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This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to iSteelAsia.com Limited. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:— (1) the information contained in this announcement is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this announcement misleading; and (3) all opinions expressed in this announcement have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

iSteelAsia.com

iSTEELASIA.COM LIMITED

(Incorporated in Bermuda with limited liability)

CONTINUING CONNECTED TRANSACTIONS

SUMMARY

Since the listing of the Shares on the GEM on 20th April, 2000, the Company has applied for and was granted the Waiver from strict compliance with relevant requirements under Rules 20.35 and 20.36 of the GEM Listing Rules for the period ending 31st March, 2003. The Waiver will expire after 31st March, 2003.

The Continuing Connected Transactions are expected to continue in the next three years with no expiry dates. The Company now seeks the approval of the Independent Shareholders at the SGM for the Continuing Connected Transactions for a further 3-year period ending 31st March, 2006.

A circular will be sent within 21 days from the date of this announcement to the shareholders of the Company setting out (1) the terms of the Continuing Connected Transactions; (2) the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions; (3) the advice from the Independent Financial Adviser; and (4) notice of the SGM to be convened at which ordinary resolutions will be proposed to consider, and if thought fit, approve the Continuing Connected Transactions and all matters contemplated thereunder.

1. RELATIONSHIP WITH THE VSC GROUP

This announcement is issued by the Board in respect of the Continuing Connected Transactions. The Company is an investment holding company incorporated in Bermuda on 10th February, 2000 with limited liability and the Shares have been listed on the GEM since 20th April, 2000. The principal business activity of the Group is the trading of steel products, provision of procurement services and operation of an e-commerce vertical portal for the provision of online steel trading and ancillary services. The Group originated as part of the operations of the VSC Group since the Group's business was initially established by the VSC Group as a separate division from the VSC Group's other principal businesses.

VSCH is a company incorporated in Bermuda on 12th January, 1994 and the VSCH Shares have been listed on the Main Board since 18th February, 1994. The VSC Group is principally engaged in (i) trading and stockholding of construction materials including steel products, sanitary ware, kitchen cabinets, and the installation work of kitchen cabinets, (ii) manufacturing and trading of industrial products including rolled steel flat products, enclosure systems, engineering plastic resins and injection moulding machines, and (iii) investment holding including property investment and finance business.

Since the listing of the Shares on GEM, a number of transactions between the Group and the VSC Group have been conducted in accordance with the Waiver and are expected to continue in the future. Details of such transactions are set out in the paragraph headed “The Continuing Connected Transactions” below.

Since the date of commencement of listing of the Company on GEM, VSCH (indirectly through VSC BVI) has been the largest shareholder of the Company. As at the date of this announcement, VSCH (indirectly through VSC BVI) holds approximately 19.24% of the total issued share capital of the Company. Therefore, the Continuing Connected Transactions constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules. Upon the listing of the Shares on GEM in April 2000, the Company has applied for and was granted the Waiver from strict compliance with the announcement and shareholders’ approval requirements relating to the Continuing Connected Transactions under Rules 20.35 and 20.36 of the GEM Listing Rules.

The Company now seeks the approval of the Independent Shareholders for the Continuing Connected Transactions for a further 3-year period ending 31st March, 2006.

2. THE CONTINUING CONNECTED TRANSACTIONS

The Group has since the listing of the Company on the GEM conducted the Continuing Connected Transactions with the VSC Group who is a connected person for the purposes of the GEM Listing Rules pursuant to the Waiver. Subject to the approval by the Independent Shareholders at the SGM, the following Continuing Connected Transactions will continue to be conducted on the same bases as before.

(a) Procurement Services Agreement

Pursuant to the Procurement Services Agreement, the Group has from time to time provided sourcing, purchasing and quality control services on steel coils for the VSC Group’s coil centre operation in return for a procurement service fee of US\$5.00 per tonne for the first 24,000 tonnes and US\$2.00 per tonne in excess of 24,000 tonnes of steel coils sourced during each financial year ending 31st March, which represents a similar rate chargeable for such service in the market. The arrangement may be terminated by either party giving two months’ notice of termination to the other party.

For each of the two years ended 31st March, 2001 and 31st March, 2002 and the ten months ended 31st January, 2003, the total amount earned by the Group from the VSC Group for such services amounted to approximately HK\$1,373,000, HK\$1,406,000 and HK\$1,417,000 respectively. It is estimated that the total amount paid and to be paid by the VSC Group to the Group for such services for the year ending 31st March, 2003 will not exceed HK\$3,000,000. The amount payable by the VSC Group to the Group per annum has been capped at HK\$3,000,000 for each of the three years ending 31st March, 2003 according to the Waiver and will be capped at HK\$2,800,000, HK\$3,000,000 and HK\$3,500,000 for each of the three years ending 31st March, 2004, 31st March, 2005 and 31st March, 2006 respectively in anticipation of the growth of the coil centre’s business.

According to the annual report and accounts of VSCH for the year ended 31st March, 2002, the coil centre operations contributed approximately 11% of the VSC Group's total audited turnover for the year ended 31st March, 2002 (which represents an increase as compared to the contribution of approximately 9% to the VSC Group's total audited turnover for the corresponding year ended 31st March, 2001). In terms of absolute amounts, the turnover derived by the VSC Group from its coil centre operations during the year ended 31st March, 2002 demonstrated an increase by approximately 6% when compared with that during the corresponding year ended 31st March, 2001. Furthermore, according to the VSC Group's interim report for the six months ended 30th September, 2002, the coil centre operations recorded an increase in turnover by approximately 32% during the six months ended 30th September, 2002 as compared to that during the corresponding six months ended 30th September, 2001. As announced by the VSC Group in numerous public occasions, there would be an increase of the production capacity by approximately 30% in its existing coil centre operations in Dongguan, Guangdong province, the PRC. The VSC Group is also building a new coil centre operation in Tianjin, the PRC which is expected to start production by March 2003 to accommodate the strong demands for coil centre products in the northern parts of the PRC where steel coils are extensively used in the household appliances industry in that region. Based on the foregoing, the Company consider that the growth potential in the VSC Group's coil centre operations will generate a corresponding growth potential for the Group's sourcing, purchasing and quality control services on steel coils for the VSC Group under the Procurement Services Agreement.

Based solely on the historical data (excluding any consideration of the increased capacity) of the VSC Group's existing coil centre operations in Dongguan, the Directors have very conservatively adopted the average growth rate in the past two years and estimated an annual growth rate of approximately 12% in the amount of procurement service fees to be earned by the Group from the VSC Group's Dongguan coil centre operations pursuant to the Procurement Services Agreement during each of the next three financial years ending 31st March, 2006. On the other hand, the Directors consider that due to the strong demands for coil centre products in the northern parts of the PRC as discussed above but excluding the increased capacity of the Dongguan facility, it is estimated by the Directors that the VSC Group's new coil centre operations in Tianjin is expected to benefit from such strong demands and would therefore be able to (i) reach an estimated output capacity in its first year of operations during the year ending 31st March, 2004 representing about 50% of the existing output capacity of the VSC Group's Dongguan coil centre operations; and (ii) achieve an expected growth rate of 21% in its annual output capacity for each of the two subsequent financial years ending 31st March, 2006. Accordingly, the Directors have estimated an annual growth rate of 21% in the amount of procurement service fees to be earned by the Group from the VSC Group's Tianjin coil centre operations pursuant to the Procurement Services Agreement during each of the two financial years ending 31st March, 2006.

The Directors wish to state that since the VSC Group continues its business plans to expand its coil center operations in the PRC over the next few years, there is a strong possibility that the estimated growth rate stated above may be conservatively too low. At that time, the Group may need to increase the cap as stipulated above to accommodate their growth in business. Currently at this stage, the Directors consider such growth rate is appropriate.

(b) Steel Supply Agreement

Pursuant to the Steel Supply Agreement, the VSC Group will continue to source and supply steel to the Group on and subject to the standard terms and conditions of purchase of the Group and the Group will reimburse the VSC Group at cost (including, but not limited to, insurance, transportation and warehousing costs incurred in respect of such supply, etc.). The

arrangement may be terminated by either party giving two months' notice of termination to the other party. For each of the two years ended 31st March, 2001 and 31st March, 2002 and the ten months ended 31st January, 2003, the total purchases made by the Group from the VSC Group amounted to approximately HK\$118,756,000, HK\$231,402,000 and HK\$233,373,000 respectively. It is estimated that the total purchases made and to be made by the Group from the VSC Group for the year ending 31st March, 2003 will not exceed HK\$350,000,000.

The total purchases to be made by the Group from the VSC Group pursuant to the Steel Supply Agreement per annum have been capped at HK\$350,000,000 for each of the three years ending 31st March, 2003 according to the Waiver and will be capped at HK\$350,000,000, HK\$410,000,000 and HK\$500,000,000 for each of the three years ending 31st March, 2004, 31st March, 2005 and 31st March, 2006 respectively in anticipation of future business growth through the Company's expanding distribution network.

In view of the Directors' observation that the PRC's finished steel consumption continues to grow and hence its share of the global steel consumption is likely to increase, the outlook of sales performance of the Group in the coming few years remains very favourable. In evaluating the expected growth in the Group's purchases of steel products from the VSC Group for each of the next three financial years ending 31st March, 2006, the Directors adopt an annual growth rate of approximately 21% which is based on the Directors' expected annual growth rate in the annual sales of the Group on a conservative basis.

Furthermore, the Group currently has six sales and distribution outlets in the PRC covering Beijing, Shanghai, Guangzhou, Tianjin, Shenzhen and Chongqing for the purpose of trading in steel products with customers in the PRC. The Directors consider that such an extensive marketing and distribution network is capable of capturing on the sales opportunities arising from increasing steel consumption in the PRC and hence generating increases in the sales volumes of the Group's steel products in the PRC. Therefore, the Directors consider such growth rate is appropriate.

(c) Trading by the VSC Group via iSteelAsia.com website

The VSC Group may from time to time source/procure/distribute/sell steel products via the Group's iSteelAsia.com website. For each such transaction, any applicable commission which may be payable by the VSC Group to the Group may constitute a non-exempt continuing connected transaction under Rule 20.26 of the GEM Listing Rules. For each of the three years ending 31st March, 2003, the annual sales of the VSC Group transacted via the trading platform at iSteelAsia.com have been capped at HK\$3.5 billion per annum while the commission which may be earned by iSteelAsia.com from the VSC Group has been capped at HK\$52.5 million per annum according to the Waiver. For each of the two years ended 31st March, 2001 and 31st March, 2002 and the ten months ended 31st January, 2003, there were no such commissions paid by the VSC Group to the Group since only the seller is charged commission under the current practice and the VSC Group has only as a buyer used the Group's website for purchase. Although the development of the Internet application to the steel industry is still uncertain in the coming years, the Group considers that the Internet will act as a valuable tool in the steel industry by improving communications through more efficient flow of information. iSteelAsia.com is well placed to operate as a platform that will provide valuable information on the buy and sell side, which will keep to improve transparency and information exchange between buyers and sellers. The Group is thus confident that the utilisation of the Internet will increase and become a key distribution channel in the future. According, the Group sees vast potential for the VSC Group as well as other steel industry players to use the Group's website for trading in the future. As such, the Group projects that 30% of the VSC Group's sales will

be transacted via iSteelAsia.com in the future years and therefore for each of the three years ending 31st March, 2006, the annual sales of the VSC Group transacted via the trading platform at iSteelAsia.com will be capped at HK\$667 million per annum while the expected annual commission which may be earned by iSteelAsia.com from the VSC Group will be capped at HK\$10 million based on 1.5% of commission rate.

3. REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Directors are of the opinion that the Continuing Connected Transactions have been entered into and carried out in the ordinary and usual course of business of the Group and on normal commercial terms. The Directors are also of the view that the terms of the Continuing Connected Transactions are fair and reasonable so far as the Company and its Shareholders are concerned as a whole.

Under the GEM Listing Rules, for so long as VSC BVI remains a substantial shareholder of the Company, all of the Continuing Connected Transactions would constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules. Pursuant to Rules 20.35 and 20.36 of the GEM Listing Rules, these Continuing Connected Transactions would require disclosure by way of announcement, despatch of circulars to shareholders and prior approval by the Independent Shareholders on each occasion they arise.

The Directors, including the independent non-executive Directors, are of the view that the Continuing Connected Transactions are essential for the efficient and continuous operation of the Group. Given the Continuing Connected Transactions will occur on a regular and continuing basis, the Directors consider that it would not be practicable to announce, or if necessary, obtain Shareholders' prior approval on each occasion they arise. Accordingly, the Company seeks the approval of the Independent Shareholders for the Continuing Connected Transactions for a further 3-year period ending 31st March, 2006 subject to the further conditions stated below.

4. CONDITIONS

In addition to the approval by the Independent Shareholders voting by way of poll of the Continuing Connected Transactions at the SGM, the Continuing Connected Transactions for a further 3-year period ending 31st March, 2006 will be subject to the following further conditions:

- (a) the non-exempt Continuing Connected Transactions described above would not exceed the relevant annual caps referred to above;
- (b) the independent non-executive Directors will review the Continuing Connected Transactions annually and confirm in the Company's annual report and accounts that the Continuing Connected Transactions have been entered into:
 - (i) in the ordinary and usual course of business of the Group;
 - (ii) either on normal commercial terms or, if there are no sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

- (c) the auditors of the Company shall provide a letter (at least 10 business days prior to the bulk printing of the annual report of the Company) to the Directors (with a copy to the GEM Listing Division of the Stock Exchange) annually, confirming that the Continuing Connected Transactions for the respective period/year:
 - (i) have received the approval of the Board;
 - (ii) are in accordance with the pricing policy of the Group if those transactions involve the provision of goods or services by the Group;
 - (iii) have been entered into in accordance with the relevant agreements governing the Continuing Connected Transactions; and
 - (iv) have not exceeded the respective caps agreed with the Stock Exchange;

and for the purpose of the above review by the auditors of the Company, the Company and each of the counterparties to the Continuing Connected Transactions have undertaken to the Stock Exchange that it will allow the auditors of the Company sufficient access to their accounting records for the purpose of reporting on such transactions;

- (d) the Company shall promptly notify the GEM Listing Division of the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company will not be able to confirm the matters set out in Rules 20.27 and 20.28 of the GEM Listing Rules respectively. The Company may have to re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the GEM Listing Division of the Stock Exchange considers appropriate;
- (e) details of the Continuing Connected Transactions shall be disclosed in the Company's annual reports as described in Rules 20.34(1) to (5) of the GEM Listing Rules; and
- (f) in addition to complying with Rules 20.26 to 20.28 of the GEM Listing Rules, as the annual caps set out in paragraphs 2(b) and (c) above exceeds HK\$10,000,000, Rule 20.30 of the GEM Listing Rules requires that these two types of transactions and the annual cap will be subject to review and re-approval by Independent Shareholders at the annual general meeting following the approval and at each subsequent annual general meeting so long as these two types of transactions continue. The independent non-executive Directors will be required to opine in the Company's annual report whether or not the Company should continue with these two types of transactions.

PROVIDED THAT the above conditions will be further modified automatically (without any further shareholders' approval) to conform with any changes which may be made to the GEM Listing Rules from time to time automatically (without any further shareholders' approval) during the period from 1st April, 2003 to 31st March, 2006.

5. GENERAL

VSCH (indirectly through VSC BVI) holds approximately 19.24% of the total issued share capital of the Company as at the date of this announcement. Accordingly, VSC BVI will abstain from voting in the SGM to approve the Continuing Connected Transactions.

A circular will be sent within 21 days from the date of this announcement to the shareholders of the Company setting out (1) the terms of the Continuing Connected Transactions; (2) the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions; (3) the advice from the Independent Financial Adviser; and (4) notice of the SGM to be convened at which ordinary resolutions will be proposed to consider, and if thought fit, approve the Continuing Connected Transactions and all matters contemplated thereunder.

6. DEFINITIONS

“associate(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“Company”	iSteelAsia.com Limited, a company incorporated in Bermuda with limited liability, the securities of which are listed on GEM
“Continuing Connected Transactions”	transactions contemplated under the Procurement Services Agreement, the Steel Supply Agreement and trading by the VSC Group via iSteelAsia.com website
“Director(s)”	the director(s) of the Company, including the independent non-executive directors of the Company
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent committee of the Board comprising the two independent non-executive Directors, Mr. Yeung Kwok Keung and Mr. Philip King Huen Ma
“Independent Financial Adviser”	Chateron Corporate Finance Limited, the independent financial adviser to the Independent Board Committee and an investment adviser registered under the Securities Ordinance (Chapter 333 of the Laws of Hong Kong)
“Independent Shareholders”	Shareholders other than VSC BVI and its associates
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the option market) and which stock market continues to be operated in parallel with GEM
“PRC”	The People’s Republic of China, other than Hong Kong, Macau and Taiwan

“Procurement Services Agreement”	the procurement services agreement entered into between Metal Logistics Company Limited (formerly known as “MetalAsia (Hong Kong) Limited”) and Van Shung Chong Hong Limited dated 13th April, 2000, as described under the section headed “The Continuing Connected Transactions— (a) Procurement Services Agreement” in this announcement
“SGM”	the special general meeting of the Company to be held at 9:30 a.m. (Hong Kong time) on 17th April, 2003 at 52nd Floor, The Center, 99 Queen’s Road Central, Hong Kong to consider and, if thought fit, approve the Continuing Connected Transactions
“Share(s)”	share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of Share(s)
“Steel Supply Agreement”	the steel supply agreement entered into between Metal Logistics Company Limited and Van Shung Chong Hong Limited dated 13th April, 2000, as described under the section headed “The Continuing Connected Transactions— (b) Steel Supply Agreement” in this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“VSC BVI”	Van Shung Chong (B.V.I.) Limited, an investment holding company incorporated in the British Virgin Islands directly holding approximately 19.24% of the total issued share capital of the Company as at the date of this announcement and a wholly-owned subsidiary of VSCH
“VSC Group”	VSCH and its subsidiaries
“VSCH”	Van Shung Chong Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the securities of which are listed on the Main Board of the Stock Exchange. This company is principally engaged in trading and stockholding of construction materials, manufacturing and trading of industrial products and investment holding
“VSCH Shares”	shares of HK\$0.10 each in the share capital of VSCH
“Waiver”	the waiver granted to the Company by the Stock Exchange on 9th May, 2000 from strict compliance with the relevant requirements under Rules 20.35 and 20.36 of the GEM Listing Rules in respect of the transactions contemplated under, among other things, the sub-tenancy agreement dated 13th April, 2000, the outsourcing agreement dated 13th April, 2000, the Procurement Services Agreement, the Steel Supply Agreement and the trading by the VSC Group via iSteelAsia.com website for the period from 1st April, 2000 to 31st March, 2003

“HK\$” Hong Kong dollar(s), the lawful currency of Hong Kong

“US\$” United States dollar(s), the lawful currency of the United States

On behalf of the Board of Directors,
DRINA C. YUE
Director and Chief Executive Officer

Hong Kong, 25th March, 2003

This announcement will remain on the “Latest Company announcements” page of the GEM website for 7 days from the date of its posting.