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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)

**DESPATCH OF CIRCULAR IN RELATION TO CAPITAL REORGANISATION,
OPEN OFFER, SUBSCRIPTION OF NEW SHARES AND
CONVERTIBLE BONDS BY THE AJIA PARTIES,
WHITEWASH WAIVER AND CHANGE OF THE COMPANY NAME**

The Circular, along with the notice of the SGM, has been despatched to the Shareholders on 20 June 2005.

The SGM will be convened and held for the consideration and approval of, among others, the Capital Reorganisation, the Open Offer, the Subscription, the grant of the Whitewash Waiver and the change of the Company name. The SGM will be held at Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at 3:00 p.m. on 14 July 2005.

A statement of unaudited pro forma consolidated net tangible assets of the Group for the purpose of illustrating the effect of the Proposals on the unaudited consolidated net tangible assets of the Group as at 31 March 2005 as if they had been implemented on 31 March 2005 is set out in Appendix I to the Circular and reproduced below. The Shareholders and potential investors of the Shares should note that the aforesaid statement has been prepared for illustrative purpose only and, because of its nature, it may not give a true picture of the financial position of the Group following completion of the Proposals.

The expected timetable for the Proposals is set out below.

Shareholders and public investors are advised to exercise caution in dealing in the Shares.

Reference is made to the announcements issued by the Company dated 19 May 2005 and 8 June 2005 in relation to the captioned matters (the "Announcements") and the Circular dated 20 June 2005 (the "Circular"). Terms defined in this announcement shall have the same meanings ascribed to them in the Circular when used herein unless otherwise stated.

* *For identification purposes only*

DESPATCH OF THE CIRCULAR

The Board wishes to announce that:

- (i) the Circular containing detailed information in relation to, among other things, (a) the Capital Reorganisation; (b) the Open Offer; (c) the Subscription; (d) the Whitewash Waiver; (e) the change of the Company name, along with the notice of the SGM, to the Shareholders has been despatched on 20 June 2005; and
- (ii) the SGM will be convened and held for the consideration and approval of, among others, the Capital Reorganisation, the Open Offer, the Subscription, the grant of the Whitewash Waiver and the change of the Company name. The SGM will be held at Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong at 3:00 p.m. on 14 July 2005.

STATEMENT OF UNAUDITED PRO FORMA CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

A statement of unaudited pro forma consolidated net tangible assets of the Group for the purpose of illustrating the effect of the Proposals on the unaudited consolidated net tangible assets of the Group as at 31 March 2005 as if they had been implemented on 31 March 2005 is set out in Appendix I to the Circular and reproduced below.

Set out below is the statement of unaudited pro forma consolidated net tangible assets of the Group which is based on the audited consolidated balance sheet of the Group as at 31 March 2005.

	Audited consolidated net assets of the Group as at 31 March 2005 HK\$'000 (a)	Audited consolidated net tangible assets of the Group as at 31 March 2005 HK\$'000 (a)	Estimated net proceeds HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group per New Share HK cents
Before Completion of the Proposals	<u>2,137</u>	<u>2,116</u>			13.25(g)
Based on the Proposals — before conversion of Convertible Bonds	<u>2,137</u>	<u>2,116</u>	11,300 (b) (1,100) (c)	<u>12,316</u>	12.86 (d)
Based on the Proposals — after conversion of Convertible Bonds	<u>2,137</u>	<u>2,116</u>	11,300 (b) (1,100) (c) 20,000 (e)	<u>32,316</u>	14.46 (f)

- (a) The consolidated net assets of the Group is extracted from the audited accounts of the Group for the year ended 31 March 2005. As at 31 March 2005, the consolidated net assets of the Group included website development costs of approximately HK\$21,000 which is considered as intangible asset and was adjusted to arrive at the consolidated net tangible assets of the Group as at 31 March 2005.
- (b) This reflects the net proceeds of approximately HK\$11.3 million from the Subscription and the Open Offer pursuant to the Proposals amounting to approximately HK\$10 million and approximately HK\$2.5 million, respectively, after deducting estimated expenses of approximately HK\$1.2 million attributable to the Subscription and the Open Offer.
- (c) In addition to the aforementioned estimated expenses of approximately HK\$1.2 million, this reflects the remaining balance of the estimated expenses of the Proposals amounting to approximately HK\$1.1 million.
- (d) The calculation is based on the assumption that 95,794,716 New Shares will be in issue upon completion of the Proposals but before exercise of the conversion rights under the Convertible Bonds.
- (e) This reflects the proceeds of HK\$20 million from the issue of the Convertible Bonds pursuant to the Proposals.
- (f) The calculation is based on the assumption that 223,508,636 New Shares will be in issue after completion of the Proposals and the exercise of the conversion rights of the Convertible Bonds in full at the initial conversion price of HK\$0.1566 per New Share.
- (g) The calculation is based on 15,968,878 New Shares in issue before completion of the Proposals but after adjusting the effect of the Share Consolidation.

EXPECTED TIMETABLE

The following is the expected timetable in relation to the Capital Reorganisation, Open Offer and Subscription. Shareholders will be informed by announcement(s) of any changes to the expected timetable.

2005

Latest time for lodging forms of proxy in respect of SGM	3:00 p.m. on Tuesday, 12 July
SGM	3:00 p.m. on Thursday, 14 July
Effective date of the Capital Reorganisation	Friday, 15 July
Announcement of results of SGM to be published	Friday, 15 July
First day of free exchange of the existing share certificates for the New Share certificates	Friday, 15 July
First day of operation of odd lot facility	Friday, 15 July

Temporary counter for trading in the New Shares in board lots of 20 New Shares (in the form of existing share certificates) opens	9:30 a.m. on Friday, 15 July
Existing counter for trading in the Shares (in the form of existing share certificates) in board lots of 2,000 Shares temporarily closes	9:30 a.m. on Friday, 15 July
Last day of dealing in the New Shares on a cum-entitlement basis	Friday, 15 July
Commencement of dealings of the New Shares on an ex-entitlement basis	Monday, 18 July
Latest time for lodging transfers of the New Shares to be entitled for the Open Offer	4:00 p.m. on Tuesday, 19 July
Book close dates (both dates inclusive)	Wednesday, 20 July to Thursday, 21 July
Record date	Thursday, 21 July
Despatch of Prospectus Documents	Thursday, 21 July
Existing counter for trading in the New Shares in board lots of 2,000 New Shares (in the form of new certificates) re-opens	9:30 a.m. on Friday, 29 July
Parallel trading in the New Shares (in the form of new share certificates and existing share certificates) commences	9:30 a.m. on Friday, 29 July
Latest time for receiving acceptance for the Open Offer and Open Offer Closes	4:00 p.m. on Thursday, 4 August
Announcement of results of the Open Offer to be published	Friday, 5 August
Distribution of New Share certificates for the Offer Shares	Monday, 8 August
Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares	Monday, 8 August
Completion of the Subscription	Monday, 8 August

Commencement of dealings in the Offer Shares and the Subscription Shares	Wednesday, 10 August
Temporary counter for trading in the New Shares in board lots of 20 New Shares (in the form of existing share certificates) closes	close of business on Friday, 19 August
Parallel trading in the New Shares (in the form of new share certificates and existing share certificates) ends	close of business on Friday, 19 August
Last day of operation of odd lot facility	close of business on Friday, 19 August
Last day of free exchange of the existing share certificates for the New Share certificates	Friday, 26 August

By order of the Board
iSteelAsia Holdings Limited
Andrew Cho Fai Yao
Chairman

Hong Kong, 20 June 2005

The directors of iSteelAsia jointly and severally accept full responsibility for the accuracy of the information contained in this announcement 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 the announcement, the iSteelAsia Board comprises Mr. Andrew Cho Fai 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.