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.

iSteelAsia.com

iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

CONTINUING CONNECTED TRANSACTIONS

Independent financial adviser to the independent board committee of iSteelAsia.com Limited

CHATERON
CORPORATE FINANCE LIMITED
華夏融資有限公司

A letter from the Independent Board Committee in relation to the Continuing Connected Transactions is set out on pages 13 to 14 of this circular.

A letter from Chateron Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee in relation to the Continuing Connected Transactions is set out on pages 15 to 26 of this circular.

A notice convening a special general meeting of the Company to be held at 52nd Floor, The Center, 99 Queen's Road Central, Hong Kong on Thursday, 17th April, 2003 at 9:30 a.m. is set out on page 36 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, Computershare Hong Kong Investor Services 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.

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.

31st March, 2003

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

"associate(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Chateron" or "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)
"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 PRC
"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 Shareholders"	Shareholders other than VSC BVI and its associates
"Latest Practicable Date"	28th March, 2003, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
"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, a company engaged in trading of steel and provision of procurement service and an indirect wholly-owned subsidiary of the Company (formerly known as "MetalAsia (Hong Kong) Limited") and Van Shung Chong Hong Limited, a company engaged in trading and stockholding of steel and a wholly-owned subsidiary of VSC BVI, dated 13th April, 2000, as described under the section headed "The Continuing Connected Transactions — (a) Procurement Services Agreement" in this circular
"SDI Ordinance"	the Securities (Disclosure of Interests) Ordinance (Chapter 396 of the Laws of Hong Kong)
"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 circular
"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 Latest Practicable Date 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
"Warrants"	warrants of the Company which have been issued in registered form in units of HK$20,000, each conferring rights to subscribe for 200,000 new Shares at a subscription price of HK$0.10 per Share at any time from 18th June, 2002 to 17th June, 2005, both dates inclusive
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"US$"	United States dollar(s), the lawful currency of the United States

iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

Board of Directors:
Andrew Cho Fai Yao *(Chairman)*
Miriam Che Li Yao *(Deputy Chairman)*
Drina C. Yue *(Chief Executive 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

31st March, 2003

To the Shareholders (and, for information only, to the holders of outstanding Warrants)

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

1. RELATIONSHIP WITH THE VSC GROUP

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 Latest Practicable Date, 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 Waiver will expire after 31st March, 2003.

The Board announced on 25th March, 2003 that the Company would seek the approval of the Independent Shareholders for the Continuing Connected Transactions for the period from 1st April, 2003 to 31st March, 2006. The Independent Board Committee, comprising two independent non-executive Directors, Mr. Yeung Kwok Keung and Mr. Philip King Huen Ma, has been formed to advise the Independent Shareholders in respect of the Continuing Connected Transactions. Chateron has also been appointed as the Independent Financial Adviser for the purpose of advising the Independent Board Committee in respect of the Continuing Connected Transactions.

The purposes of this circular are to set out: (a) the terms of the Continuing Connected Transactions; (b) the recommendation of the Independent Board Committee in respect of the Continuing Connected Transactions; (c) the advice of the Independent Financial Adviser to the Independent Board Committee in respect of the Continuing Connected Transactions; and (d) the notice of the SGM to be convened at which an ordinary resolution will be proposed to consider, and if thought fit, approving the Continuing Connected Transactions and all matters contemplated thereunder.

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. The Continuing Connected Transactions are expected to continue in the next three years with no expiry dates. Subject to the approval by the Independent Shareholders at the SGM and such other changes to the maximum cap amounts set out below, 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, it is anticipated that 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 considers 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, 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 centre operations in the PRC over the next few years, there is a strong possibility that the estimated growth rate stated above may be 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 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 for 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 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, but there is no signed agreement between the VSC Group and the Group regarding these transactions. 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 for the period from 1st April, 2002 to the Latest Practicable Date, 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 help 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. Accordingly, 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 steel trading related sales will be transacted via iSteelAsia.com in the next few years and assuming that 90% of the VSC Group's annual turnover is attributable to steel trading related activities 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 on a conservative basis 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 a commission rate of 1.5% which will be the same rate being charged to all sellers via iSteelAsia.com website.

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 during the period from 1st April, 2003 to 31st March, 2006.

5. SPECIAL GENERAL MEETING

A special general meeting of the Company is to be convened and will be held on 17th April, 2003 at 9:30 a.m. at 52nd Floor, The Center, 99 Queen's Road Central, Hong Kong for the purpose of considering, and if thought fit, passing an ordinary resolution to approve the Continuing Connected Transactions and all matters contemplated thereunder. The notice of the SGM is set out on page 36 of this circular. VSC BVI and its associates will abstain from voting in the SGM to approve the Continuing Connected Transactions.

A form of proxy for use in connection with the SGM is enclosed herewith. 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 to Computershare Hong Kong Investor Services Limited, the Company's branch registrar in Hong Kong, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong and in any event by no later than 48 hours before the time appointed for the holding of the SGM (or any adjourned meeting thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM should you so wish.

6. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee and the letter from the Independent Financial Adviser as set out on pages 13 to 14 and pages 15 to 26 of this circular respectively. Having taken into account the advice of the Independent Financial Adviser, the Independent Board Committee is of the opinion that the terms of the Continuing Connected Transactions are fair and reasonable and are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole, and it therefore recommends the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Continuing Connected Transactions.

7. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendix to this circular.

Yours faithfully,
For and on behalf of the Board
Drina C. Yue
Director and Chief Executive Officer

iSteelAsia.com

iSteelAsia.com Limited

(Incorporated in Bermuda with limited liability)

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

31st March, 2003

To the Independent Shareholders (and, for information only, to the holders of outstanding Warrants)

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 31st March, 2003 (the "Circular") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

As independent non-executive Directors, we have been appointed by the Board to advise you as to whether the terms of the Continuing Connected Transactions are fair and reasonable so far as the Independent Shareholders are concerned.

Having considered the Continuing Connected Transactions and the advice and opinion of the Independent Financial Adviser in relation thereto as set out on pages 15 to 26 of the Circular, we are of the opinion that the terms of the Continuing Connected Transactions are fair and reasonable and are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the SGM to approve the Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Yeung Kwok Keung	**Mr. Philip King Huen Ma**
Independent Non-executive Director	*Independent Non-executive Director*

CHATERON
CORPORATE FINANCE LIMITED
SUITE 20B, 20TH FLOOR,
9 QUEEN'S ROAD CENTRAL, HONG KONG
TEL: (852) 2868 2828 FAX: (852) 2868 0390

華夏融資有限公司

31st March, 2003

The Independent Board Committee
iSteelAsia.com Limited
52nd Floor
The Center
99 Queen's Road Central
Hong Kong

Dear Sirs,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to the announcement (the "**Announcement**") issued by iSteelAsia.com Limited (the "**Company**") dated 25th March, 2003 in respect of the Continuing Connected Transactions which comprise (i) the transactions contemplated under the Procurement Services Agreement; (ii) the transactions contemplated under the Steel Supply Agreement; and (iii) the trading of steel products by the VSC Group via the Group's iSteelAsia.com website. Details of the terms of the Continuing Connected Transactions are set out in a circular (the "**Circular**") issued by the Company to the Shareholders dated 31st March, 2003 of which this letter forms part. Capitalized terms used in this letter shall have the same meanings ascribed to them in the Circular unless the context otherwise requires.

The Continuing Connected Transactions, if proceeded with, shall constitute continuing connected transactions for the Company under Chapter 20 of the GEM Listing Rules and therefore the Continuing Connected Transactions shall require the approval of the Independent Shareholders at the SGM, by way of a poll, in accordance with the requirement of Rule 20.40 of the GEM Listing Rules. The Independent Board Committee comprising Messrs. Yeung Kwok Keung and Philip King Huen Ma, being independent non-executive Directors, has been established by the Company to advise the Independent Shareholders in relation to the Continuing Connected Transactions. We, Chateron, have been appointed by the Company to advise the Independent Board Committee in relation to the Continuing Connected Transactions. This letter contains our advice to the Independent Board Committee as to whether or not (i) the Continuing Connected Transactions are fair and reasonable and are in the interests of the

Company and the Shareholders (including the Independent Shareholders) as a whole; (ii) the maximum cap amount in respect of each of the Continuing Connected Transactions for each of the next three financial years ending 31st March, 2006 has been determined on a fair and reasonable basis; and (iii) it would be fair and reasonable for the Independent Shareholders to approve the Continuing Connected Transactions under their respective maximum cap amounts.

In formulating our opinion and recommendation to the Independent Board Committee in relation to the Continuing Connected Transactions, we have relied on the accuracy of the information and representations contained in the Circular which have been provided to us by the Directors and which the Directors consider to be complete and relevant. We are not aware that any statements, information and representations made or referred to in the Circular, for which the Directors are solely responsible, were untrue and incorrect in all respects at the time they were made and continued to be so as at the date of despatch of the Circular. We are also not aware that any statements of belief, opinion and intention made by the Directors in the Circular were not reasonably made after due and careful enquiry and are not based on honestly-held opinions. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and we have been advised by the Directors that no material facts have been omitted from the information and representations provided in and referred to in the Circular. We consider that we have received sufficient information to enable us to reach an informed view and to justify our reliance on the accuracy of the information and representations contained in the Circular and to provide a reasonable basis for our opinion and recommendation. We have no reason to suspect that any material information has been withheld by the Company or by the Directors. We have not, however, carried out any independent verification of the information provided to us by the Directors, nor have we conducted an independent in-depth investigation into the affairs of the Company and its subsidiaries.

Furthermore, in formulating our opinion and recommendation, we have not considered the tax consequences on any Shareholder as a result of the approval by the Independent Shareholders of any or all of the Continuing Connected Transactions, since these are particular to the individual circumstances of any Shareholder. It is emphasized that we will not accept responsibility for any tax effects on or liabilities of any person resulting from the approval by the Independent Shareholders of any or all of the Continuing Connected Transactions. In particular, any Shareholder who is in any doubt about his/her own tax position should consult his/her own professional adviser(s).

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation to the Independent Board Committee in relation to the Continuing Connected Transactions, we have considered the principal factors and reasons set out below:

1. Background of the Continuing Connected Transactions

As referred to in the letter from the Board as set out on pages 4 to 12 of the Circular, the Continuing Connected Transactions comprise (i) the transactions contemplated under the Procurement Services Agreement; (ii) the transactions contemplated under the Steel Supply Agreement; and (iii) the trading of steel products by the VSC Group via the Group's iSteelAsia.com website. The Continuing Connected Transactions are carried out in the ordinary and usual course of business of the Group and are negotiated on normal commercial terms between the Group and the VSC Group, and all the agreements under the Continuing Connected Transactions are continuing agreements with no expiry dates. In this regard, we have reviewed and evaluated below the nature of the transactions under items (i) to (iii) comprised in the Continuing Connected Transactions as referred to above.

2. The Procurement Services Agreement

Details of the Procurement Services Agreement are discussed and referred to in the letter from the Board as set out on pages 4 to 12 of the Circular.

We noted that, according to VSC's annual report and accounts for the year ended 31st March, 2002, the coil centre operations contributed approximately 11% of the VSC Group's total audited turnover during the year ended 31st March, 2002 (which represents an increase when compared with the contribution of approximately 9% to the VSC Group's total audited turnover during 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, we noted that according to VSC'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 when compared with the corresponding six months ended 30th September, 2001. In addition, as referred to in VSC's annual report and accounts for the year ended 31st March, 2002, the VSC Group's existing coil centre operations in Dongguan, the PRC recorded an increase in sales volume (by tonnage) of approximately 30% during the year ended 31st March, 2002 when compared with that for the corresponding year ended 31st March, 2001 and a new coil centre operation in Tianjin, the PRC is being built by the VSC Group 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, we 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.

We were informed by the Directors that as at the Latest Practicable Date, there is no arrangement or agreement for the Group and the VSC Group to revise the unit rate of procurement service fee per tonne of steel coils sourced by the Group for the VSC Group. We were further informed by the Directors that in view of the establishment of the VSC Group's existing coil centre operations in Dongguan and based on the historical average growth rate of approximately 12% in its annual output capacity during the past two years ended 31st March, 2002, the Directors have estimated an annual growth rate of 12% in the amount of procurement service fees to be earned by the Group from the 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, the VSC Group's new coil centre operations in Tianjin is expected to benefit from such strong demands and should 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 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.

As referred to in the letter from the Board as set out on pages 4 to 12 of the Circular, the aggregate amounts of procurement service fees earned by the Group pursuant to the Procurement Services Agreement during the financial years ended 31st March, 2001 and 31st March, 2002 and during the ten months ended 31st January, 2003 amounted to approximately HK$1,373,000, HK$1,406,000 and HK$1,417,000, respectively. In this regard, based on the procurement service fees earned by the Group of approximately HK$1,417,000 during the period of ten months ended 31st January, 2003 and as annualized for the full year ending 31st March, 2003 on a linear extrapolation basis, the Group's procurement service fees for the full year ending 31st March, 2003 are estimated to be in the region of approximately HK$1,700,400. Therefore, we noted the following pattern of the procurement service fees earned by the Group under the Procurement Services Agreement:

Year ended 31st March,	**Amount of procurement service fees** *(HK$)*	**Increase** *(%)*
2001	1,373,000	—
2002	1,406,000	2.4% (Actual)
Ten months ended 31st January, 2003	1,417,000	0.8% (Actual)
Year ending 31st March, 2003	1,700,400 (Annualized)	20.9% (Expected)*

* *When compared with the amount of procurement service fees earned by the Group during the corresponding year ended 31st March, 2002.*

Based on the expected increase in the Group's procurement service fees under the Procurement Services Agreement during the year ending 31st March, 2003 as referred to above, we consider that it would be fair and reasonable for the Directors to estimate 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 during each of the two years ending 31st March, 2005 and 2006, particularly in view of the new establishment of the Tianjin coil centre operations during the year ending 31st March, 2004 as well as the growth and development potentials offered by the steel coil products market which are open to the Tianjin coil centre operations in the northern parts of the PRC as discussed above. Furthermore, we consider that the VSC Group's existing Dongguan coil centre operations are likely to grow in line with the historical average growth rate of approximately 12% in its annual output capacity during the past two years ended 31st March, 2002, and therefore it is fair and reasonable for the Directors to estimate an annual growth rate of 12% in the amount of procurement service fees to be earned by the Group from the VSC Group's Dongguan coil centre operations during each of the next three years ending 31st March, 2006.

We were informed by the Directors that, based on their estimations of the expected growth in the Group's procurement service fees under the Procurement Services

Agreement as referred to above, the Directors have quantified the Group's estimated procurement service fees for each of the next three years ending 31st March, 2006, as follows:

	Estimated amount of procurement service fees					
Year ending 31st March,	**Dongguan coil centre** *(HK$)*	**Increase** *(%)*	**Tianjin coil centre** *(HK$)*	**Increase** *(%)*	**Estimated total** *(HK$)*	**Proposed maximum cap amount** *(HK$)*
2003	1,700,400 (Annualized)	n/a	—	n/a	1,700,400 (Annualized)	3,000,000 (Existing)
2004	1,900,000	12	850,000	n/a	2,750,000	2,800,000
2005	2,122,000	12	1,028,000	21	3,150,000	3,000,000
2006	2,370,000	12	1,243,000	21	3,613,000	3,500,000

We noted from the foregoing statistics that the average historical procurement service fees earned by the Group pursuant to the Procurement Services Agreement during the period of 34 months from 1st April, 2000 to 31st January, 2003 amount to approximately HK$1.48 million per annum (the "**Average Procurement Service Fees**"). In this regard, the respective maximum cap amounts of the procurement service fees to be earned by the Group pursuant to the Procurement Services Agreement of (i) HK$2,800,000 for the year ending 31st March, 2004 represent a significant premium of approximately 89% to the Average Procurement Service Fees; (ii) HK$3,000,000 for the year ending 31st March, 2005 represent a significant premium of approximately 103% to the Average Procurement Service Fees; and (iii) HK$3,500,000 for the year ending 31st March, 2006 represent a significant premium of approximately 136% to the Average Procurement Service Fees. We consider that the abovementioned premiums are fair and reasonable, in view of (i) the favourable performances of the VSC Group's existing coil centre operations in Dongguan which recorded a 12% historical average growth rate in its annual output capacity during the past two years ended 31st March, 2002, and hence is expected to demonstrate the same annual growth rate of 12% in the procurement service fees to be earned therefrom during each of the next three years ending 31st March, 2006; and (ii) the favourable outlook of the VSC Group's new Tianjin coil centre operations in tapping the growth and development potentials offered by the steel coil products market in the PRC as discussed above, and hence an estimated annual growth rate of 21% in the procurement service fees to be earned therefrom during each of the two years ending 31st March, 2006 subsequent to the full operation of the Tianjin coil centre operations during the year ending 31st March, 2004.

3. The Steel Supply Agreement

Details of the Steel Supply Agreement are discussed and referred to in the letter from the Board as set out on pages 4 to 12 of the Circular.

We were informed by the Directors that the VSC Group remains to be one of the Group's major suppliers of steel products, which were then on-sold by the Group to its customers at a marked-up profit margin. Furthermore, under the Steel Supply Agreement, the Group purchases its steel products from the VSC Group at cost (including, without limitation, transportation and warehousing costs) which therefore confers benefit on the Group in being able to purchase steel products at lower costs than would have been the case had the Group been able to purchase its steel products only from other commercial suppliers at a marked-up margin. In this regard, we noted that the Group's sales of steel products contributed approximately 98.6%, 92.6% and 98.5% of the Group's total audited turnover for the three years ended 31st March, 2000, 2001 and 2002, respectively and approximately 98.2% of the Group's total unaudited turnover for the ten months ended 31st January, 2003. We therefore consider that the Steel Supply Agreement, pursuant to which the Group is able to source its steel products for external sales, constitutes a very important feature of the Group's business operations.

We were informed by the Directors that as at the Latest Practicable Date, there is no arrangement or agreement for the Group and the VSC Group to revise the basis of determination of the unit price of the steel products to be purchased by the Group from the VSC Group pursuant to the Steel Supply Agreement. Based on the statistics regarding the Group's sales of steel products as referred to above, we noted the following pattern:

Year ended 31st March,	Amount of sales of steel products	Increase/(Decrease)
	(HK$'000)	*(%)*
2000	177,503	—
2001	169,737	(4.4)%
2002	422,116	148.7%
Ten months ended 31st January, 2003	594,196	40.8%

We were informed by the Directors that the remarkable increases in the Group's sales of steel products during the year ended 31st March, 2002 and during the period of ten months ended 31st January, 2003 as referred to above are attributable to the Group's network of six sales and distribution outlets in the PRC covering Beijing, Shanghai, Guangzhou, Tianjin, Shenzhen and Chongqing. Furthermore, the Directors are of the view that the PRC continues to demonstrate an increase in the consumption of finished steel products and hence remains to be a key market for global steel consumption. We concur with the Directors' view in this regard, in view of our anticipation of an increased level of economic and infrastructural activities in the PRC following the PRC's accession into the World Trade Organization and in the run-up to major events such as the Beijing Olympics in 2008 and the Shanghai Expo in 2010. We consider that the Group's network of six marketing and distribution outlets as referred to above are capable of capitalizing on the business opportunities arising from the PRC's increasing consumption of finished steel products.

As referred to in the letter from the Board as set out on pages 4 to 12 of the Circular, the total purchases of steel products made by the Group from the VSC Group pursuant to the Steel Supply Agreement during the financial years ended 31st March, 2001 and 31st March, 2002 and during the ten months ended 31st January, 2003 amounted to approximately HK$118.8 million, HK$231.4 million and HK$233.4 million, respectively. In this regard, based on the amount of steel products purchased by the Group from the VSC Group of approximately HK$233.4 million during the period of ten months ended 31st January, 2003 and as annualized for the full year ending 31st March, 2003 on a linear extrapolation basis, the Group's total purchases of steel products from the VSC Group for the full year ending 31st March, 2003 are estimated to be in the region of approximately HK$280.0 million. Therefore, we noted the following pattern of the Group's purchases of steel products from the VSC Group under the Steel Supply Agreement:

Year ended/ending 31st March,	**Amount of purchases of steel products by the Group from the VSC Group** *(HK$ million)*	**Increase** *(%)*
2001	118.8	—
2002	231.4	94.8% (Actual)
2003	280.0 (Annualized)	21.0% (Expected)

In this regard, the Directors have estimated an annual growth rate of 21% in the amount of total purchases made by the Group from the VSC Group pursuant to the Steel Supply Agreement during the next three financial years ending 31st March, 2006. We consider this to be a prudent estimate, both in view of (i) the historical increase by approximately 95% in the amount of the Group's purchases of steel products from the VSC Group during the year ended 31st March, 2002; and (ii) the significant historical growth in the Group's sales of steel products of approximately 149% and 41% during the year ended 31st March, 2002 and the period of ten months ended 31st January, 2003, respectively as referred to above.

We were informed by the Directors that, based on their estimated annual growth of 21% in the amount of the Group's purchases of steel products from the VSC Group under the Steel Supply Agreement during each of the next three financial years ending 31st March, 2006 as referred to above, the Directors have quantified the Group's estimated amount of purchases of steel products from the VSC Group for each of the next three years ending 31st March, 2006, as follows:

Year ending 31st March,	Estimated amount of steel purchases by the Group from the VSC Group *(HK$ million)*	Proposed maximum cap amount *(HK$ million)*
2003	280.0 (Annualized)	350 (Existing)
2004	338.9	350
2005	410.2	410
2006	496.4	500

We noted from the foregoing statistics that the average amount of the Group's purchases of steel products from the VSC Group pursuant to the Steel Supply Agreement during the period of 34 months from 1st April, 2000 to 31st January, 2003 amount to approximately HK$206 million per annum (the "**Average Purchases**"). In this regard, the respective maximum cap amounts of the Group's purchases of steel products from the VSC Group pursuant to the Steel Supply Agreement of (i) HK$350 million for the year ending 31st March, 2004 represent a significant premium of approximately 70% to the Average Purchases; (ii) HK$410 million for the year ending 31st March, 2005 represent a significant premium of approximately 99% to the Average Purchases; and (iii) HK$500 million for the year ending 31st March, 2006 represent a significant premium of approximately 143% to the Average Purchases. We consider that the above mentioned premiums are fair and reasonable, in view of (i) the historical significant increase in the amount of the Group's purchases of steel products from the VSC Group by approximately 95% during the year ended 31st March, 2002; (ii) the historical significant growth in the Group's sales of steel products of approximately 149% and 41% during the year ended 31st March, 2002 and the period of ten months ended 31st January, 2003, respectively; and (iii) the Group's sales and distribution network comprising six outlets in the PRC which are capable of capitalizing on the business opportunities arising from the PRC's increasing consumption of finished steel products.

4. Trading of steel products by the VSC Group via the Group's iSteelAsia.com website

Details of the trading of steel products by the VSC Group via the Group's iSteelAsia.com website are discussed and referred to in the letter from the Board as set out on pages 4 to 12 of the Circular.

As referred to in the letter from the Board as set out on pages 4 to 12 of the Circular, the Group's iSteelAsia.com website (i) provides an additional marketing channel which allows the VSC Group to source potential customers/suppliers; and (ii) enables the Group to earn commissions from the trading of steel products by the VSC Group via the use of the Group's iSteelAsia.com website. Therefore, both the Group and the VSC Group consider that the transactions effected by the VSC Group via the use of the Group's iSteelAsia.com website will be of mutual benefits to the Group and the VSC Group. In this regard, we were informed by the Directors that the Group's iSteelAsia.com website enables online procurements and online auctions for potential buyers and suppliers of steel products, as well as negotiation facilities under which buyers and sellers may negotiate the terms and conditions for the sales and purchases of steel products. The Directors also consider that online transactions for purchases and sales of steel products are likely to be a common feature in the Asia Pacific region in the long run, due to (i) the high penetration of broadband technologies by users and the introduction of efficient wireless communications systems on an extensive scale are together likely to alter the manner in which business transactions are being conducted, from a traditional offline basis to an online basis; and (ii) the relatively fragmented state of the buyers' and suppliers' markets in that region when compared with Europe and North America, which warrants the requirement of a neutral market place for transactions to take place in an orderly, efficient and effective manner. Based on the foregoing reasons, the Directors have estimated a penetration rate in the region of 30% by both buyers and suppliers using the online services offered by the Group's iSteelAsia.com website in the long run. Accordingly, the Directors have estimated that about 30% of the VSC Group's annual sales of steel products would be transacted via the Group's iSteelAsia.com website on a year-on-year basis. In this regard, we noted from the statistics released by the annual e-commerce and development report issued by United Nations Conference on Trade and Development in November 2002 that an estimated 25% and 20% of all sales transactions in the United States of America and in Europe, respectively, would be traded on a business-to-business ("B2B") online basis by the year 2006. Therefore, we consider that the Directors' estimated long-term penetration rate of 30% for online steel trading via the Group's iSteelAsia.com website to have been determined on a fair and reasonable basis.

As referred to in VSC's annual report and accounts for the year ended 31st March, 2002, the VSC Group recorded an audited turnover of approximately HK$2,138 million out of which approximately HK$1,914 million, or representing approximately 90% of the VSC Group's total turnover for the year then ended, were generated from steel trading related activities. Therefore, assuming 90% of the VSC Group's annual turnover is attributable to steel trading related activities year-on-year and based on (i) the VSC Group's historical turnover attributable to steel products of approximately HK$1,270 million for the six months ended 30th September, 2002 and as annualized for the full year ending 31st March, 2003 on a linear extrapolation basis; and (ii) an estimated 30% penetration rate of the Group's iSteelAsia.com website in the long run and hence an estimated 30% of the VSC Group's annual sales of steel products would be transacted via the Group's iSteelAsia.com website on a year-on-year basis, the estimated annual sales of steel products by the VSC Group via the Group's iSteelAsia.com website is in the region of approximately HK$685 million or thereabouts for each of the next three financial years ending 31st March, 2006. In this regard, for the sake of prudence, we were informed by the Directors that they have not projected any growth in the amount of the VSC Group's sales of steel products via the Group's iSteelAsia.com website for any of the next three financial years ending 31st March, 2006. Furthermore, based on a commission rate of 1.5% (being the same commission rate as that under the existing maximum cap amount) of the amount of annual sales by the VSC Group of steel products via the Group's iSteelAsia.com website, the estimated annual commission which may be earned by the Group arising from the sales of steel products by the VSC Group via the Group's iSteelAsia.com website would be in the region of approximately HK$10 million or thereabouts, which figure has been adopted by the Directors as the maximum cap for the purpose of such transactions (the "**Maximum Commission**").

As referred to in the Announcement, the Directors have estimated that the annual sales of steel products to be transacted by the VSC Group via the Group's iSteelAsia.com website for each of the next three financial years ending 31st March, 2006 will be capped at HK$667 million per annum, which figure represents a discrepancy of approximately 2.6% to our estimated figure of approximately HK$685 million as referred to above. We consider that such a discrepancy reflects a discount which is determined by the Directors on a conservative basis when compared with our estimated figure of HK$685 million or thereabouts as referred to above. Accordingly, we are acceptable to the use of the maximum cap figure of HK$667 million in respect of the annual sales of steel products by the VSC Group via the Group's iSteelAsia.com website as stated in the Announcement for the purpose of calculating the amount of the Maximum Commission, which is also equal to HK$10 million. Therefore, based on the foregoing, we consider that the amount of the Maximum Commission has been determined on a fair and reasonable basis.

5. Reasons for the Company to seek Independent Shareholders' approval of the Continuing Connected Transactions

As referred to in the letter from the Board as set out on pages 4 to 12 of the Circular, VSC BVI (which is a wholly-owned subsidiary of VSCH, being the ultimate holding company of the VSC Group) is a substantial shareholder of the Company having a direct beneficial interest of approximately 19.24% in the issued share capital of the Company as at the Latest Practicable Date. Therefore, the Continuing Connected Transactions contemplated between the Group and the VSC Group constitute non-exempt continuing connected transactions for the Company under Rule 20.26 of the GEM Listing Rules. Under Rule 20.35 of the GEM Listing Rules, the Continuing Connected Transactions are required to be disclosed by way of announcements on each occasion when they arise. Furthermore, under Rule 20.36 of the GEM Listing Rules, the Continuing

Connected Transactions are required to be disclosed in circulars to be issued by the Company and are subject to the approval of the Independent Shareholders, by way of a poll, on each occasion when they arise in which case VSC BVI and its associates shall abstain from voting.

As we have evaluated above, we are of the view that the Continuing Connected Transactions are essential for the efficient and continuing operation of the Group for reason that these transactions are carried out in the ordinary and usual course of business of the Group and are likely to occur on a regular and continuing basis, and all the agreements under the Continuing Connected Transactions are continuing agreements with no expiry dates. Therefore, it would be costly and impracticable for the Company to announce the Continuing Connected Transactions and obtain the approval of the Independent Shareholders for the Continuing Connected Transactions on each occasion when they arise in accordance with the requirements of Rules 20.35 and 20.36 of the GEM Listing Rules. Therefore, we consider that the Continuing Connected Transactions, which are entered into in the ordinary and usual course of business of the Group, are in the interests of the Company and the Shareholders (including the Independent Shareholders) as whole and it is fair and reasonable for the Company to seek the approval of the Independent Shareholders in respect of the Continuing Connected Transactions under their respective maximum cap amounts for a term of the next three financial years ending 31st March, 2006 in accordance with the requirement under Rule 20.26 of the GEM Listing Rules.

RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that (i) the Continuing Connected Transactions are carried out in the ordinary and usual course of business of the Group and are negotiated on normal commercial terms between the Group and the VSC Group; (ii) the terms of the Continuing Connected Transactions are fair and reasonable and are in the interests of the Company and the Shareholders (including the Independent Shareholders) as a whole; (iii) the maximum cap amount in respect of each of the Continuing Connected Transactions for each of the next three financial years ending 31st March, 2006 is determined on a fair and reasonable basis; and (iv) it would be fair and reasonable for the Independent Shareholders to approve the Continuing Connected Transactions under their respective maximum cap amounts. Therefore, we would advise the Independent Board Committee to recommend the Independent Shareholders to approve, by way of a poll, the ordinary resolution to be proposed at the SGM to consider and, if thought fit, approve the Continuing Connected Transactions under their respective maximum cap amounts.

Yours faithfully,
For and on behalf of
Chateron Corporate Finance Limited
Christopher Wong
Director

1. 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:

(a) the information contained in this circular is accurate and complete in all material respects and not misleading;

(b) there are no other matters the omission of which would make any statement in this circular misleading; and

(c) 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.

2. DIRECTORS' INTEREST IN SHARES AND WARRANTS

As at the Latest Practicable Date, the interests of the Directors and the chief executives of the Company in the equity or debt securities of the Company or any of its associated corporations (within the meaning of the SDI Ordinance) which were notified to the Company and the Stock Exchange pursuant to Section 28 of the SDI Ordinance (including interests which they were taken or deemed to have under Section 31 of, or Part 1 of the Schedule to, the SDI Ordinance), or which were required, pursuant to Section 29 of the

SDI Ordinance, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.40 to 5.59 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

(a) Shares and Warrants

Name	Type of interest	Attributable interest to the Director	Number of Shares *(As at the Latest Practicable Date)*	Number of Warrants *(As at the Latest Practicable Date)*
Mr. Andrew Cho Fai Yao	— Corporate interest held by TN *(Note 1)*	deemed interest (indirectly)	196,301,600	39,260,320
	— Corporate interest held by Huge Top *(Note 2)*	more than one-third (indirectly)	159,811,344	31,962,268
	— Corporate interest held by VSC BVI *(Note 3)*	through Huge Top (indirectly)	301,026,000	60,205,200
	— Corporate interest held by Right Action *(Note 4)*	100% (directly)	102,400,000	20,480,000
		Total:	759,538,944	151,907,788
Ms. Miriam Che Li Yao	— Corporate interest held by TN *(Note 1)*	deemed interest (indirectly)	196,301,600	39,260,320
	— Corporate interest held by Huge Top *(Note 2)*	more than one-third (indirectly)	159,811,344	31,962,268
	— Corporate interest held by VSC BVI *(Note 3)*	through Huge Top (indirectly)	301,026,000	60,205,200
		Total:	657,138,944	131,427,788
Mr. Philip King Huen Ma	— Corporate interest held by S & S *(Note 5)*	—	159,324	31,864

Notes:

1. As at the Latest Practicable Date, TN Development Limited ("TN") owns 196,301,600 Shares and 39,260,320 Warrants. VSC BVI owns 54% of the issued share capital of TN and Andrew Cho Fai Yao owns 10% of the issued share capital of TN. The board of directors of TN only comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the securities of the Company were corporate interests.

   All Shares held by TN are, or are intended to be, the subject of options exercisable, in certain circumstances, by designated employees and founding members pursuant to the share option agreements and the revenue option agreements, respectively as disclosed in the Company's prospectus dated 14th April, 2000. The sole purpose of TN is to provide an avenue to motivate the Company's employees and founding members while at the same time not incurring any dilution effect to the public investors of the Company.

2. As at the Latest Practicable Date, Huge Top Industrial Ltd. ("Huge Top") owns 159,811,344 Shares and 31,962,268 Warrants. Andrew Cho Fai Yao directly and indirectly owns more than one-third of the issued share capital of Huge Top. The board of directors of Huge Top only comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the securities of the Company were corporate interests.

3. As at the Latest Practicable Date, VSC BVI owns 301,026,000 Shares and 60,205,200 Warrants and Huge Top owns approximately 65.53% of the issued share capital of VSCH. Andrew Cho Fai Yao and Miriam Che Li Yao are directors of VSCH. VSC BVI is a wholly-owned subsidiary of VSCH. The board of directors of VSC BVI comprises Andrew Cho Fai Yao and Miriam Che Li Yao. These interests of the aforesaid Directors in the securities of the Company were corporate interests.

4. As at the Latest Practicable Date, Right Action Offshore Inc. ("Right Action") owns 102,400,000 Shares and 20,480,000 Warrants. Andrew Cho Fai Yao owns the entire issued share capital of Right Action and is also the sole director of that company. These interests were corporate interests in the Company.

5. As at the Latest Practicable Date, S & S Management Co. Ltd. ("S & S") owns 159,324 Shares and 31,864 Warrants. Philip King Huen Ma is deemed to be interested in these 159,324 Shares and 31,864 Warrants.

(b) Employee options to purchase Shares from TN

Name	Employee options granted	Number of employee options (As at the Latest Practicable Date)
Ms. Drina C. Yue *(Note 1)*	30,720,000	20,480,000
Mr. Daniel Takuen Shih *(Note 1)*	2,000,000	2,000,000

Note:

1. Each of Drina C. Yue and Daniel Takuen Shih has been granted an option to purchase 30,720,000 Shares (balance as at the Latest Practicable Date — 20,480,000 Shares) and 2,000,000 Shares respectively from TN, at an exercise price per Share of HK$0.054, under separate share option agreements both dated 13th April, 2000. Each option may be exercised in whole or in part in the following manner:

   (a) During the period starting from 13th April, 2001 to 12th April, 2002, the option may be exercised up to one-third of such Shares.

   (b) During the period starting from 13th April, 2002 to 12th April, 2003, the option may (to the extent not exercised in accordance with (a) above) be exercised up to two-thirds of such Shares.

   (c) During the period starting from 13th April, 2003 to 12th April, 2004, the option may (to the extent not exercised in accordance with (a) and (b) above) be exercised in full.

3. DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Under the terms of the Company's share option scheme approved by the shareholders on 13th April, 2000 ("the Old Scheme"), the Board may, at their discretion, invite any full-time employees of the Company or any of the Group companies, including any executive directors, to take up options to subscribe for Shares. The Old Scheme became effective upon the listing of the Shares on 20th April, 2000.

As at the Latest Practicable Date, details of the share options to subscribe for Shares held by certain Directors under the Old Scheme were as follows:

Name	Date of grant	Exercise price per Share	Exercise period	Number of options (As at the Latest Practicable Date)
Ms. Drina C. Yue	3rd July, 2000	HK$0.360	1st October, 2001-12th April, 2010	2,000,000
	7th November, 2000	HK$0.485	8th November, 2001-12th April, 2010	5,000,000
Ms. Miriam Che Li Yao	3rd July, 2000	HK$0.360	1st October, 2001-12th April, 2010	2,500,000
	7th November, 2000	HK$0.485	8th November, 2001-12th April, 2010	5,000,000
Mr. Andrew Cho Fai Yao	7th November, 2000	HK$0.485	8th November, 2001-12th April, 2010	5,000,000

The Old Scheme was terminated on 10th June, 2002. Upon termination of the Old Scheme, no further options were granted thereunder but in all other respects, the provisions of the Old Scheme remain in force and all options granted prior to such termination continue to be valid and exercisable in accordance therewith. A new share option scheme has been adopted by the Company since 10th June, 2002 ("the New Scheme") to replace the Old Scheme to comply with the current GEM Listing Rules requirements. Up to the Latest Practicable Date, no options have been granted pursuant to the New Scheme.

Other than disclosed above, as at the Latest Practicable Date, neither the Directors nor their associates, had any interests in any securities of the Company or any of its associated corporations (as defined in the SDI Ordinance), and neither the Directors nor any of their spouses or children under the age of 18, had any right to subscribe for the securities of the Company.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

Save as disclosed in Note 3 to the financial statements of the Group pursuant to the annual report of the Company for the year ended 31st March, 2002, no contract or arrangement of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, whether directly or indirectly, subsisted as at the Latest Practicable Date.

Save as disclosed herein, none of the Directors has any direct or indirect interest in any assets which have been, since 31st March, 2002, the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

5. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, according to the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance, those shareholders (other than those interests of Directors disclosed above) having an interest of 10% or more of the nominal value of the issued share capital of the Company were as follows:

Name		Number of Shares	Total number of Shares	Notes
VSC BVI	— directly	301,026,000		
	— indirect deemed interest through TN	196,301,600	497,327,600	1
VSCH	— indirectly through VSC BVI	301,026,000		
	— indirect deemed interest through TN	196,301,600	497,327,600	1 & 2
Huge Top	— directly	159,811,344		
	— indirectly through VSC BVI	301,026,000		
	— indirect deemed interest through TN	196,301,600	657,138,944	1, 2 & 3
TN	— directly	196,301,600	196,301,600	4
Mr. Leroy Lin Yuen Kung	— indirectly through Grand Bridge	181,824,000	181,824,000	5
Galaface Limited	— indirectly through Grand Bridge	181,824,000	181,824,000	5
Asian Gold Associates Limited	— indirectly through Grand Bridge	181,824,000	181,824,000	5
iMerchants Group Limited	— indirectly through Grand Bridge	181,824,000	181,824,000	5
Grand Bridge Enterprises Limited	— directly	181,824,000	181,824,000	5

Notes:

1. VSC BVI owns 54% of the issued share capital of TN and is deemed to be interested in the 196,301,600 Shares held by TN as at the Latest Practicable Date, VSC BVI directly owns 301,026,000 Shares as at the Latest Practicable Date. VSC BVI is therefore directly and indirectly interested in an aggregate of 497,327,600 Shares.

2. VSCH owns the entire issued share capital of VSC BVI, VSCH is therefore deemed to be interested in an aggregate of 497,327,600 Shares.

3. Huge Top is beneficially interested in approximately 65.53% of the issued share capital of VSCH as at the Latest Practicable Date and is therefore deemed to be interested in the 196,301,600 Shares held by TN and the 301,026,000 Shares held by VSC BVI as at the Latest Practicable Date. As at the same date, Huge Top also directly owns 159,811,344 Shares. Huge Top is therefore directly and indirectly interested in an aggregate of 657,138,944 Shares.

4. All Shares held by TN are, or are intended to be, the subject of options exercisable, in certain circumstances, by designated employees and founding members pursuant to the share option agreements and the revenue option agreements, respectively as disclosed in the Company's prospectus dated 14th April, 2000. The sole purpose of TN is to provide an avenue to motivate the Company's employees and founding members while at the same time not incurring any dilution effect to the public investors of the Company.

5. As at the Latest Practicable Date, Grand Bridge Enterprises Limited ("Grand Bridge") directly owns 181,824,000 Shares. Grand Bridge is a wholly-owned subsidiary of iMerchants Group Limited which is a wholly-owned subsidiary of Asian Gold Associates Limited ("AGA"). AGA is a company in which Galaface Limited is entitled to exercise more than one-third of its voting power. Galaface Limited is a company owned and controlled by Mr. Leroy Lin Yuen Kung.

6. COMPETING INTERESTS

Mr. Ralph David Oppenheimer, a non-executive Director of the Company, is the chairman and chief executive of Stemcor Holdings Limited whose business is principally engaged in international steel trading. The Directors believe that there is a risk that such business may compete with those of the Group. However, the Directors are also of the view that the invaluable experience of Mr. Oppenheimer in the steel industry will complement the development of the Group's business.

Save as disclosed above, none of the Directors or the management shareholders of the Company (as defined in the GEM Listing Rules) or any of their respective associates has an interest in a business, which competes or may compete with the business of the Group or has any other conflict of interest which any such person has or may have with the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial position or trading position of the Group since 31st March, 2002, the date to which the latest audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	**Qualification**
Chateron	Registered investment adviser under the Securities Ordinance (Chapter 333 of the laws of Hong Kong)

As at the Latest Practicable Date, Chateron has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter, which has been prepared for inclusion in this circular, and references to its name in the form and context in which it is included.

As at the Latest Practicable Date, Chateron has no shareholding interest in any member of the Group any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

9. SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company commencing from 1st April, 2000 in the case of Mr. Andrew Cho Fai Yao, 1st March, 2000 in the case of Ms. Drina C. Yue and 1st April, 2000 in the case of Ms. Miriam Che Li Yao. The term of each agreement is continuous unless terminated by not less than three months' notice in writing served by either party on the other without payment of compensation other than statutory compensation.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors has a service contract with the Company or any members of the Group which is not determinable by the employing company within one year without payment of compensation other then statutory compensation.

10. GENERAL

(a) The head office and principal place of business of the Company is at 52nd Floor, The Center, 99 Queen's Road Central, Hong Kong. The Hong Kong branch share registrar and transfer office the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(b) The Company Secretary of the Company is Ms. Tse Sau Wai.

(c) The English text of this circular and form of proxy shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company at 52nd Floor, The Center, 99 Queen's Road Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular until 14th April, 2003:

(a) the letter from Chateron as the Independent Financial Adviser to the Independent Board Committee as set out on pages 15 to 26 in this circular;

(b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders as set out on pages 13 to 14 in this circular;

(c) the Procurement Services Agreement referred to in the section headed "Procurement Services Arrangement" of this circular;

(d) the Steel Supply Agreement referred to in the section headed "Steel Supply Arrangement" of this circular;

(e) the prospectus of the Company dated 14th April, 2000; and

(f) the service contracts referred to in the section headed "Service Contracts" of this appendix.

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 Center, 99 Queen's Road Central, Hong Kong on Thursday, 17th April, 2003 at 9:30 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as an ordinary resolution:

ORDINARY RESOLUTION

"THAT the Continuing Connected Transactions (as defined and more particularly described in the circular of the Company dated 31st March, 2003 (the "Circular"), a copy of which was marked "A" and has been produced to the meeting and signed by the Chairman of the meeting for the purposes of identification) be and are hereby approved, confirmed and ratified; and the Directors be and are hereby authorised for and on behalf of the Company to take such action, do such things and execute such documents as they may in their opinion consider necessary, expedient and desirable for the purpose of implementing the Continuing Connected Transactions".

By Order of the Board
Drina C. Yue
Director and Chief Executive Officer

Hong Kong, 31st March, 2003

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

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

Notes:

1. A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the bye-laws of the Company, vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the from of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of authority, at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The ordinary resolution set out in this notice will be put to a poll.

4. Van Shung Chong (B.V.I.) Limited and its associates (as defined in the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange) will abstain from voting in respect of the ordinary resolution set out in this notice.