsia in respect of their directorship. The amount of directors' emoluments of the proposed executive iSteelAsia Directors will be determined by the iSteelAsia Board with reference to their relevant duties and responsibilities within iSteelAsia and prevailing market conditions. Further announcements will be made in accordance with the disclosure requirements of the GEM Listing Rules regarding appointments of the proposed executive iSteelAsia Directors.

INTENTIONS OF THE AJIA PARTIES FOR THE FUTURE DEVELOPMENT OF THE ISTEELASIA GROUP

After completion of the Proposals, the Ajia Parties intend to conduct a review of the business operations and financial position of the iSteelAsia Group in order to formulate business plans and strategies for the iSteelAsia Group's future development with a view to strengthening the iSteelAsia Group's overall business performance. It is the intention of the Ajia Parties that iSteelAsia should carry on its existing business in trading of steel products and the provision of procurement services for steel products, ancillary services and investment holding. The iSteelAsia Directors to be nominated by the Ajia Parties are experienced in the evaluation and execution of strategic investments into businesses and assets, particularly in the consumer, industrial and technology / media / telecommunication sectors in the North Asia market. Should any such suitable opportunities arise and subject to the results of the financial and operational review, the Ajia Parties will consider investments for iSteelAsia with a view to expanding and diversifying its business from its current narrow focus. The Ajia Parties may also consider bringing in strategic and/or financial investors for these investments as well as raising capital for iSteelAsia to strengthen its financial capability to cater for their investments. However, no definite plans have been fixed or specific targets have been identified for these investments. The Ajia Parties have no intention or plans to inject any assets or business of their own into the iSteelAsia Group or to re-deploy any assets of the iSteelAsia Group immediately after completion of the Proposals. Save for the nomination of new iSteelAsia Directors as described in the paragraph headed "Proposed changes to the iSteelAsia Board" above, the Ajia Parties do not intend to make any changes to the continued employment of the employees of the iSteelAsia Group by reason only of the completion of the Proposals.

PROPOSED CHANGE OF COMPANY NAME

The iSteelAsia Board proposes that subject to completion of the Subscription, the English name of iSteelAsia be changed to "North Asia Strategic Holdings Limited", and a new Chinese name of "北亞策略控股有限公司" be adopted for the purpose of identification only to reflect the change in shareholder base.

The change of company name and the adoption of Chinese name for the purpose of registration in Hong Kong is subject to, inter alia, the following conditions:

1. the passing of a special resolution by the Shareholders at the SGM to approve the change of the English name of iSteelAsia and the adoption of Chinese name for the purpose of registration in Hong Kong; and
2. the Registrar of Companies in Bermuda approving the proposed change of the English name of iSteelAsia.

The proposed change of name and the adoption of Chinese name for the purpose of registration in Hong Kong will not affect any of the rights of the Shareholders. All share certificates in respect of the New Shares bearing the current name of iSteelAsia will remain effective as documents of title and will be valid for trading, settlement and registration purposes. Upon the change of name becoming effective, any issue of share certificates thereafter will be in the new name and the securities of iSteelAsia will be traded on GEM under the new name. A further announcement will be made by iSteelAsia upon the proposed change of name becoming effective.

GENERAL

Somerley Limited has been appointed as the financial adviser to the Ajia Parties in respect of the Proposals. Celestial Capital Limited has been appointed as the financial adviser to iSteelAsia. The Proposals are subject to the Independent Shareholders' approval in the SGM. An independent board committee of iSteelAsia will be established to consider the Proposals and to give a recommendation to the Independent Shareholders. Access Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of iSteelAsia and the Independent Shareholders. The SGM Circular containing, among other things, details of the Proposals including the Capital Reorganisation, the Open Offer, the Subscription and the Whitewash Waiver, financial information on the iSteelAsia Group, the letters of advice from the independent board committee and the independent financial adviser and notice of the SGM, will be despatched to the Shareholders as soon as practicable and in accordance with requirements of the GEM Listing Rules and the Takeovers Code.

The Proposals are subject to certain conditions set out in this announcement including but not limited to Shareholders' approval at the SGM and obtaining of the Whitewash Waiver. Accordingly, the Proposals may or may not proceed. Shareholders and Warrantholders and potential investors should therefore exercise caution when dealing in the Shares and Warrants.

Trading in the Shares and Warrants on GEM was suspended with effect from 9:30 a.m. on Wednesday, 20 April 2005 at the request of iSteelAsia pending the issue of this announcement. Application has been made to GEM for the resumption in trading in the Shares and Warrants on GEM with effect from 9:30 a.m. on Friday, 20 May 2005.

DEFINITIONS

“Ajia Group”	API, NASA, NASAC, Mr. Tsang and all companies controlled from time to time by API (excluding iSteelAsia)
“Ajia Parties”	NASAC and Mr. Tsang
“API”	Ajia Partners Inc., a company incorporated in the Cayman Islands
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Board”	the board of directors of the relevant company from time to time
“Capital Reduction”	the proposed reduction of the issued share capital of iSteelAsia by way of the cancellation of the paid-up capital to the extent of HK\$9.99 on each issued Consolidated Share such that the par value of all the issued Consolidated Shares will be reduced from HK\$10.0 each to HK\$0.01 each

“Capital Reorganisation”	the capital reorganisation of iSteelAsia involving the Share Consolidation, the Capital Reduction, the Share Premium Reduction and the Share Restoration
“Companies Act”	the Companies Act 1981 of Bermuda
“Concert Parties”	in relation to relevant party(ies), a group of persons acting in concert as defined under the Takeovers Code
“connected person(s)”	has the meanings given to it in the GEM Listing Rules
“Consolidated NAV”	the net asset value of i-AsiaB2BGroup on a consolidated basis, determined in a manner consistent with that in which the audited accounts of the Existing Business were prepared and in any event in accordance with the generally accepted accounting principles in Hong Kong
“Consolidated Share(s)”	the share(s) of HK\$10.0 each in the share capital of iSteelAsia arising from the Share Consolidation
“control”	for the purposes of the Subscription Agreement and the Deed of Indemnity, means in respect of any company (i) the direct or indirect legal or beneficial ownership of more than 50% of the voting capital of such company; (ii) the ability to direct the casting of more than 50% of the votes exercisable at general meetings of such company on ordinary matters; or (iii) the right to appoint or remove those directors of such company who hold more than 50% of the voting rights at meetings of such company’s board of directors on ordinary matters; and “controlled” and “controls” shall be construed accordingly
“Conversion Shares”	up to 127,713,920 New Shares which may fall to be issued if the principal amount of the Convertible Bonds is converted in full at the initial conversion price of HK\$0.1566 per New Share
“Convertible Bonds”	convertible bonds, with face value of HK\$20.0 million, to be issued by iSteelAsia to the Ajia Parties pursuant to the Subscription Agreement, which are convertible into New Shares at an initial conversion price of HK\$0.1566 per Conversion Share (subject to adjustment)
“Deed of Indemnity”	a guarantee and indemnity deed dated 19 May 2005 and made amongst Huge Top, Mr. Andrew Yao, iSteelAsia and the Ajia Parties in conjunction with the Subscription
“Enlarged Share Capital”	the enlarged issued share capital of iSteelAsia after the Capital Reorganisation and the completion of the Open Offer and Subscription but before any conversion of the Convertible Bonds

“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Existing Business”	collectively: <ul style="list-style-type: none"> (i) the business of the iSteelAsia Group immediately prior to completion of the Proposals; (ii) all business of the iSteelAsia Group from and after completion of the Proposals that is a continuation or derivative or the proceeds of, or is based on, the business described in (i) above; and (iii) all business of the i-AsiaB2B Group at any time, whether before or after completion of the Proposals;
“Further Enlarged Share Capital”	the enlarged issued share capital of iSteelAsia after the implementation of the Capital Reorganisation and the completion of the Open Offer and Subscription and after conversion in full of the Convertible Bonds
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Huge Top”	Huge Top Industrial Ltd., a company incorporated in the British Virgin Islands of which Mr. Andrew Cho Fai Yao is a controlling shareholder owning directly and indirectly an aggregate of 54.77% of the entire issued share capital thereof. As at the date of this announcement, Huge Top directly and indirectly owns an aggregate of 624,204,944 Shares, which represents approximately 39.10% of the issued capital of iSteelAsia. Huge Top also directly and indirectly owns an aggregate of 131,427,788 Warrants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“i-AsiaB2B Group”	i-AsiaB2B Group Limited (a wholly-owned subsidiary of iSteelAsia) and its subsidiaries, which is principally engaged in the Existing Business
“iSteelAsia”	iSteelAsia Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM

“iSteelAsia Board”	the board of iSteelAsia Directors
“iSteelAsia Director(s)”	director(s) of iSteelAsia
“iSteelAsia Group”	iSteelAsia and its subsidiaries
“Independent Shareholders”	Shareholders other than VSC BVI, TN, Huge Top, Right Action Offshore Inc. and Mr. Tsang, their respective associates and Concert Parties, and any other parties interested or involved in the Proposals (other than only by virtue of their interest in assured allotments pursuant to the Open Offer)
“Mr. Andrew Yao”	Mr. Andrew Cho Fai Yao, an executive director and Chairman of iSteelAsia and Van Shung Chong
“Mr. Cheng”	Mr. Cheng Wyman Paul
“Mr. Chiang”	Mr. Chiang Timothy Ta Kuang
“Mr. Cho”	Mr. Cho Henry Kim
“Mr. Chow”	Mr. Chow Savio Sing Nam
“Mr. Malm”	Mr. Göran Sture Malm
“Mr. Tsang”	Mr. Tsang Moses Kwok Tai
“NASA”	North Asia Strategic Advisors, a company incorporated in the Cayman Islands
“NASAC”	North Asia Strategic Acquisition Corp., a company incorporated in the Cayman Islands
“New Share(s)”	share(s) of HK\$0.01 each in the share capital of iSteelAsia upon the Capital Reorganisation becoming effective
“Offer Price”	the subscription price of HK\$0.1566 per Offer Share pursuant to the Open Offer
“Offer Shares”	New Shares to be issued under the Open Offer
“Open Offer”	the issue of the Offer Shares on the basis of one Offer Share for every New Share held by the Qualifying Shareholders on the Record Date at the Offer Price

“Options”	the 52,750,000 outstanding options granted by iSteelAsia pursuant to the share option scheme approved by the Shareholders on 13 April 2000, each conferring on the grantee thereof the right to subscribe for one Share at exercise prices of either HK\$0.36 or HK\$0.485 (subject to adjustment)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of iSteelAsia on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
“Posting Date”	the date on which the Prospectus Documents are despatched to the Qualifying Shareholders
“Potential Claim”	a potential cost, claim, payable, liability, contingent liability, commitment, non-adjusting event against and/or of the Existing Business, i-AsiaB2B Group or any member of i-AsiaB2B Group existing as at or at any time prior to 30 September 2007 that under generally accepted accounting principles should be disclosed in the notes to audited accounts of the Existing Business if existing on either of (a) 31 March 2006, (b) 31 March 2007, and (c) 30 September 2007 (each an “Existing Business Accounts Date”), (i) whether or not such date is an Existing Business Accounts Date, (ii) whether or not actually disclosed in the notes to audited accounts of any Existing Business, and (iii) whether or not then quantifiable
“Proposals”	the Capital Reorganisation, the Open Offer and the Subscription together with the Whitewash Waiver and related matters
“Prospectus”	a prospectus containing details of the Open Offer to be issued by iSteelAsia
“Prospectus Documents”	the Prospectus, the assured allotment letter and the excess application form
“Qualifying Shareholder(s)”	Shareholder(s) other than those Overseas Shareholder(s) whom the iSteelAsia Directors, after making relevant enquiry as required under the GEM Listing Rules, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Record Date”	being the date by reference to which entitlements under the Open Offer will be determined

“SFC”	the Securities and Futures Commission
“SGM”	a special general meeting of iSteelAsia to be convened and held for the consideration and approval of, among others, the Capital Reorganisation, the Open Offer, the Subscription and the grant of the Whitewash Waiver
“SGM Circular”	a circular containing, among others, details of the Capital Reorganisation, the Open Offer, the Subscription and the Whitewash Waiver and a notice of the SGM to be despatched to the Shareholders
“Share(s)”	existing share(s) of HK\$0.10 each in the share capital of iSteelAsia
“Share Consolidation”	the proposed consolidation of every 100 Shares into one Consolidated Share
“Shareholder(s)”	holder(s) of the Share(s) or, the Consolidated Share(s) or the New Share(s) (as the case may be)
“Share Premium Reduction”	the proposed cancellation of the entire amount standing to the credit of the share premium account of iSteelAsia, which amounted to approximately HK\$11.1 million as at 31 December 2004
“Share Restoration”	the reduction of the nominal value of all the unissued Consolidated Shares of HK\$10.0 each to HK\$0.01 each within iSteelAsia’s authorised share capital, by way of (i) cancellation of all the authorised but unissued share capital of iSteelAsia, including the authorised but unissued share capital arising from the Capital Reduction, and (ii) an increase in the authorised share capital of iSteelAsia back to its original amount of HK\$400,000,000 by the creation of the requisite number of New Shares of HK\$0.01 each; and
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Ajia Parties of the Subscription Shares and the Convertible Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 19 May 2005 entered into between iSteelAsia, NASAC, Mr. Tsang and Huge Top in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.1566 per Subscription Share pursuant to the Subscription Agreement

“Subscription Shares”	a total of 63,856,960 New Shares to be issued to the Ajia Parties as subscriber pursuant to the Subscription Agreement
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“TN”	TN Development Limited, a company incorporated in the British Virgin Islands
“Underwriting Agreement”	the agreement dated 19 May 2005 between iSteelAsia and the Underwriter relating to the underwriting and other arrangements in respect of the Open Offer
“Underwritten Shares”	based on the number of Shares in issue as at the date of this announcement, a maximum of 16,603,239 Offer Shares (being all the Offer Shares less those Offer Shares which will be allotted to VSC BVI and which have been undertaken to be subscribed by it)
“Van Shung Chong”	Van Shung Chong Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange
“VSC BVI” or “Underwriter”	Van Shung Chong (B.V.I.) Limited, a wholly-owned subsidiary of Van Shung Chong and a substantial Shareholder holding approximately 18.9% of the issued share capital of iSteelAsia as at the date of this announcement and the underwriter to the Open Offer
“Warrants”	the outstanding warrants of iSteelAsia to subscribe for 311,933,081 Shares at an exercise price of HK\$0.10 per Share (subject to adjustment)
“Warrantholder(s)”	holder(s) of the Warrants
“Whitewash Waiver”	a waiver of the obligation of the Ajia Parties to make a mandatory offer for all the New Shares under Rule 26 of the Takeovers Code as a result of the issue of the Subscription Shares to the Ajia Parties
“HK\$”	Hong Kong Dollars

For and on behalf of
iSteelAsia Holdings Limited
Andrew Cho Fai Yao
Chairman

For and on behalf of
North Asia Strategic Acquisition Corp.
Chow Savio Sing Nam
Director
&
Moses Kwok Tai Tsang

Hong Kong, 19 May 2005

The directors of iSteelAsia jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than information relating to the Ajia Parties) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

The directors of NASAC and Mr. Tsang jointly and severally accept full responsibility for the accuracy of the information contained in this announcement (other than those relating to iSteelAsia) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement the omission of which would make any statement in this announcement misleading.

As at the date of this announcement, the iSteelAsia Board comprises Mr. Andrew Yao (Chairman), Mr. Desmond Hay Ching Fu (being the executive Directors), Mr. David Michael Faktor (being the non-executive Director), Mr. Philip King Huen Ma, Mr. Kennedy Ying Ho Wong, Mr. Kenny King Ching Tam (being the independent non-executive Directors).

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for 7 days from the date of its posting.