
IMPORTANT

This circular does not constitute an offer or invitation to subscribe for or purchase any securities nor is it calculated to invite any such offer or invitation.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in iSteelAsia.com Limited (the "Company"), you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

A copy of this circular has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) and filed with the Registrar of Companies in Bermuda as required by the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong, the Registrar of Companies in Bermuda and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this circular.

The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Hong Kong Securities Clearing Company Limited ("HKSCC") take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

iSteelAsia.com **iSteelAsia.com Limited**

(Incorporated in Bermuda with limited liability)

PROPOSED BONUS ISSUE OF WARRANTS, TERMINATION OF THE EXISTING SHARE OPTION SCHEME, ADOPTION OF THE NEW SHARE OPTION SCHEME AND NOTICE OF SPECIAL GENERAL MEETING

A notice convening a special general meeting of the Company to be held at 52nd Floor, The Centre, 99 Queen's Road Central, Hong Kong on Monday, 10th June, 2002 at 11:00 a.m. is set out on pages 31 to 32 of this circular. Whether or not you are able to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time of the meeting to the office of the Company's branch registrar in Hong Kong, Central Registration Hong Kong Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong. Completion and return of the form of proxy will not preclude you from attending and voting at the meeting should you so wish.

Subject to the granting of the listings of, and permission to deal in, the Warrants (as defined herein) and the new shares in the Company ("Shares") which may fall to be issued upon the exercise of the subscription rights attaching to the Warrants on the Stock Exchange, as well as the compliance with the stock admission requirements of HKSCC, the Warrants and any new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance, and settlement in the Central Clearing and Settlement System ("CCASS") with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

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

23rd May, 2002

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM. The principal means of information dissemination on GEM is publication on the internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

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EXPECTED TIMETABLE

2002

Last day of dealings in Shares cum entitlement to the Bonus Issue	Monday, 3rd June
First day of dealings in Shares ex entitlement to the Bonus Issue	Tuesday, 4th June
Latest time for lodging share transfers for registration to qualify for entitlement to the Bonus Issue	4:00 p.m., Wednesday, 5th June
Register of members closes (both dates inclusive) from	Thursday, 6th June
to	Monday, 10th June
Latest time for lodging forms of proxy for the Special General Meeting	11:00 a.m., Saturday, 8th June
Record Date for entitlement to the Bonus Issue	Monday, 10th June
Special General Meeting	11:00 a.m., Monday, 10th June
Despatch of Warrant certificates on or before	Wednesday, 12th June
First day of dealings in the Warrants	Tuesday, 18th June

DEFINITIONS

In this circular, the following expressions shall have the following meanings unless the context requires otherwise:

“associate”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Bonus Issue”	the proposed bonus issue of Warrants in the proportion of one Warrant for every five Shares held by Shareholders (other than Overseas Shareholders) whose names appear on the register of members of the Company as at the close of business on the Record Date on and subject to the terms and conditions set out in this circular and the instrument constituting the Warrants
“business day”	a day on which the Stock Exchange is open for the trading of securities
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Company”	iSteelAsia.com Limited, an exempted company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM
“connected person”	has the meaning ascribed thereto in the GEM Listing Rules
“Directors”	the directors of the Company
“Existing Share Option Scheme”	the existing share option scheme of the Company adopted on 13th April, 2000 and expiring on 12th April, 2010
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	17th May, 2002, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“management shareholder”	has the meaning ascribed thereto in the GEM Listing Rules
“New Share Option Scheme”	the share option scheme proposed to be adopted at the Special General Meeting, the principal terms of which are summarised in Appendix 2
“Overseas Shareholders”	the Shareholders whose addresses, as shown on the register of members of the Company at the close of business on the Record Date, are outside Hong Kong
“Participant”	any employee, agent, consultant or representative, including any executive or non-executive director, of any member of the Group or any other person who satisfies the selection criteria prescribed by the rules of the New Share Option Scheme, as summarised in paragraph (b) of Appendix 2
“Record Date”	10th June, 2002, being the record date for determination of entitlements of the Shareholders to the Bonus Issue
“Registrar”	the branch registrar of the Company in Hong Kong, Central Registration Hong Kong Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Shareholders”	registered holders of Shares
“Shares”	ordinary shares of HK\$0.10 each (or of such other nominal amount as shall result from a sub-division or a consolidation of such shares from time to time) in the capital of the Company

DEFINITIONS

“Special General Meeting”	the special general meeting of the Company to be held at 52nd Floor, The Centre, 99 Queen’s Road Central, Hong Kong on Monday, 10th June, 2002 at 11:00 a.m., notice of which is set out on pages 31 to 32 of this circular
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed thereto in the GEM Listing Rules
“Warrantholders”	registered holders of the Warrants
“Warrants”	warrants of the Company to be issued in registered form and traded in board lots of 200,000 units entitling the holder thereof to subscribe an amount of HK\$20,000 for 200,000 new Shares at an initial subscription price of HK\$0.10 per Share, subject to adjustments, at any time from 18th June, 2002 to 17th June, 2005, both dates inclusive, the principal terms of which are summarised in Appendix 1

iSteelAsia.com
iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

Board of Directors:

Andrew Cho Fai Yao (*Chairman and Chief Executive Officer*)

Miriam Che Li Yao (*Deputy Chairman*)

Drina C. Yue (*Chief Operating Officer*)

Lena Foo*

Daniel Takuen Shih*

Ralph David Oppenheimer*

Yeung Kwok Keung**

Philip King Huen Ma**

* *Non-executive Directors*

** *Independent Non-executive Directors*

Registered office:

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

Head office and

principal place of business:

52nd Floor, The Center

99 Queen's Road Central

Hong Kong

23rd May, 2002

To the Shareholders

Dear Sir or Madam,

**PROPOSED BONUS ISSUE OF WARRANTS,
TERMINATION OF THE EXISTING SHARE OPTION SCHEME,
ADOPTION OF THE NEW SHARE OPTION SCHEME
AND
NOTICE OF SPECIAL GENERAL MEETING**

The purpose of this circular is to provide you with details regarding the Bonus Issue, the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme. Set out on pages 31 to 32 of this circular is a notice convening the Special General Meeting at which Shareholders will be requested to consider and, if thought fit, pass the necessary ordinary resolutions to approve the Bonus Issue, the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme and to authorise the Directors to grant options pursuant to the New Share Option Scheme and issue Shares pursuant to the exercise of the options.

1. THE BONUS ISSUE

It was announced on 7th May, 2002 that the Bonus Issue to the Shareholders (other than Overseas Shareholders) will be proposed at the Special General Meeting.

LETTER FROM THE CHAIRMAN

The Warrants will be issued to Shareholders (other than the Overseas Shareholders) whose names appear on the Company's register of members at the close of business on the Record Date on the basis of one Warrant for every five Shares then held by such Shareholders. The Warrants will be issued in registered form and each Warrant will entitle the holder thereof to subscribe in cash for one new Share at an initial subscription price of HK\$0.10 per Share (subject to adjustments). The Warrants will be exercisable at any time from 18th June, 2002 until 17th June, 2005, both dates inclusive. Any subscription rights not exercised on or before 17th June, 2005, or such earlier date as provided in the instrument constituting the Warrants, will lapse.

New Shares issued upon exercise of the subscription rights attaching to the Warrants will rank *pari passu* in all respects with the then existing Shares on the relevant subscription date, save for any rights or entitlements to dividends or other rights or distributions the record date for which precedes the relevant subscription date for such new Shares.

On the basis of 1,564,500,000 Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or repurchased by the Company on or before the Record Date, 312,900,000 Warrants are proposed to be issued pursuant to the Bonus Issue. On the basis of the initial subscription price of HK\$0.10, full exercise of the 312,900,000 Warrants would result in the receipt by the Company of approximately HK\$31.3 million, before expenses and, assuming that the initial subscription price is not adjusted, the issue of 312,900,000 new Shares would represent approximately 20% of the existing issued share capital of the Company and approximately 16.7% of the issued share capital of the Company as enlarged by the issue of such Shares. Such proceeds of approximately HK\$31.3 million from the Bonus Issue will be used by the Group as additional working capital for future expansion. The market capitalisation of the Warrants at the time of listing is expected to be HK\$6,258,000.

This circular will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction other than Hong Kong and Bermuda. As the Directors are of the view that the grant of Warrants to Overseas Shareholders would or might, in the absence of compliance with registration or other special formalities in other territories, be unlawful or impracticable, no Warrants will be issued to the Overseas Shareholders. However, arrangements will be made for the Warrants which would otherwise be issued to the Overseas Shareholders to be sold in the market as soon as practicable after dealings in the Warrants commence if a premium, net of expenses, can be obtained. Any net proceeds of sale, after deduction of expenses, will be distributed in Hong Kong currency to such persons at their own risk *pro rata* to their respective shareholdings, unless the amount falling to be distributed to any such person is less than HK\$100 in which case it will be retained for the benefit of the Company.

Fractional entitlements to the Warrants will not be issued to Shareholders but will be aggregated and sold for the benefit of the Company.

LETTER FROM THE CHAIRMAN

A summary of the principal terms of the Warrants, including a summary of the circumstances under which the subscription price may be adjusted, is set out in Appendix 1 to this circular.

Conditions of The Bonus Issue

The Bonus Issue is conditional upon:

- (i) the passing of an ordinary resolution at the Special General Meeting approving the creation and issue of the Warrants and the allotment and issue of new Shares upon exercise of the subscription rights attaching to the Warrants; and
- (ii) the Stock Exchange granting listings of, and permission to deal in, the Warrants and any new Shares falling to be issued upon exercise of the subscription rights attaching to the Warrants.

Closure of Register of Members

In order to determine entitlements of the Shareholders to the Bonus Issue, the register of members of the Company will be closed from Thursday, 6th June, 2002 to Monday, 10th June, 2002 (both dates inclusive), during which period no transfer of Shares may be registered. The last day for dealings in Shares cum entitlement to the Bonus Issue will be Monday, 3rd June, 2002. **Shareholders are reminded that, in order to qualify for the Bonus Issue, they must lodge completed share transfer forms together with the relevant share certificates for the Shares with the Registrar for registration by not later than 4:00 p.m. (Hong Kong time) on Wednesday, 5th June, 2002.**

Listings and Certificates

Application has been made to the Stock Exchange for the listings of, and permission to deal in, the Warrants and any new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants. Application has been made to HKSCC for the admission of the Warrants and any new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants into CCASS. Subject to the granting of the listings of, and permission to deal in, the Warrants and any new Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants on the Stock Exchange, as well as compliance with the stock admission requirements of HKSCC, the Warrants and any new Shares that may fall to be issued upon exercise of the subscription rights attaching to the Warrants will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Warrants on the Stock Exchange or such other date as shall be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. No part of the securities of the Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

LETTER FROM THE CHAIRMAN

Investors should seek the advice of their stockbroker or other professional adviser for details of settlement arrangements and how such arrangements affect their rights and interests.

It is expected that certificates for the Warrants will be posted to those entitled thereto at their own risk on or before Wednesday, 12th June, 2002. In the case of joint shareholdings, the Warrant certificates will be posted to the address of the first person named on the Company's register of members in respect of such joint holding.

Dealings in the Warrants are expected to commence on the Stock Exchange on Tuesday, 18th June, 2002. Certificates will be issued in, and the Warrants will be traded in, board lots of 200,000 units entitling the holder thereof to subscribe an amount of HK\$20,000 for 200,000 new Shares at an initial subscription price of HK\$0.10 per Share, subject to adjustments. Based on the board lots of 200,000 units for the Warrants, odd lot will be created. In order to alleviate the difficulties arising from the existence of odd lots of Warrants, a broker, Celestial Securities Limited of 21st Floor, The Center, 99 Queen's Road Central, Hong Kong (attention: Mr. Anthony Cheung (Tel: 2287 8095)), will be appointed to stand in the market, during the period commencing from 18th June, 2002 and ending on 2nd July, 2002, both dates inclusive, to purchase and sell odd lots of Warrants at the relevant market price per Warrants on behalf of the Warrantholders.

Taxation

Stamp duty in Hong Kong will be payable in respect of dealings in the Warrants and the Shares which may fall to be issued upon exercise of the subscription rights attaching to the Warrants.

The Shareholders are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding or disposal of, dealing in or exercising the Warrants and, as regards the Overseas Shareholders, their receipt of the net proceeds of sale of the Warrants otherwise falling to be issued to them under the Bonus Issue. It is emphasised that none of the Company, its Directors or any other parties involved in the Bonus Issue accepts responsibility for any tax effects or liabilities of holders of Shares or the Warrants resulting from the purchase, holding or disposal of, dealing in or exercise of the Shares or the Warrants.

Reasons for the Bonus Issue

The Directors consider that the Bonus Issue will provide the Shareholders with an opportunity to further participate in the equity of the Company, and hence, will result in the progressive enlargement of the capital base of the Company as and when Warrants are exercised. Given China's successful accession to the World Trade Organisation in December 2001, the Board is of the view that the proposed Bonus Issue will provide a simple yet relatively inexpensive method of capital fund raising that will help to gear the Company for the expected growth and expansion of its traditional steel trading business in Mainland China over the next few years. On the assumption that the Warrants

LETTER FROM THE CHAIRMAN

are fully exercised and on the basis of the initial subscription price of HK\$0.10, under the current circumstances, the Company intends to use the proceeds from subscription of the new Shares of up to approximately HK\$31.3 million for general working capital for the traditional steel trading business of the Group in Mainland China, and currently the Company has not identified any investment projects in relation to its traditional steel trading business. The Directors also consider that the exercise period of three (3) years and an initial subscription price of HK\$0.10 per Share are favourable to the Shareholders.

2. THE NEW SHARE OPTION SCHEME

The Board notes that the Stock Exchange had made certain amendments to Chapter 23 of the GEM Listing Rules regarding share option schemes. In compliance with the above amendments to the GEM Listing Rules, the Board considers that it is in the interest of the Company to terminate the Existing Share Option Scheme and adopt the New Share Option Scheme. A summary of the principal terms of the New Share Option Scheme is set out in Appendix 2 to this circular. Upon termination of the Existing Share Option Scheme, no further options will be granted thereunder but in all other respects, the provisions of the Existing Share Option Scheme shall remain in force and all options granted prior to such termination shall continue to be valid and exercisable in accordance therewith.

As at the Latest Practicable Date, the Company had granted 148,700,000 share options to certain employees and directors of the Group pursuant to the Existing Share Option Scheme, being 129,200,000 and 19,500,000 share options to the employees and directors, respectively. None of which has been exercised, 93,250,000 were still outstanding and 55,450,000 had lapsed in accordance with the terms of the Existing Share Option Scheme. No further options will be granted under the Existing Share Option Scheme after the Latest Practicable Date.

The purpose of the New Share Option Scheme is to provide incentives to Participants to contribute to the Group and/or to enable the Group to recruit and/or retain high-calibre employees and attract human resources that are valuable to the Group. To ensure that this purpose is achieved, the rules of the New Share Option Scheme provide that the Board will grant options only to Participants who have made valuable contribution to the growth of the Group based on their performance and/or years of service, or who are regarded as valuable human resources of the Group based on their work experience, knowledge in the industry and other relevant factors, or are expected to be able to contribute to the business development of the Group based on their business connection or network or other relevant factors.

On the basis of 1,564,500,000 Shares in issue as at the Latest Practicable Date, and assuming no further Shares will be issued or repurchased by the Company on or before the date of the Special General Meeting, the Company may initially grant options representing 156,450,000 Shares under the New Share Option Scheme (i.e., 10% of the issued share capital of the Company as at the date of the Special General Meeting).

LETTER FROM THE CHAIRMAN

Although the rules of the New Share Option Scheme provide that the New Share Option Scheme is not subject to any performance target and does not prescribe any specific minimum period for which an option must be held before it can be exercised, the Board believes that the requirement for a minimum subscription price (which is summarised in paragraph (d) in Appendix 2) as well as the selection criteria prescribed by the rules (which are summarised in paragraph (b) in Appendix 2) of the New Share Option Scheme will serve to protect the value of the Shares of the Company as well as to achieve the purpose of the New Share Option Scheme. No trustees will be appointed under the New Share Option Scheme.

The Board considers that it is not appropriate to state the value of all options that can be granted under the New Share Option Scheme as if they had been granted on the Latest Practicable Date as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the subscription price, the exercise period, the vesting period (if any) and other relevant factors. The Board believes that any calculation of the value of any option which might have been granted on the Latest Practicable Date would be based on a number of speculative assumptions and therefore not only would such calculation not be meaningful or representative, but it could also potentially be misleading to the Shareholders.

The adoption of the New Share Option Scheme is conditional upon:

- (i) the passing of an ordinary resolution at the Special General Meeting approving the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme; and
- (ii) the Stock Exchange granting the listing of, and permission to deal in, any new Shares which may fall to be issued upon the exercise of the subscription rights under the options that may be granted under the New Share Option Scheme.

Application has been made to the Stock Exchange for listing of and permission to deal in the new Shares which may fall to be issued pursuant to the exercise of the subscription rights under the options that may be granted under the New Share Option Scheme.

In accordance with the requirements of the GEM Listing Rules, the Company will publish an announcement on the outcome of the Special General Meeting in respect of the resolution relating to the adoption of the New Share Option Scheme on the business day following the date of the Special General Meeting.

The Company will comply with the GEM Listing Rules from time to time in force in respect of the New Share Option Scheme and any other share option scheme(s) of the Company or any of its subsidiaries.

LETTER FROM THE CHAIRMAN

3. PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the Bermuda Monetary Authority in respect of the issue of the Warrants and the new Shares to be issued pursuant to the exercise of the subscription rights under the Warrants to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the new Shares to be issued pursuant to the exercise of the subscription rights under the Warrants are listed on the Stock Exchange. In granting such permission and in accepting this circular for filing, neither the Bermuda Monetary Authority nor the Registrar of Companies of Bermuda accepts any responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in this circular.

4. SPECIAL GENERAL MEETING

The notice convening the Special General Meeting to be held at 52nd Floor, The Centre, 99 Queen's Road Central, Hong Kong on Monday, 10th June, 2002 is set out on pages 31 to 32 of this circular. The Special General Meeting will be held for the purpose of considering and, if thought fit, passing ordinary resolutions:

- (i) to approve the creation and issue of the Warrants and the allotment and issue of any new Shares upon exercise of the subscription rights attaching to the Warrants; and
- (ii) to approve the termination of the Existing Share Option Scheme and the adoption of the New Share Option Scheme and to authorise the Directors to grant options to subscribe for Shares under the New Share Option Scheme and to allot, issue and deal with new Shares pursuant to the exercise of options that may be granted under the New Share Option Scheme.

A form of proxy for use at the Special General Meeting is enclosed. Whether or not you are able to attend the meeting in person, please complete the form of proxy in accordance with the instructions printed thereon and return the same to the Registrar as soon as possible and in any event before 11:00 a.m. on Saturday, 8th June, 2002, being not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude you from attending and voting at the Special General Meeting if you so wish.

5. RECOMMENDATION

The Directors consider that the Bonus Issue is beneficial to and in the interests of the Company and the Shareholders as a whole. The Bonus Issue will provide the Group with additional general working capital of approximately HK\$31.3 million for its traditional steel trading business as described above assuming all the subscription rights attaching to the Warrants are exercised. The Directors also consider that the exercise period of three (3) years and an initial subscription price of HK\$0.10 per Share are favourable to the Shareholders. The Directors also consider that the adoption of the New Share Option Scheme is in the best interest of the Company and the Shareholders as a whole.

LETTER FROM THE CHAIRMAN

Accordingly, the Directors recommend that you vote in favour of the ordinary resolutions to be proposed at the Special General Meeting. The Directors who hold Shares intend to vote, and intend to procure any associate who hold Shares to vote, in favour of the ordinary resolutions.

6. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Baker & McKenzie, 14th Floor, Hutchison House, 10 Harcourt Road, Central, Hong Kong during normal business hours up to and including the date of the Special General Meeting:

- (i) the memorandum of association and bye-laws of the Company;
- (ii) a final draft, subject to minor amendment, of the instrument creating and constituting the Warrants; and
- (iii) the New Share Option Scheme.

A copy of the New Share Option Scheme will also be available for inspection at the Special General Meeting.

7. RESPONSIBILITY STATEMENT

This circular, 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 the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this circular is accurate and complete in all material aspects and not misleading; (ii) there are no other matters the omission of which would make any statement herein misleading; and (iii) all opinions expressed in this circular have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

8. GENERAL

Your attention is also drawn to the Appendices to this circular.

Yours faithfully,
For and on behalf of
the board of Directors
Andrew Yao Cho Fai
Chairman

The Warrants will be issued subject to and with the benefit of a separate instrument by way of deed poll (the “Instrument”) executed by the Company and they will be issued in registered form and will form one class and rank *pari passu* in all respects with each other.

Upon the Bonus Issue becoming unconditional and on the basis of 1,564,500,000 Shares in issue at the Latest Practicable Date, there will be in issue Warrants conferring the right to subscribe up to HK\$31,290,000 in aggregate for Shares, equivalent to the aggregate subscription price for a total of 312,900,000 Shares on the basis of the initial subscription price of HK\$0.10 per Share (subject to adjustments as referred to below).

The following is a summary of the principal terms of the Instrument. The terms and conditions of the Warrants will be set out in the Warrant certificates. Warrantholders will be entitled to the benefit of, be bound by, and be deemed to have notice of all such terms and conditions and of the provisions of the Instrument, copies of which will be available from the Warrant registrar for the time being of the Company.

1. SUBSCRIPTION RIGHTS

- (a) The registered holder for the time being of a Warrant will have rights (the “Subscription Rights”) to subscribe in cash the whole or part (in integral multiples of HK\$0.10) of the amount in respect of which the Warrant is issued for fully-paid Shares at a price (subject to the adjustments referred to below) of HK\$0.10 per Share (the “Subscription Price”). The Subscription Rights attaching to the Warrants may be exercised at any time from 18th June, 2002 until 17th June, 2005 (both dates inclusive) (the “Subscription Period”). The date on which such rights or any part thereof are exercised is referred to in this summary as a “Subscription Date”. Any Subscription Rights which have not been exercised on or before 17th June, 2005 (or such earlier date as provided in the Instrument) will lapse following such date and the Warrants will cease to be valid for any purpose. If payment of the Subscription Price is not received, the Warrants comprised in the relevant exercise of the Subscription Rights will not be treated as exercised earlier than the date of receipt of such payment. No such payment will be accepted after 17th June, 2005 (or such earlier date as aforesaid). References in this summary to “Shares” are to the existing shares of the Company and all other (if any) shares of the Company from time to time and for the time being ranking *pari passu* therewith.
- (b) Each Warrant certificate will contain a subscription form. In order to exercise his Subscription Rights, a Warrantholder must complete and sign the subscription form (which will be irrevocable) and deliver the Warrant certificate (and, if the subscription form used is not the form endorsed on the Warrant certificate, the separate subscription form which the Company permits to be used) to the registrar for the time being of the Company, together with a remittance for the relevant subscription moneys for the Shares in respect of which the Subscription Rights are being exercised. In each case compliance must also be made with any exchange control, fiscal or other laws or regulations for the time being applicable.

- (c) No fraction of a Share will be allotted but any balance representing fractions of the subscription moneys paid on the exercise of the Subscription Rights will be refunded to the person or persons whose name(s) stand(s) in the register of Warrantheolders as the holder(s) of the relevant Warrant, provided always that if the Subscription Rights comprised in two or more Warrant certificates are exercised at the same time by the same Warrantheolder then, for the purpose of determining whether any (and if so, what) fraction of a Share arises, the Subscription Rights represented by such Warrant certificates shall be aggregated.
- (d) The Company undertakes in the Instrument that Shares falling to be issued upon the exercise of the Subscription Rights will be allotted and issued, subject to any shorter period as prescribed or required by the Stock Exchange from time to time, not later than 28 days after the relevant Subscription Date and will rank *pari passu* with the fully-paid Shares in issue on the relevant Subscription Date and accordingly shall entitle the holders to participate in all dividends or other distributions, paid or made on or after the relevant Subscription Date unless adjustment has been made as provided in condition 3 of the Warrant certificate and other than any dividend or other distribution previously declared or recommended or resolved to be paid or made if the record date therefor shall be before the relevant Subscription Date and notice of the amount and record date therefor has been given to the Stock Exchange prior to the relevant Subscription Date.
- (e) As soon as practicable after the relevant allotment of Shares (and, subject to any shorter period as prescribed by the Stock Exchange from time to time, not later than 28 days after the relevant Subscription Date) there will be issued free of charge to the Warrantheolder(s):
- (i) a certificate (or certificates) for the relevant Shares in the name(s) of such Warrantheolder(s):
 - (ii) (if applicable) a balance Warrant certificate in registered form in the name(s) of such Warrantheolder(s) in respect of any Subscription Rights remaining unexercised; and
 - (iii) (if applicable) a refund cheque representing any fractional entitlement to Shares not allotted as mentioned in sub-paragraph (c) above.

The certificate(s) for Shares arising on the exercise of Subscription Rights, the balancing Warrant certificate (if any) and the refund cheque in respect of the fractional entitlement (if any) will be sent by post at the risk of such Warrantheolder(s) to the address of such Warrantheolder(s) or (in the case of a joint holding) to that one of them whose name stands first in the register of Warrantheolders. If the Company agrees, such certificates and cheques may by prior arrangement be retained by the registrar for the time being of the Company to await collection by the relevant Warrantheolder(s).

2. ADJUSTMENTS OF SUBSCRIPTION PRICE

The Instrument contains detailed provisions relating to the adjustment of the Subscription Price. The following is a summary of, and is subject to, the adjustment provisions of the Instrument:

- (a) The Subscription Price shall (except as mentioned in sub-paragraphs (b) and (c) below) be adjusted as provided in the Instrument in each of the following cases:
 - (i) an alteration of the nominal amount of the Shares by reason of any consolidation or sub-division;
 - (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully-paid by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve fund);
 - (iii) a Capital Distribution (as defined in the Instrument) being made by the Company, whether on a reduction of capital or otherwise, to Shareholders in their capacity as such;
 - (iv) a grant by the Company to the Shareholders (in their capacity as such) of rights to acquire for cash assets of the Company or any of its Subsidiaries (as defined in the Instrument);
 - (v) an offer or grant being made by the Company to Shareholders of new shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 90% of the market price (calculation as provided in the Instrument);
 - (vi) an issue wholly for cash being made by the Company or any other company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total Effective Consideration (as defined in the Instrument) per Share is less than 90% of the market price (calculation as provided in the Instrument), or the terms of any such issue is altered so that the said total Effective Consideration is less than 90% of the market price;
 - (vii) an issue being made wholly for cash of Shares (other than pursuant to a Share Option Scheme (as defined in the Instrument)) at a price less than 90% of the market price (calculation as provided in the Instrument); and
 - (viii) the purchase by the Company of Shares or securities convertible into Shares or any rights to acquire Shares (other than on the Stock Exchange or any other stock exchange recognised for such purpose by the Securities and Futures Commission of Hong Kong and the Stock Exchange) in circumstances where the Directors consider that it may be appropriate to make an adjustment to the Subscription Price.

- (b) Except as mentioned in sub-paragraph (c) below, no such adjustment as is referred to in sub-paragraph (a)(ii) to (vii) above shall be made in respect of:
- (i) an issue of fully-paid Shares upon the exercise of any conversion rights attached to securities convertible into Shares or upon the exercise of any rights (including the Subscription Rights) to acquire Shares;
 - (ii) an issue of Shares or other securities of the Company or any Subsidiary (as defined in the Instrument) wholly or partly convertible into, or rights to acquire, Shares to directors, employees, agents, consultants or representatives of the Company or any Subsidiary or other eligible participants pursuant to a Share Option Scheme (as defined in the Instrument);
 - (iii) an issue by the Company of Shares or by the Company or any Subsidiary (as defined in the Instrument) of securities wholly or partly convertible into, or rights to acquire, Shares, in any such case in consideration or part consideration for the acquisition of any other securities, assets or business;
 - (iv) an issue of fully-paid Shares by way of capitalisation of all or part of the Subscription Right Reserve (as defined in the Instrument) (or other profits or reserves) to be established in certain circumstances pursuant to the terms and conditions contained in the Instrument (or any similar reserve which has been or may be established pursuant to the terms of any other securities wholly or partly convertible into, or rights to acquire, Shares); or
 - (v) an issue of Shares pursuant to a scrip dividend scheme where an amount not less than the nominal amount of the Shares so issued is capitalised and the market value (calculation as provided in the Instrument) of such Shares is not more than 110% of the amount of dividend which Shareholders could elect to or would otherwise receive in cash.
- (c) Notwithstanding the provisions referred to in sub-paragraphs (a) and (b) above, in any circumstances where the Directors shall consider that an adjustment to the Subscription Price provided for under the said provisions should not be made or should be calculated on a different basis or that an adjustment to the Subscription Price should be made notwithstanding that no such adjustment is required under the said provisions or that an adjustment should take effect on a different date or with a different time from that provided for under the said provisions, the Company may appoint either an approved merchant bank (as defined in the Instrument) or the auditors of the Company to consider whether for any reason whatever the adjustment to be made (or the absence of adjustment) would or might not fairly and appropriately reflect the relative interests of the persons affected thereby and, if such an approved merchant bank (as defined in the Instrument) or the auditors of the Company (as the case may be) consider this to be the case, the adjustment shall be modified or nullified or an adjustment made instead of no adjustment in such manner (including, without limitation, making an adjustment calculated on a

different basis) and/or the adjustment shall take effect from such other date and/or time as shall be certified by such approved merchant bank (as defined in the Instrument) or the auditors of the Company (as the case may be) to be in their opinion appropriate.

- (d) Any adjustment to the Subscription Price shall be made to the nearest one cent so that any amount under half a cent shall be rounded down and any amount of half a cent or more shall be rounded up. No adjustment shall be made to the Subscription Price in any case in which the amount by which the same would be reduced would be less than one cent and any adjustment which would otherwise then be required shall not be carried forward. No adjustment may be made (except on a consolidation of Shares into Shares of a larger nominal amount) which would increase the Subscription Price.
- (e) Every adjustment to the Subscription Price will be certified by the auditors of the Company or an approved merchant bank (as defined in the Instrument) in accordance with sub-paragraph (c) above and notice of each adjustment (giving the relevant particulars) will be given to the Warrantholders. Any such certificates of the auditors and/or approved merchant bank (as defined in the Instrument) will be available at the principal place of business for the time being of the Company in Hong Kong, where copies may be obtained without charge.

3. REGISTERED WARRANTS

The Warrants will be issued in registered form. The Company shall be entitled to treat the registered holder of any Warrant as the absolute owner thereof and accordingly shall not, except as ordered by a Court of competent jurisdiction or required by law, be bound to recognise any equitable or other claim to or interest in such Warrant on the part of any other person, whether or not it shall have express or other notice thereof.

4. TRANSFER, TRANSMISSION AND REGISTER

The Subscription Rights will be transferable, in whole amounts or integral multiples of the Subscription Price for the time being in force by instrument of transfer in any usual or common form or such other form as may be approved by the Directors or, where the transferor or the transferee is HKSCC Nominees Limited or its successor(s), by an instrument of transfer executed under the hands of its authorised person(s) or by machine imprinted signatures on its behalf or of such authorised person(s), as the case may be. For this purpose, the Company shall maintain the Register (as defined in the Instrument) and the provisions of the Company's bye-laws for the time being in relation to the registration, transfer and transmission of Shares shall apply, mutatis mutandis, to the registration, transfer and transmission of the Warrants.

Persons should note that additional costs and expenses may be incurred in connection with any expedited re-registration of the Warrants prior to the transfer or exercise of the Subscription Rights conferred by the Warrants, in particular during the period commencing 10 business days prior to and including the last day of the Subscription Period, being 17th June, 2005.

Since the Warrants will be admitted to CCASS, so far as applicable laws or regulations of relevant regulatory authorities, terms of the Instrument and circumstances permit, the Company may determine the last trading day of the Warrants to be a date at least three trading days before 17th June, 2005.

5. CLOSURE OF REGISTER OF WARRANTHOLDERS

The registration of transfers of Warrants may be suspended and the Register (as defined in the Instrument) may be closed for such period as the Directors may from time to time direct, provided that the same may not be closed for a period of more than 60 days in any one year. Any transfer or exercise of the Subscription Rights attached to the Warrants made while the Register (as defined in the Instrument) is so closed shall, as between the Company and the person claiming under the relevant transfer or, as the case may be, as between the Company and the Warrantholder who has so exercised the Subscription Rights attached to his Warrants (but not otherwise), be considered as made immediately after the reopening of the Register (as defined in the Instrument).

6. PURCHASE AND CANCELLATION

The Company or any of the Subsidiaries (as defined in the Instrument) may at any time purchase Warrants:

- (a) in the open market or by tender (available to all Warrantholders alike) at any price; or
- (b) by private treaty at a price, exclusive of expenses, not exceeding 110 per cent. of the closing price prior to the date of purchase of the Warrants on the Stock Exchange,

but not otherwise.

All Warrants purchased as aforesaid shall be cancelled forthwith and may not be re-issued or re-sold.

7. OVERSEAS WARRANTHOLDERS

The Instrument contains provisions restricting the rights of Warrantholders who have registered addresses in territories other than Hong Kong from exercising the Subscription Rights attaching to any Warrants held by such Warrantholders. Such territories are those where, in the opinion of the Directors, the allotment of Shares to such Warrantholders upon exercise of any Subscription Rights would or might, in the absence of compliance with registration or any other special formalities in such territories, be unlawful or impracticable under the laws of such territories.

8. MEETINGS OF WARRANTHOLDERS AND MODIFICATION OF RIGHTS

- (a) The Instrument contains provisions for convening meetings of Warrantholders to consider any matter affecting the interests of Warrantholders, including the modification by Special Resolution (as defined in the Instrument) of the provisions of the Instrument and/or the terms and conditions endorsed on the Warrant certificates. A Special Resolution (as defined in the Instrument) duly passed at any such meeting shall be binding on the Warrantholders, whether present or not.
- (b) All or any of the rights for the time being attached to the Warrants (including any of the provisions of the Instrument) may from time to time (whether or not the Company is being wound up) be altered or abrogated (including, but without prejudice to that generality, by waiving compliance with, or by waiving or authorising any past or proposed breach of, any of the provisions of the conditions endorsed on the Warrant certificates and/or the Instrument) and the sanction of a Special Resolution (as defined in the Instrument) shall be necessary and sufficient to effect such alteration or abrogation.
- (c) Where the Warrantholder is a recognised clearing house within the meaning of the Securities and Futures (Clearing Houses) Ordinance (Chapter 420 of the Laws of Hong Kong) or a clearing house recognised by the laws of the jurisdiction in which the Shares of the Company are listed or quoted on a stock exchange in such jurisdiction (or its nominee(s)), it may authorise such person or persons as it thinks fit to act as its representative (or representatives) or proxy (or proxies) at any Warrantholders' meeting provided that, if more than one person is so authorised, the authorisation or proxy form must specify the number and class of Warrants in respect of which each such person is so authorised. The person so authorised will be entitled to exercise the same power on behalf of the recognised clearing house as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual Warrantholder.

9. QUORUM

A quorum of a meeting of Warrantholders (except for the purpose of passing a Special Resolution (as defined in the Instrument)) will be two or more Warrantholders representing not less than two per cent. in value of the Subscription Rights for the time being outstanding, present in person or by proxy. The quorum for the passing of a Special Resolution (as defined in the Instrument) is two or more Warrantholders representing not less than one-tenth in value of the Subscription Rights for the time being outstanding, present in person or by proxy.

10. REPLACEMENT OF WARRANT CERTIFICATES

If a Warrant certificate is mutilated, defaced, lost or destroyed, it may, at the discretion of the Company, be replaced at the principal office of the registrar for the time being of the Company on payment of such costs as may be incurred in connection therewith and on such terms as to evidence, indemnity and/or security as the Company may require and on payment of such fee not exceeding HK\$2.50 per Warrant certificate (or such higher fee as may from time to time be permitted under the rules prescribed by the Stock Exchange) as the Company may determine. Mutilated or defaced Warrant certificates must be surrendered before replacements will be issued.

In the case of lost Warrant certificates, section 71A subsections (2), (3), (4), (6), (7) and (8) of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) shall apply as if reference to “shares” therein included Warrants.

11. PROTECTION OF SUBSCRIPTION RIGHTS

The Instrument contains certain undertakings by and restrictions on the Company designed to protect the Subscription Rights.

12. CALL

If at any time Warrants which have not been exercised carry rights to subscribe less than 10 per cent. in value of all Subscription Rights, being HK\$3,129,000 (calculated on the basis of the number of Shares in issue as at the Latest Practicable Date), the Company may, on giving not less than three months’ notice, require Warrantheolders either to exercise their Subscription Rights or to allow them to lapse. On expiry of such notice, all unexercised Warrants will be automatically cancelled without compensation to such Warrantheolders.

13. FURTHER ISSUES

The Company shall be at liberty to issue further subscription warrants, including warrants ranking *pari passu* with the Warrants.

14. UNDERTAKINGS BY THE COMPANY

The Company undertakes in the Instrument, *inter alia*, that:

- (a) all Shares allotted on the exercise of Subscription Rights shall rank *pari passu* in all respects with the fully-paid Shares in issue on the relevant Subscription Date;
- (b) it will send to Warrantheolders, at the same time as the same are sent to the Shareholders, its audited accounts and all other notices, reports and communications despatched by it to Shareholders generally;

- (c) it will pay (if applicable) all Bermuda and Hong Kong stamp duties, registration fees or similar charges in respect of the execution of the Instrument, the creation and initial issue of the Warrants in registered form, the exercise of the Subscription Rights and the issue of Shares upon exercise of the Subscription Rights;
- (d) it will keep available for issue sufficient Ordinary Capital (as defined in the Instrument) to satisfy in full all rights for the time being outstanding of subscription for and conversion into Shares; and
- (e) subject to Clause 5(vii) of the Instrument, it will ensure that no event occurs as a result of which the Subscription Price would be reduced below the nominal amount of the Shares unless at that time the Subscription Right Reserve (as defined in the Instrument) (to be established in certain circumstances) would permit the fulfilment by the Company of its obligation under the provisions of the conditions endorsed on the Warrant certificates.

15. LISTING

The Company will use all reasonable efforts to procure that:

- (a) at all times during the Subscription Period, the Warrants be dealt in on the Stock Exchange (save that this obligation will lapse in the event that the listing of the Warrants on the Stock Exchange is withdrawn following an offer for all or any of the Warrants); and
- (b) all Shares allotted upon exercise of the Warrants may, upon allotment or as soon as reasonably practicable thereafter, be dealt in on the Stock Exchange (save that this obligation shall lapse in the event that the listing of the Shares on the Stock Exchange is withdrawn following an offer for all or any of the Shares where a like offer is extended to Warranholders or to any Shareholders issued on exercise of the Warrants during the period of the offer).

16. WINDING-UP OF THE COMPANY

- (a) In the event a notice is given by the Company to the Shareholders to convene a Shareholders' meeting for the purposes of considering, and if thought fit approving, a resolution to voluntarily wind-up the Company, the Company shall forthwith give notice thereof to each Warranholder and thereupon, every Warranholder shall be entitled by irrevocable surrender of his Warrant certificate(s) to the Company (such surrender to occur not later than two business days prior to the proposed Shareholders' meeting referred to above) with the subscription form(s) duly completed, together with payment of the subscription moneys or the relative portion thereof, to exercise the Subscription Rights represented by such Warrant and the Company shall as soon as possible and in any event no later than the day immediately prior to the date of the proposed Shareholders' meeting allot such

number of Shares to the Warrantholder which fall to be issued pursuant to the exercise of the Subscription Rights represented by such Warrant. The Company shall give notice to the Warrantholders of the passing of such resolution within seven days after the passing thereof.

- (b) If an effective resolution is passed during the Subscription Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Warrantholders, or some persons designated by them for such purpose by Special Resolution (as defined in the Instrument), shall be a party or in conjunction with which a proposal is made to the Warrantholders and is approved by Special Resolution (as defined in the Instrument), the terms of such scheme of arrangement or (as the case may be) proposal shall be binding on all the Warrantholders.

Subject to the foregoing, if the Company is wound up, all Subscription Rights which have not been exercised at the commencement of the winding-up shall lapse and each Warrant certificate will cease to be valid for any purpose.

17. NOTICES

The Instrument contains provisions relating to notices to be given to the Warrantholders.

Every Warrantholder must register with the Company an address in Hong Kong or elsewhere to which notices can be sent and if any Warrantholders fail to do so a notice may be given to such Warrantholder in any of the manners mentioned in the provisions of the conditions endorsed on the Warrant certificates to his last known place of business or residence or, if there be none, by posting the same for three days at the principal place of business for the time being of the Company in Hong Kong.

A notice may be given by advertisement of the same in both an English language newspaper circulating in Hong Kong and a Chinese language newspaper circulating in Hong Kong or by delivery, prepaid letter (airmail in the case of an overseas address), cable or telex message.

All notices with respect to Warrants standing in the names of joint holders shall be given to whichever of such persons as is named first in the Register (as defined in the Instrument) and notice so given shall be sufficient notice to all such Warrantholders .

18. GOVERNING LAW

The Instrument and the Warrants are governed by and shall be construed in accordance with the laws of Hong Kong.

NEW SHARE OPTION SCHEME

The following is a summary of the principal terms of the New Share Option Scheme proposed to be approved at the Special General Meeting:

(a) Purpose

The purpose of the New Share Option Scheme is to provide incentives to Participants to contribute to the Group and/or to enable the Group to recruit and/or to retain high-calibre employees and attract human resources that are valuable to the Group.

(b) Who may join

The Board may offer to grant an option to subscribe for such number of Shares as it may determine at a price calculated in accordance with paragraph (d) below to any Participant who, in the absolute discretion of the Board, has made valuable contribution to the growth of the Group based on his performance and/or years of service, or is regarded as valuable human resources of the Group, based on his work experience, knowledge in the industry and other relevant factors, or is expected to be able to contribute to the business development of the Group based on his/its business connection or network or other relevant factors.

Under the New Share Option Scheme, the term “Participant” is defined to mean any employee, agent, consultant or representative, including any executive or non-executive director, of any member of the Group or any other person who satisfies the selection criteria set out above.

The New Share Option Scheme further provides that in the case where offers are made to Participants who are not employees of any member of the Group, such offers shall not be made to such number of offerees or in such circumstances that the Company should be required under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) or the Companies Act to issue a prospectus in respect thereof.

(c) Payment on acceptance of option offer

HK\$10.00 in cash is payable by the grantee of the option to the Company on acceptance of the offer. The grant shall remain open for acceptance by the Participant for a period of 28 days from the date of grant.

(d) Subscription Price

The subscription price for the Shares in relation to the options to be granted under the New Share Option Scheme will be a price determined by the Board and notified to each Participant at the time of offer of grant of the option and will be at least the highest of (a) the closing price of the Shares as stated in the Stock Exchange’s daily quotation

sheets on the date of offer of the grant of the option, which must be a business day; (b) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of offer of the grant of the option; and (c) the nominal value of the Shares.

(e) **Maximum number of Shares subject to the New Share Option Scheme**

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the New Share Option Scheme and any other schemes of the Company and/or its subsidiary (including the Existing Share Option Scheme) must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of the Company or its subsidiary if this would result in the 30% limit being exceeded.

In addition, the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiary must not in aggregate exceed 10% of the Shares of the Company in issue as at the date of approval of the New Share Option Scheme (the "10% Limit"). Options lapsed in accordance with the terms of the New Share Option Scheme or any other share option scheme(s) of the Company and/or its subsidiary shall not be counted for the purpose of calculating the 10% Limit. The Company may refresh the 10% Limit at any time, subject to Shareholders' approval given at a general meeting of the Company and the issue of a circular to the Shareholders in connection therewith pursuant to the GEM Listing Rules, provided that the total number of Shares which may be issued upon exercise of all options to be granted under the New Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiary under the limit as refreshed must not exceed 10% of the Shares of the Company in issue as at the date of the approval of the refresher mandate (the "Refreshed Limit"). Options previously granted under the New Share Option Scheme and/or any other share option scheme(s) of the Company and/or any subsidiary (including those outstanding, cancelled or lapsed in accordance with the New Share Option Scheme or such other schemes or those that are exercised) shall not be counted for the purpose of calculating the limit as refreshed. The Company may also seek separate approval from the Shareholders at a general meeting of the Company for granting options beyond the 10% Limit, or as the case may be, the Refreshed Limit, provided that the option in excess of the relevant limit are granted only to Participants specifically identified by the Company before such approval is sought and subject to the issue of a circular to the Shareholders in connection therewith pursuant to the GEM Listing Rules.

The total number of Shares issued and to be issued upon exercise of the options granted to each Participant (including exercised, cancelled and outstanding options) within any twelve-month period under the New Share Option Scheme and any other share option scheme(s) of the Company and/or any subsidiary must not exceed 1% of the number of Shares in issue (the "1% Limit"). Any further offer of the grant of options to a Participant which would result in Shares issued and to be issued upon exercise of all options

granted and to be granted to such Participant under the New Share Option Scheme and any other share option scheme(s) of the Company and/or any subsidiary (including exercised, cancelled and outstanding options) in the twelve-month period up to and including the proposed date of offer of such further grant of options, in aggregate, to exceed the 1% Limit is subject to separate Shareholders' approval given at a general meeting of the Company and the issue of a circular to the Shareholders in connection therewith pursuant to the GEM Listing Rules, with the relevant Participant and his associates abstaining from voting. The number and terms (including the subscription price) of options to be offered to be granted to such Participant must be fixed before the general meeting of the Company to approve such offer. The date of the board meeting for proposing such further grant of options should be taken as the date of offer of grant of the options for the purpose of calculating the subscription price under paragraph (d) above.

(f) Time of exercise of option

An option may be exercised in accordance with the terms of the New Share Option Scheme at any time during a period to be notified by the Board to each grantee at the time of offer of the grant of the option, which must not be more than 10 years from the date of offer of grant of the option. The New Share Option Scheme does not prescribe any minimum period for which an option must be held before it can be exercised.

The exercise of an option is not subject to any performance targets.

(g) Rights are personal to grantee

An option shall be personal to the grantee and shall not be assignable and no grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any third party over or in relation to any option or purport to do any of the foregoing. Any breach of the foregoing shall entitle the Company to cancel any outstanding option, or any part thereof, in favour of such grantee.

(h) Rights on death

In the case where the grantee of an option is an employee (including any executive or non-executive director) of the Group, if the grantee dies before exercising the option in full and none of certain events which would be a ground for termination of his employment specified in the New Share Option Scheme arises, his legal personal representative(s) shall be entitled until whichever is the earlier of the date of expiry of the option period or the last day of the period of 6 months from the date of death to exercise the option (to the extent not already exercised) in full or to the extent specified in the notice to exercise such option.

(i) Rights on takeover

If a general offer to acquire Shares (whether by takeover offer, merger, privatisation proposal by scheme of arrangement between the Company and its members or otherwise in like manner) is made to all the Shareholders (or all such holders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and such offer, having been approved in accordance with applicable laws and regulatory requirements, becomes or is declared unconditional, the grantee of the option (or his legal personal representatives) shall be entitled to exercise the option (to the extent not already exercised) at any time until whichever is the earlier of the date of expiry of the option period or the last day of the period of 14 days after the date on which the offer becomes or is declared unconditional, after which the option shall lapse.

(j) Rights on winding up

If a notice is given by the Company to its members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date as or soon after it despatches such notice to each member of the Company give notice thereof to all grantees and thereupon, each grantee (or his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than five business days prior to the proposed general meeting of the Company by giving notice in writing to the Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon the Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(k) Effects of alterations to capital

Subject to the limit on the number of Shares subject to the New Share Option Scheme described in paragraph (e) above, in the event of any capitalisation of profits or reserves, rights issue, consolidation, sub-division or reduction of the share capital of the Company (other than an issue of Shares as consideration in respect of a transaction) whilst an option remains exercisable, such corresponding adjustments (if any) will be made to the subscription price, the number of Shares subject to the New Share Option Scheme, the number of Shares subject to outstanding options and/or the method of exercise of the options, provided that any adjustments must give a grantee the same proportion of the issued share capital of the Company as that to which he was previously entitled, but no such adjustment shall be made to the extent that a share would be issued at less than its nominal value. In respect of any adjustment required by the foregoing provisions, other than any made on a capitalisation issue, an independent financial adviser or the auditors of the Company must also confirm to the Board in writing that the adjustments satisfy the foregoing proviso.

(I) Lapse of options

An option shall lapse automatically (to the extent not already exercised) on the earliest of:

- (i) the expiry of the option period;
- (ii) the expiry of any of the other periods referred to in paragraphs (h) or (i);
- (iii) subject to paragraph (j), the earliest of the close of business on the fifth business day prior to the general meeting referred to in paragraph (j) or the date of commencement of the winding-up of the Company;
- (iv) save as otherwise provided in paragraph (i), or by the court in relation to the scheme in question, upon the sanctioning pursuant to the Companies Act by the Supreme Court of Bermuda of a compromise or arrangement between the Company and its members or creditors for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies;
- (v) in the case where the grantee is an employee (including an executive or non-executive director) of the Group and he ceases to be an employee of the Group:
 - (1) by reason of the grantee's resignation, whether or not in accordance with the provisions of his service contract, the date on which notice of such resignation is received by the employer or the last actual working date of the grantee with the Group (whether salary is paid in lieu of notice or not), whichever is the earlier;
 - (2) by reason of the grantee being dismissed by the Group on certain grounds specified in the New Share Option Scheme including, but not limited to, misconduct, bankruptcy, insolvency, having made any arrangement or composition with his creditors and conviction of any criminal offence involving his integrity or honesty, the date on which the grantee ceases to be an employee of the Group or the date on which the employer serves notice to dismiss the grantee, whichever is the earlier; or
 - (3) by reason of the grantee being dismissed by the Group other than termination of his employment on one or more of the grounds specified in sub-paragraph (2) above, the last actual working date of the grantee with the Group (whether salary is paid in lieu of notice or not); or

(For the purposes of this paragraph (v), a grantee shall not be regarded as ceasing to be an employee (including an executive or non-executive director) of the Group and shall continue to be an employee (including an executive or non-executive

director) of the Group if he ceases to hold a position of employment with the Company or any particular subsidiary of the Company but at the same time he takes up a different position of employment with the Company or another subsidiary of the Company, as the case may be.)

- (vi) the date on which the Board exercises the Company's right to cancel the option because of a breach by the grantee of the rules summarised in paragraph (g) above.

(m) Ranking of Shares

The Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Company's bye-laws and will rank *pari passu* with the fully paid Shares in issue on the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of allotment or, if that date falls on a day when the register of members of the Company is closed, the first day of the reopening of the register of members, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of allotment, or, if later, before the date of registration of the allotment in the register of members of the Company.

(n) Cancellation of options

Where it is desired that any options granted but not exercised should be cancelled, the Board may effect such cancellation in a manner that complies with any legal requirements for cancellation.

Where the Company cancels any options granted but not exercised and wishes to offer the grant of new options, whether to the same grantee or not, the offer to grant such new options may only be made under the New Share Option Scheme if there is available unissued options (excluding the cancelled options) within the limit approved by the Shareholders as referred to in paragraph (e) above.

(o) Alteration to the New Share Option Scheme

Subject to the following provisions, all the terms of the New Share Option Scheme may be altered in any respect by resolution of the Board without first obtaining Shareholders' approval given at a general meeting of the Company:

- (i) The provisions of the New Share Option Scheme that relate to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of the Participants unless with the prior sanction of a resolution of the Shareholders in general meeting.

- (ii) Any alterations to the terms and conditions of the New Share Option Scheme which are of a material nature or any change to the terms of options granted must be approved by the Shareholders, except where the alterations take effect automatically under the existing terms of the New Share Option Scheme.
- (iii) The amended terms of the New Share Option Scheme or the options must still comply with the relevant requirements of Chapter 23 of the GEM Listing Rules.
- (iv) Any change to the authority of the Directors in relation to any alteration to the terms of the New Share Option Scheme must be approved by the Shareholders in general meeting.

(p) Termination of the New Share Option Scheme

The Company by resolution passed at a general meeting of its Shareholders or at a meeting of the Board may at any time terminate the operation of the New Share Option Scheme and in such event no further options will be offered but the provisions of the New Share Option Scheme shall remain in force in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the New Share Option Scheme.

(q) Period of the New Share Option Scheme

The New Share Option Scheme shall be valid and effective for a period of ten years commencing on the adoption date (i.e., 10th June, 2002, being the date on which the New Share Option Scheme is proposed to be adopted), after which period no further options will be issued, and thereafter for so long as there are outstanding any unexercised options granted pursuant thereto and in order to give effect to the exercise of any such options or otherwise as may be required in accordance with the provisions of the New Share Option Scheme.

(r) Conditions

The New Share Option Scheme is conditional upon: (a) the passing by the Shareholders in the Special General Meeting of an ordinary resolution approving the adoption of the New Share Option Scheme and the termination of the Existing Share Option Scheme; and (b) the Stock Exchange granting the listing of, and permission to deal in, any new Shares which may fall to be issued upon the exercise of options that may be granted under the New Share Option Scheme.

(s) Restrictions on the time of grant of option

Grant of options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision, until such price sensitive information has been announced in accordance with the requirements of the GEM Listing Rules. In particular, no option may be granted within the period commencing one month immediately preceding the earlier of: (a) the date of the Board meeting for the approval of the Company's quarterly, interim or annual results; and (b) the deadline for the Company to publish its quarterly, interim or annual results announcement, and ending on the date of the results announcement. For the avoidance of doubt, if there is any delay in the publication of the results announcement, the period shall end on the actual date of publication of the results announcement.

(t) Grant of options to connected persons

Where any offer of the grant of options is proposed to be made to a director, chief executive, management shareholders or substantial shareholder of the Company, or any of their respective associates, such offer must first be approved by the independent non-executive directors of the Company (excluding the independent non-executive director who is the grantee of the options).

If the grant of options is to be made to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of the options proposed to be offered and all options already granted (including options exercised, cancelled and outstanding) to such person under the New Share Option Scheme and any other share option scheme(s) of the Company and/or its subsidiary in the 12-month period up to and including the proposed date of offer of the grant of the option: (a) representing in aggregate over 0.1 per cent. (0.1%) of the Shares of the Company in issue; and (b) having an aggregate value, based on the closing price of the Shares at the proposed date of each offer of the grant of the option, in excess of \$5 million, such offer of the grant of options must be approved by the Shareholders in general meeting with all the connected persons of the Company abstaining from voting (except that any connected person may vote against the relevant resolution at the general meeting provided that his intention to do so has been stated in the circular required to be issued pursuant to the GEM Listing Rules). Any vote taken at the meeting to approve the proposed grant of such options must be taken on a poll. The circular to be issued must contain details of the number and terms (including the subscription price) of the options proposed to be granted to each Participant which must be fixed before the date of the general meeting, a recommendation from the independent non-executive directors of the Company (excluding any independent non-executive director who is the relevant Participant of the options) to the independent Shareholders as to voting, and other information required to be included by the GEM Listing Rules. In addition, any change in the terms of options granted to a grantee who is a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, must be approved by the Shareholders in general meeting in the same manner as described above.

NOTICE OF SPECIAL GENERAL MEETING

iSteelAsia.com **iSteelAsia.com Limited**

(Incorporated in Bermuda with limited liability)

NOTICE IS HEREBY GIVEN that a Special General Meeting of iSteelAsia.com Limited (the “Company”) will be held at 52nd Floor, The Centre, 99 Queen’s Road Central, Hong Kong on Monday, 10th June, 2002 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions which will be proposed as ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT**, subject to The Stock Exchange of Hong Kong Limited granting the listings of, and permission to deal in, the Warrants (as hereinafter defined) and any new ordinary shares of HK\$0.10 each (the “Shares”) in the capital of the Company which may fall to be issued upon exercise of the subscription rights attaching to the Warrants, the directors of the Company be and are hereby authorised:
 - (a) to create and issue warrants (“Warrants”) which shall be in registered form and shall be exercisable at any time from 18th June, 2002 to 17th June, 2005 (both dates inclusive), carrying rights to subscribe for Shares at an initial subscription price of HK\$0.10 per Share, subject to adjustments, subject to the terms and conditions set out in the warrant instrument (a copy of a draft of which marked “A” is produced to the Meeting and signed for the purpose of identification by the Chairman of the Meeting) and to issue the same by way of bonus to and among the persons who are registered as holders of the existing issued Shares at the close of business on 10th June, 2002 (“Record Date”) in the proportion of one Warrant for every five Shares then held, provided that:
 - (i) in the case of persons whose registered addresses, as shown in the Company’s register of members at the close of business on the Record Date, are outside the Hong Kong Special Administrative Region of the People’s Republic of China, the relevant Warrants shall not be issued to such persons but shall be aggregated and issued to a nominee to be selected by the directors of the Company and such Warrants shall be sold in the market as soon as practicable after dealings in the Warrants commence if a premium, net of expenses, can be obtained and any net proceeds of sale, after deduction of expenses, shall be distributed to such persons pro rata to their respective shareholdings, unless the amount falling to be distributed to any such person shall be less than HK\$100 in which case such amount shall be retained for the benefit of the Company;
 - (ii) no fractional entitlements to Warrants shall be issued as aforesaid, but the fractional entitlements shall be aggregated and sold for the benefit of the Company;
 - (b) to allot and issue new Shares upon exercise of the subscription rights attaching to the Warrants or any of them; and
 - (c) to do all such acts and things as they consider necessary or expedient to give effect to the foregoing arrangements.”

NOTICE OF SPECIAL GENERAL MEETING

2. “**THAT** conditional upon The Stock Exchange of Hong Kong Limited granting the listing of, and permission to deal in, any new ordinary shares of HK\$0.10 each (the “Shares”) in the capital of the Company which may fall to be issued pursuant to the exercise of the subscription rights under the options that may be granted under the share option scheme (the “Share Option Scheme”) (a copy of which marked “B” is produced to the Meeting and signed for the purpose of identification by the Chairman of the Meeting and the principal terms of which have been summarised in Appendix 2 to the circular of the Company dated 23rd May, 2002):

- (a) the Share Option Scheme be and is hereby approved and adopted;
- (b) the directors of the Company be authorised to grant options to subscribe for Shares under the Share Option Scheme, to allot, issue and deal with Shares pursuant to the exercise of options that may be granted under the Share Option Scheme, and to do all such acts and things as they consider necessary or expedient to give effect to the Share Option Scheme; and
- (c) the existing share option scheme of the Company adopted on 13th April, 2000 be and is hereby terminated in accordance with its terms.”

By Order of the Board
Andrew Cho Fai Yao
Chairman

Hong Kong, 23rd May, 2002

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head office and Principal place of business:
52nd Floor, The Center
99 Queen’s Road Central
Hong Kong

Notes:

- 1. The Company’s register of members will be closed from 6th June, 2002 to 10th June, 2002 (both dates inclusive) in order to determine entitlements of shareholders to the proposed bonus issue. In order to qualify for the proposed bonus issue, all transfer forms together with the relevant share certificates must be lodged with the Company’s branch registrar in Hong Kong, Central Registration Hong Kong Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong (the “Registrar”), by not later than 4:00 p.m. (Hong Kong time) on 5th June, 2002.
- 2. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxies to attend and vote in his stead. A proxy need not be a member of the Company but must be present in person to represent the member.
- 3. In the case of joint holders, the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint holders. For this purpose, seniority is determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- 4. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power of attorney or authority, must be delivered to the Registrar not less than 48 hours before the time appointed for the holding of the meeting at which the person named in the instrument proposes to vote.