
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect about this prospectus or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in iSteelAsia Holdings Limited, you should at once hand this prospectus, together with the enclosed Assured Allotment Letter and Excess Application Form, to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

A copy of this prospectus, together with the documents specified in the paragraph headed “Documents registered by the Registrar of Companies in Hong Kong and filed with the Registrar of Companies in Bermuda” in Appendix II to this prospectus have been registered by the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). A copy of this prospectus, together with copies of the Assured Allotment Letter and the Excess Application Form, have also been filed with the Registrar of Companies in Bermuda pursuant to the Companies Act 1981 of Bermuda. The Registrar of Companies in Hong Kong, the Securities and Futures Commission in Hong Kong and the Registrar of Companies in Bermuda take no responsibility as to the contents of these documents.

Dealings in the shares in iSteelAsia Holdings Limited may be settled through the Central Clearing and Settlement System (“CCASS”) and you should consult your licensed securities dealer, bank manager, solicitor, professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Securities Clearing Company Limited (“HKSCC”) take no responsibility for the contents of this prospectus, 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 prospectus.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on GEM, the Offer Shares 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 Offer Shares on GEM 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.

iSteelAsia
iSteelAsia Holdings Limited
(亞鋼集團有限公司)*
(incorporated in Bermuda with limited liability)
(Stock code: 8080)

**OPEN OFFER OF 15,968,878 NEW SHARES ON THE BASIS OF
ONE OFFER SHARE FOR EACH NEW SHARE
HELD BY THE QUALIFYING SHAREHOLDERS ON THE RECORD DATE**

Financial adviser to iSteelAsia Holdings Limited

CASH
Celestial Capital Limited

The latest time for acceptance and payment for the Offer Shares is 4:00 p.m. on Thursday, 4 August 2005. The procedures for acceptance are set out on page 21 of this prospectus.

Shareholders should note that the Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder if at any time prior to 4:00 p.m. on the date of the allotment of the Offer Shares there comes to the notice of the Underwriter, that: (i) any of the representations and warranties given by iSteelAsia is untrue or inaccurate in any material respect; or (ii) any of the obligations or undertakings expressed to be assumed by or imposed on iSteelAsia has not been complied with or observed by it in any material respect; or there shall develop, occur, exist or come into effect any moratorium, suspension or material restriction on trading in securities generally on GEM occurring due to exceptional financial circumstances or otherwise which, in the reasonable opinion of the Underwriter: (i) is or will be materially adverse to the business, financial or other condition or prospects of the iSteelAsia Group or to any present or prospective Shareholders in his or their capacity as such; or (ii) make it inadvisable or inexpedient to proceed with the Open Offer on the terms and in the manner contemplated in the Underwriting Agreement; then in any such case the Underwriter (after such consultation with iSteelAsia and/or its advisers as the circumstances shall admit) may in its absolute discretion by notice in writing to iSteelAsia at any time prior to 4:00 p.m. on the date of the allotment of the Offer Shares terminate the Underwriting Agreement and thereupon all obligations of the Underwriter thereunder shall cease and determine, in which event it shall not have any claim against iSteelAsia for compensation, costs, damages or otherwise except that iSteelAsia shall bear the costs and expenses of the Open Offer properly incurred by the Underwriter.

It should be noted that the New Shares have been dealt in on an ex-entitlement basis as from Monday, 18 July 2005, and that dealings in such New Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in the New Shares up to the date on which all conditions to which the Open Offer is subject are fulfilled or the date when the right of the Underwriter to terminate its obligations under the Underwriting Agreement expires (which is expected to be 4:00 p.m. on Thursday, 4 August 2005) will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholder or other person contemplating buying or selling New Shares during such period who is in any doubt about his or her position is advised to consult his or her professional adviser.

This prospectus 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 and on the website of the Company at www.isteelasia.com.

CHARACTERISTICS OF GEM

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.

TERMINATION OF THE UNDERWRITING AGREEMENT

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder if at any time prior to 4:00 p.m. on the date of the allotment of the Offer Shares there comes to the notice of the Underwriter, that: (i) any of the representations and warranties given by iSteelAsia is untrue or inaccurate in any material respect; or (ii) any of the obligations or undertakings expressed to be assumed by or imposed on iSteelAsia has not been complied with or observed by it in any material respect; or there shall develop, occur, exist or come into effect any moratorium, suspension or material restriction on trading in securities generally on GEM occurring due to exceptional financial circumstances or otherwise which, in the reasonable opinion of the Underwriter: (i) is or will be materially adverse to the business, financial or other condition or prospects of the iSteelAsia Group or to any present or prospective Shareholders in his or their capacity as such; or (ii) make it inadvisable or inexpedient to proceed with the Open Offer on the terms and in the manner contemplated in the Underwriting Agreement; then in any such case the Underwriter (after such consultation with iSteelAsia and/or its advisers as the circumstances shall admit) may in its absolute discretion by notice in writing to iSteelAsia at any time prior to 4:00 p.m. on the date of the allotment of the Offer Shares terminate the Underwriting Agreement and thereupon all obligations of the Underwriter thereunder shall cease and determine, in which event it shall not have any claim against iSteelAsia for compensation, costs, damages or otherwise except that iSteelAsia shall bear the costs and expenses of the Open Offer properly incurred by the Underwriter.

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EXPECTED TIMETABLE

2005

Record date	Thursday, 21 July
Despatch of Prospectus Documents	Thursday, 21 July
Existing counter for trading in the New Shares in board lots of 2,000 New Shares (in the form of new certificates) re-opens	9:30 a.m. on Friday, 29 July
Parallel trading in the New Shares (in the form of new share certificates and existing share certificates) commences	9:30 a.m. on Friday, 29 July
Latest time for receiving acceptance for the Open Offer and Open Offer Closes	4:00 p.m. on Thursday, 4 August
Announcement of results of the Open Offer to be published	Friday, 5 August
Distribution of New Share certificates for the Offer Shares ..	on or before Monday, 8 August
Refund cheques in respect of wholly or partially unsuccessful applications for excess Offer Shares	on or before Monday, 8 August
Completion of the Subscription	Monday, 8 August
Commencement of dealings in the Offer Shares and the Subscription Shares	Wednesday, 10 August
Temporary counter for trading in the New Shares in board lots of 20 New Shares (in the form of existing share certificates) closes	close of business on Friday, 19 August
Parallel trading in the New Shares (in the form of new share certificates and existing share certificates) ends	close of business on Friday, 19 August
Last day of operation of odd lot facility	close of business on Friday, 19 August
Last day of free exchange of the existing share certificates for the New Share certificates	Friday, 26 August

Dates or deadlines specified in this prospectus for events in the timetable for (or otherwise in relation to) the Open Offer are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published by way of announcement(s).

DEFINITIONS

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

“Ajia Group”	API, NASA, NASAC, Mr. Tsang and all companies controlled from time to time by API (excluding iSteelAsia)
“Ajia Parties”	NASAC and Mr. Tsang
“Announcement”	the joint announcement dated 19 May 2005 issued by iSteelAsia and Ajia Parties in relation to the Proposals
“API”	Ajia Partners Inc., a company incorporated in the Cayman Islands
“associates”	has the meaning ascribed to it in the GEM Listing Rules
“Assured Allotment Letter(s)”	the assured allotment letter enclosed with this Prospectus for use by the Qualifying Shareholders to apply for the Offer Shares
“BMA”	the Bermuda Monetary Authority
“business day”	a day on which banks in Hong Kong are open for general business other than a Saturday or Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is hoisted in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon
“Bye-laws”	the bye-laws of the Company in force from time to time
“Capital Reduction”	the reduction of the issued share capital of iSteelAsia by way of the cancellation of the paid-up capital to the extent of HK\$9.99 on each issued Consolidated Share such that the par value of all the issued Consolidated Shares being reduced from HK\$10.0 each to HK\$0.01 each
“Capital Reorganisation”	the capital reorganisation of iSteelAsia involving the Share Consolidation, the Capital Reduction, the Share Premium Reduction and the Share Restoration

DEFINITIONS

“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Companies Act”	the Companies Act 1981 of Bermuda
“Consolidated Share(s)”	the share(s) of HK\$10.0 each in the share capital of iSteelAsia arising from the Share Consolidation
“Conversion Shares”	up to 127,713,920 New Shares which may fall to be issued if the principal amount of the Convertible Bonds is converted in full at the initial conversion price of HK\$0.1566 per New Share
“Convertible Bonds”	convertible bonds, with face value of HK\$20.0 million, to be issued by iSteelAsia to the Ajia Parties pursuant to the Subscription Agreement, which are convertible into New Shares at an initial conversion price of HK\$0.1566 per Conversion Share (subject to adjustment)
“Deed of Indemnity”	a conditional guarantee and indemnity deed dated 19 May 2005 and made amongst Huge Top, Mr. Andrew Yao, iSteelAsia and the Ajia Parties in conjunction with the Subscription
“Enlarged Share Capital”	the enlarged issued share capital of iSteelAsia after the Capital Reorganisation and the completion of the Open Offer and Subscription but before any conversion of the Convertible Bonds
“Excess Application Form(s)”	the form(s) of application for excess Offer Shares enclosed with this Prospectus to be used by the Qualifying Shareholders in relation to the Open Offer
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making relevant enquiry as required under the GEM Listing Rules, consider their exclusion from the Open Offer to be necessary or expedient on account either of the legal restrictions under the law of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“Executive”	the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director

DEFINITIONS

“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Committee”	the listing sub-committee of the board of the Stock Exchange with responsibility for GEM
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Huge Top”	Huge Top Industrial Ltd., a company incorporated in the British Virgin Islands of which Mr. Andrew Yao is a controlling shareholder owning directly and indirectly an aggregate of 54.77% of the entire issued share capital thereof. As at the Latest Practicable Date, Huge Top directly and indirectly owns an aggregate of 6,242,049 New Shares, which represents approximately 39.09% of the issued capital of iSteelAsia
“Independent Shareholders”	Shareholders other than VSC BVI, TN, Huge Top, Right Action Offshore Inc., Mr. Tsang, their respective associates and concert parties, and any other parties interested or involved in the Proposals (other than only by virtue of their interest in assured allotments pursuant to the Open Offer)
“iSteelAsia” or “Company”	iSteelAsia Holdings Limited, a company incorporated in Bermuda with limited liability, the Shares of which are listed on GEM
“iSteelAsia Board” or “Board”	the board of iSteelAsia Directors
“iSteelAsia Director(s)” or “Director(s)”	director(s) of iSteelAsia
“iSteelAsia Group” or “Group”	iSteelAsia and its subsidiaries
“Latest Practicable Date”	19 July 2005, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus

DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Thursday, 4 August 2005 or such other date as may be agreed between the Company and the Underwriter, being the latest time for acceptance of the Offer Shares
“Mr. Andrew Yao”	Mr. Andrew Cho Fai Yao, an executive director and chairman of iSteelAsia and Van Shung Chong
“Mr. Tsang”	Mr. Tsang Moses Kwok Tai
“NASA”	North Asia Strategic Advisors, a company incorporated in the Cayman Islands
“NASAC”	North Asia Strategic Acquisition Corp., a company incorporated in the Cayman Islands
“New Share(s)”	existing share(s) of HK\$0.01 each in the share capital of iSteelAsia after the Capital Reorganisation became effective on 15 July 2005
“Offer Price”	the subscription price of HK\$0.1566 per Offer Share pursuant to the Open Offer
“Offer Shares”	New Shares to be issued under the Open Offer on the basis described herein
“Open Offer”	the issue of the Offer Shares on the basis of one Offer Share for every New Share held by the Qualifying Shareholders on the Record Date at the Offer Price
“Options”	the 52,750,000 options granted by iSteelAsia pursuant to the share option scheme approved by the Shareholders on 13 April 2000, each conferring on the grantee thereof the right to subscribe for one Share at exercise prices of either HK\$0.36 or HK\$0.485 (subject to adjustment)
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of iSteelAsia on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong
“Posting Date”	21 July 2005, being the date on which the Prospectus Documents are despatched to the Qualifying Shareholders

DEFINITIONS

“Proposals”	the Capital Reorganisation, the Open Offer and the Subscription together with the Whitewash Waiver and related matters as set out in the Announcement and circular dated 20 June 2005
“Prospectus”	this prospectus dated 21 July 2005
“Prospectus Documents”	this Prospectus, the Assured Allotment Letter and the Excess Application Form
“Qualifying Shareholder(s)”	Shareholder(s) other than the Excluded Shareholder(s)
“Record Date”	being 21 July 2005, the date by reference to which entitlements under the Open Offer has been determined
“Registrar”	Computershare Hong Kong Investor Services Limited, the branch registrar of the Company in Hong Kong
“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong)
“SGM”	the special general meeting of iSteelAsia held on 14 July 2005 at which, among other matters, the Capital Reorganisation, the Open Offer, the Subscription and the grant of the Whitewash Waiver were approved
“Share(s)”	share(s) of HK\$0.10 each in the share capital of iSteelAsia before the Capital Reorganisation became effective on 15 July 2005 or, if the context requires, New Share(s) of HK\$0.01 each in the share capital of iSteelAsia after the Capital Reorganisation became effective on 15 July 2005
“Share Consolidation”	the consolidation of every 100 issued and unissued Shares into one Consolidated Share
“Share Premium Reduction”	the cancellation of the entire amount standing to the credit of the share premium account of iSteelAsia as at 31 March 2005

DEFINITIONS

“Share Restoration”	the reduction of the nominal value of all the unissued Consolidated Shares of HK\$10.0 each to HK\$0.01 each within iSteelAsia’s authorised share capital, by way of (i) cancellation of all the authorised but unissued share capital of iSteelAsia, including the authorised but unissued share capital arising from the Capital Reduction, and (ii) an increase in the authorised share capital of iSteelAsia back to its original amount of HK\$400,000,000 by the creation of the requisite number of New Shares of HK\$0.01 each
“Shareholder(s)”	holder(s) of Share(s) or New Share(s), as the context may require
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription by the Ajia Parties of the Subscription Shares and the Convertible Bonds pursuant to the Subscription Agreement
“Subscription Agreement”	the conditional subscription agreement dated 19 May 2005 entered into between iSteelAsia, NASAC, Mr. Tsang and Huge Top in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.1566 per Subscription Share pursuant to the Subscription Agreement
“Subscription Shares”	a total of 63,856,960 New Shares to be issued to the Ajia Parties as subscribers pursuant to the Subscription Agreement
“TN”	TN Development Limited, a company incorporated in the British Virgin Islands
“Underwriting Agreement”	the agreement dated 19 May 2005 between iSteelAsia and the Underwriter relating to the underwriting and other arrangements in respect of the Open Offer
“Underwritten Shares”	based on the number of Shares in issue as at the Latest Practicable Date, a maximum of 12,958,618 Offer Shares (being all the Offer Shares less those Offer Shares which will be allotted to VSC BVI and which have been undertaken to be subscribed by it)

DEFINITIONS

“Van Shung Chong”	Van Shung Chong Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange
“VSC BVI” or “Underwriter”	Van Shung Chong (B.V.I.) Limited, a wholly-owned subsidiary of Van Shung Chong and a substantial Shareholder holding approximately 18.9% of the issued share capital of iSteelAsia as at the Latest Practicable Date and the underwriter to the Open Offer
“Whitewash Waiver”	a waiver of the obligation of the Ajia Parties to make a mandatory offer for all the New Shares under Rule 26 of the Hong Kong Code on Takeovers and Mergers as a result of the issue of the Subscription Shares to the Ajia Parties
“HK\$”	Hong Kong Dollars

iSteelAsia
iSteelAsia Holdings Limited
(亞鋼集團有限公司)*
(Incorporated in Bermuda with limited liability)
(Stock Code: 8080)

Executive Directors:

Mr. Andrew Cho Fai Yao (*Chairman*)
Mr. Desmond Hay Ching Fu

Non-Executive Director:

Mr. David Michael Faktor

Independent Non-Executive Directors:

Mr. Philip King Huen Ma
Mr. Kennedy Ying Ho Wong
Mr. Kenny King Ching Tam

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Head Office and Principal

Place of Business:
Rooms 4902-8, Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

21 July 2005

To the Shareholders

Dear Sir or Madam,

**OPEN OFFER OF 15,968,878 NEW SHARES ON THE BASIS OF
ONE OFFER SHARE FOR EACH NEW SHARE
HELD BY THE QUALIFYING SHAREHOLDERS ON THE RECORD DATE**

INTRODUCTION

With reference to the Announcement, the announcement issued by iSteelAsia dated 8 June 2005 and the circular dated 20 June 2005, iSteelAsia proposed to raise approximately HK\$2.5 million (before expenses) by issuing 15,968,878 Offer Shares at a subscription price of HK\$0.1566 per Offer Share by way of the Open Offer, payable in full on acceptance, on the basis of one Offer Share for each New Share held by Qualifying Shareholders on the Record Date. The Open Offer will not be available to the Excluded Shareholder in Australia.

At the SGM, all of the resolutions, including those in respect of, inter alia, the Open Offer, the Subscription and the Whitewash Waiver were approved by the Independent Shareholders.

* For identification purpose only

LETTER FROM THE BOARD

The purpose of this Prospectus is to provide you with further information regarding the Open Offer, including information on dealings in and application for the Offer Shares, and certain financial and other information in respect of the iSteelAsia Group.

OPEN OFFER

On 19 May 2005, the Company entered into the Underwriting Agreement with the Underwriter in respect of the Open Offer. Details of the Open Offer are set out below:

Basis of Open Offer:	One Offer Share for each New Share held by the Qualifying Shareholders on the Record Date on an assured basis.
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Number of New Shares in issue upon the Capital Reorganisation taking effect:	15,968,878 New Shares
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Number of Offer Shares:	15,968,878 Offer Shares
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Subscription Price:	HK\$0.1566 per Offer Share
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As at the Latest Practicable Date, iSteelAsia had no outstanding options, debentures or warrants which are convertible into New Shares.

Offer Price

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

- (i) a discount of approximately 95.8% to the theoretical ex-entitlement price of HK\$3.7283 per New Share (based on the closing price of HK\$0.073 per Share as quoted on GEM on 19 April 2005, being the last day on which the Shares were traded immediately preceding the publication of the Announcement);
- (ii) a discount of approximately 47.8% to the unaudited net asset value per New Share of the iSteelAsia Group as at 31 December 2004 (before any allowance for the expenses of the Proposals) of approximately HK\$0.30;
- (iii) a premium of approximately 17.0% to the audited net asset value per New Share of the iSteelAsia Group as at 31 March 2005 (before any allowance for the expenses of the Proposals) of approximately HK\$0.1338;

LETTER FROM THE BOARD

- (iv) a discount of approximately 97.9% to the closing price of HK\$7.3 per New Share (based on the closing price of HK\$0.073 per Share) as quoted on GEM on 19 April 2005, being the last day on which the Shares were traded immediately preceding the publication of the Announcement;
- (v) a discount of approximately 98.0% to the average closing price of HK\$7.85 per New Share (based on the average closing price of HK\$0.0785 per Share as quoted on GEM for the last ten trading days up to and including 19 April 2005);
- (vi) a discount of approximately 77.6% to the closing price of HK\$0.7 per New Share as quoted on GEM on the Latest Practicable Date; and
- (vii) a discount of approximately 82.4% to the ten day average closing price (up to and including the Latest Practicable Date) of HK\$0.89 per New Share.

Status of the Offer Shares

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

Dealings in the Offer Shares will be subject to the payment of the applicable stamp duty, Stock Exchange trading fee, the SFC transaction levy, investor compensation levy or any other applicable fees and charges in Hong Kong.

Qualifying Shareholders

iSteelAsia will send the Prospectus Documents to Qualifying Shareholders on the Posting Date. iSteelAsia will send the Prospectus to the Excluded Shareholder in Australia for his/her information only, but will not send the Assured Allotment Letter and Excess Application Form to him/her.

To qualify for the Open Offer, Shareholders must at the close of business on the Record Date:

- (i) be registered members of iSteelAsia; and
- (ii) have addresses in Hong Kong on the register of members of iSteelAsia or, in the case of Shareholders having addresses outside Hong Kong, only if the Board has obtained advice to the effect that the offer to those Shareholders of the Offer Shares under the Open Offer would not contravene any legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place.

LETTER FROM THE BOARD

Rights of Overseas Shareholders

As the Prospectus Documents have not been and will not be registered or filed under the applicable securities or equivalent legislation of any jurisdictions other than Hong Kong and Bermuda, the Overseas Shareholders will not be entitled to take part in the Open Offer unless after making relevant enquiries, the iSteelAsia Board is advised that there is no restriction in the relevant jurisdiction to extend the Open Offer to them.

Based on iSteelAsia's register of members on the Record Date, there were one Shareholder with registered address in British Virgin Islands holding 145,000 New Shares (representing approximately 0.91% of the total issued New Shares), three Shareholders with registered addresses in Singapore holding 3,015 New Shares (representing approximately 0.02% of the total issued New Shares), one Shareholder with registered address in Australia holding 9 New Shares (representing approximately 0% of the total issued New Shares) and four Shareholders with registered address in the People's Republic of China holding 13,000 New Shares (representing approximately 0.08% of the total issued New Shares).

The iSteelAsia Board has made enquiries as to whether the issue of Offer Shares to such Overseas Shareholders may contravene the applicable legislation of the relevant jurisdictions in which the Overseas Shareholders are situated and was advised that while there are legal restrictions in Australia if the Open Offer were made to the Overseas Shareholder in Australia, there is no restriction in other relevant jurisdictions to extend the Open Offer to the Overseas Shareholders in those jurisdictions. Accordingly, the Open Offer will not be extended to the Overseas Shareholder in Australia who is the only Excluded Shareholder based on the register of members of the Company as at the Record Date.

Based on enquiries made and advice obtained from the relevant jurisdictions in which the Overseas Shareholders are situated, the Directors have formed the view that it would be expedient to exclude from the Open Offer the Excluded Shareholder in Australia on the grounds of potential legal restrictions in such jurisdiction and the prohibitive cost of determining and complying with the regulations in such jurisdiction which is likely to exceed materially any potential benefit to iSteelAsia of doing so. Therefore, iSteelAsia will send the Prospectus to the Excluded Shareholder in Australia for his/her information only. Qualifying Shareholders will be able to apply for the Offer Shares for which such Excluded Shareholder would otherwise have been entitled to apply.

LETTER FROM THE BOARD

No trading in nil-paid allotments

Under the Open Offer, there will not be trading in nil-paid allotments of Offer Shares. Any Offer Shares not taken up by the Qualifying Shareholders will be taken up by the Underwriter pursuant to the Underwriting Agreement at the Offer Price, which is at a discount to the prevailing market price of the New Shares. As a result, the shareholding interest of those Qualifying Shareholders not taking up the Offer Shares in the Company will be diluted.

UNDERWRITING ARRANGEMENTS

VSC BVI is interested in 3,010,260 New Shares, representing approximately 18.9% of the existing issued share capital of iSteelAsia as at the Latest Practicable Date and is therefore a connected person of iSteelAsia. VSC BVI has irrevocably undertaken to iSteelAsia to take up in full the 3,010,260 Offer Shares to which it will be entitled under the Open Offer.

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

Underwriting Agreement

Date: 19 May 2005

Underwriter: VSC BVI, which is an investment holding company
whose ordinary business does not include
underwriting of securities

Number of Offer Shares	Offer Shares which VSC BVI	
underwritten and	has undertaken to apply for	3,010,260
undertaken to apply for:		
	Underwritten Shares	<u>12,958,618</u>
		<u>15,968,878</u>

Commission: HK\$1,000

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

LETTER FROM THE BOARD

TERMINATION OF THE OPEN OFFER

The Underwriting Agreement contains provisions entitling the Underwriter to terminate its obligations thereunder if at any time prior to 4:00 p.m. on the date of the allotment of the Offer Shares there comes to the notice of the Underwriter, that:

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

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

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

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

CONDITIONS OF THE UNDERWRITING AGREEMENT

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

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

LETTER FROM THE BOARD

- (iii) the Capital Reorganisation becoming unconditional and effective in all respects on or before the Posting Date;
- (b) the Subscription Agreement becoming unconditional in all respects other than any condition therein requiring the Open Offer to be completed on or before the date on which dealings commence in the Offer Shares;
- (c) the granting of the Whitewash Waiver by the Executive on or before the date on which dealings commence in the Offer Shares;
- (d) the delivery to the Stock Exchange of two copies of the Prospectus Documents duly certified in accordance with the relevant requirements of the Companies Ordinance, and the issue by the Stock Exchange of a certificate of authorisation of registration on or before the Posting Date;
- (e) the delivery to and registration by the Registrar of Companies in Hong Kong of one copy of each of the Prospectus Documents (duly signed by or on behalf of iSteelAsia Directors in accordance with section 342C of the Companies Ordinance), together with any other documents required by such section to be attached thereto on or before the Posting Date;
- (f) the filing of one copy of each of the Prospectus Documents with the Registrar of Companies in Bermuda in accordance with the Companies Act on or before the Posting Date; and
- (g) the GEM Listing Committee granting or agreeing to grant (subject to allotment) listing of, and permission to deal in, the New Shares, the Offer Shares, the Subscription Shares and the Conversion Shares which may be issued upon any exercise of the conversion rights under the Convertible Bonds, on or before the date on which dealings commence in the Offer Shares.

As at the Latest Practicable Date, conditions (a) and (c) have been fulfilled and listing approval has been obtained in respect of the New Shares arising from the Capital Reorganisation.

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

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SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of iSteelAsia as at the Latest Practicable Date and the shareholding structures after completion of the Open Offer but before completion of the Subscription, and after completion of the Open Offer and the Subscription (but before any exercise of the conversion rights attaching to the Convertible Bonds).

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

Shareholders	Existing shareholding as at the Latest Practicable Date		Upon completion of the Open Offer but before completion of the Subscription*		Upon completion of the Open Offer and Subscription	
	<i>New Shares</i>	<i>%</i>	<i>New Shares</i>	<i>%</i>	<i>New Shares</i>	<i>%</i>
VSC BVI	3,010,260	18.9	18,979,138	59.4	18,979,138	19.8
TN (<i>Note 1</i>)	1,633,676	10.2	1,633,676	5.1	1,633,676	1.7
Huge Top (<i>Note 2</i>)	1,598,113	10.0	1,598,113	5.0	1,598,113	1.7
Right Action Offshore Inc. (<i>Note 3</i>)	1,024,000	6.4	1,024,000	3.2	1,024,000	1.1
The Ajia Parties:						
NASAC	—	—	—	—	44,163,474	46.1
Mr. Tsang	509,400	3.2	509,400	1.6	20,202,886	21.1
Sub-total	509,400	3.2	509,400	1.6	64,366,360	67.2
Public	8,193,429	51.3	8,193,429	25.7	8,193,429	8.5
Total	15,968,878	100.0	31,937,756	100.0	95,794,716	100.0

* These figures are shown for illustrative purposes only. The Open Offer is expected to be completed simultaneously with the Subscription.

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

Shareholders	Existing shareholding as at the Latest Practicable Date		Upon completion of the Open Offer but before completion of the Subscription*		Upon completion of the Open Offer and Subscription	
	New Shares	%	New Shares	%	New Shares	%
VSC BVI	3,010,260	18.9	6,529,920	20.5	6,529,920	6.8
TN (Note 1)	1,633,676	10.2	3,267,352	10.2	3,267,352	3.4
Huge Top (Note 2)	1,598,113	10.0	3,196,226	10.0	3,196,226	3.3
Right Action Offshore Inc. (Note 3)	1,024,000	6.4	2,048,000	6.4	2,048,000	2.2
The Ajia Parties:						
NASAC	—	—	—	—	44,163,474	46.1
Mr. Tsang	509,400	3.2	509,400	1.6	20,202,886	21.1
Sub-total	509,400	3.2	509,400	1.6	64,366,360	67.2
Public	8,193,429	51.3	16,386,858	51.3	16,386,858	17.1
Total	15,968,878	100.0	31,937,756	100.0	95,794,716	100.0

* These figures are shown for illustrative purposes only. The Open Offer is expected to be completed simultaneously with the Subscription.

Notes:

1. TN is owned as to 54% by VSC BVI, as to 10% by Mr. Andrew Yao and as to 5% by Mr. Tsang. All the Shares held by TN are, or are intended to be, the subject of options exercisable, in certain circumstances, by designated employees and founding members pursuant to the share option agreements and the revenue option agreements, respectively as disclosed in iSteelAsia's prospectus dated 14 April 2000. The sole purpose of TN is to provide an avenue to motivate iSteelAsia's employees and founding members while at the same time not incurring any dilution effect to the public investors of iSteelAsia.
2. Huge Top is owned as to more than one-third by Mr. Andrew Yao, and directly holds approximately 47.05% of the issued share capital of Van Shung Chong. Huge Top directly holds approximately 10.01% of the issued share capital of iSteelAsia. Huge Top, through VSC BVI, indirectly holds approximately 18.85% of the issued share capital of iSteelAsia and, through its indirect deemed interest through TN, holds approximately 10.23% of the issued share capital of iSteelAsia. Therefore, in aggregation, Huge Top directly and indirectly owns approximately 39.10% of the issued share capital of iSteelAsia.
3. Right Action Offshore Inc. is beneficially and wholly owned by Mr. Andrew Yao.

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MAINTAINING THE LISTING OF iSTEELASIA

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

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

REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

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

The iSteelAsia Group made an audited loss attributable to Shareholders of approximately HK\$25.7 million for the financial year ended 31 March 2004, and an audited loss attributable to Shareholders of approximately HK\$10.4 million for the financial year ended 31 March 2005. During the financial year ended 31 March 2005, turnover of the iSteelAsia Group continued to decrease when compared to the financial year ended 31 March 2004, which is principally due to the lasting adverse effect of the PRC government's continuous macro-trenchment policies to limit the excessive investments in several overheated industries including the steel, aluminium, automobile and cement industries as well as the real estate sector. To achieve better allocation of the iSteelAsia Group's financial resources, the iSteelAsia Group has put efforts into selected higher margin steel products with a view to bringing greater return to Shareholders. The iSteelAsia Board considers that there remain uncertainties and price volatility due to unanticipated macro-control measures executed by the PRC government. In light of the tough macro-economic environment under which the iSteelAsia

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Group is operating, the iSteelAsia Group will continue its path to increase shareholders' value by continuing to enhance its revenue base, rationalise and streamline its resources and corporate structure to optimise operational efficiency, build a sound customer base for future growth. To this end, the iSteelAsia Board is of the view that the Proposals would improve the iSteelAsia Group's balance sheet and financial position and allow the iSteelAsia Group to leverage the experience and resources of the Ajia Parties to strengthen its business prospects by exploring new investment opportunities so as to put the iSteelAsia Group in a much more sound position to meet different challenges in future. The iSteelAsia Board considers that the Open Offer and the Subscription are part and parcel of the Proposals and that the Open Offer would allow the Qualifying Shareholders to participate in the Proposals on equal terms as the Ajia Parties. In view of the financial performance of the iSteelAsia Group and the tough macro-economic environment under which the iSteelAsia Group is operating, the iSteelAsia Directors consider that it is difficult for iSteelAsia to raise sufficient funding by means of share placements. Therefore, the iSteelAsia Directors consider that the Proposals are in the interests of iSteelAsia and the Shareholders as a whole.

The estimated proceeds (before netting of expenses) from the Open Offer and the Subscription will be approximately HK\$32.5 million. Approximately HK\$2.5 million will be derived from the Open Offer and approximately HK\$30 million will be derived from the Subscription. The estimated proceeds (net of expenses) from the Open Offer and the Subscription will be approximately HK\$30.2 million. iSteelAsia plans to use approximately HK\$4.2 million as general working capital for the iSteelAsia Group and approximately HK\$26 million to finance future investments should suitable opportunities arise and subject to the results of a review of the business operations and financial position of the iSteelAsia Group conducted by the Ajia Parties after completion of the Proposals. The iSteelAsia Board is of the view that the Subscription would give the iSteelAsia Group financial flexibility and enable it to maintain a cash reserve to capture investment opportunities should they arise.

As stated in the circular dated 20 June 2005, the Ajia Parties intend to explore opportunities in the acquisition of strategic, possibly controlling, stakes in companies with strong cash flow in growth sectors such as the consumer, industrial, technology, media and telecommunications businesses and have commenced preliminary evaluation of possible investment targets. The Directors have been informed by the Ajia Parties that these possible investment targets include a Hong Kong based distributor of internationally known garment machinery and a PRC-based distributor of mobile phone handset. Due diligence work on the investment targets are still in progress, which may conclude shortly after completion of the Subscription. No definitive agreements on the terms of the investments have been reached. Should these or other investments materialise, iSteelAsia shall comply with the requirements of the GEM Listing Rules where applicable.

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES AND SHARE TRANSACTION DURING THE 12 MONTHS PRECEDING THE LATEST PRACTICABLE DATE

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

BUSINESS REVIEW AND OUTLOOK OF THE GROUP

As mentioned in iSteelAsia's annual report, the audited consolidated turnover of the iSteelAsia Group for each of the two years ended 31 March 2005, amounted to approximately HK\$1,429.4 million and approximately HK\$859.7 million respectively. The decrease in the turnover for the year ended 31 March 2005 as compared with the same period of the preceding year is mainly due to the lasting adverse effect of the PRC central government's continuous austerity policies to limit the excessive investments in several overheated industries including the steel, aluminium, automobile and cement industries as well as the real estate sector. The iSteelAsia Group recorded an audited loss attributable to the Shareholders for each of the two years ended 31 March 2004 and 31 March 2005, amounted to approximately HK\$25.7 million and approximately HK\$10.4 million respectively. The operational profitability was not achieved mainly due to the continued challenging operating environment caused by the volatility in the steel prices and the selective austerity measures implemented by the PRC central government during the financial year ended 31 March 2005. The loss per Share for each of the two years ended 31 March 2004 and 31 March 2005 are HK\$0.0163 and HK\$0.0065.

As mentioned in iSteelAsia's annual report, given the current difficult operating environment coupled with an interest rate uptrend, there is an imminent need for iSteelAsia to strengthen its financial position, including its balance sheet and cash flow, and also explore additional business models to enhance the revenue base of the Group thus maximizing return to the Shareholders. The iSteelAsia Board has seriously considered certain fund raising exercises and introducing new strategic partners. The iSteelAsia Board is of the view that such exercise would improve the iSteelAsia Group's balance sheet and financial position and in addition allow the iSteelAsia Group to leverage the experience and resources of the new coming strategic partner to strengthen the iSteelAsia Group's business prospects by exploring new investment opportunities so as to put iSteelAsia in a much more sound position to meet different challenges in future. On 19 May 2005, iSteelAsia entered into an agreement for the Proposals for the expansion of the capital base of iSteelAsia and the introduction of the Ajia Parties as the new controlling shareholder of iSteelAsia. In order to understand the reasons for the Proposals, the Shareholders are advised to refer to the information contained in the section headed "Reasons for the Open Offer and use of proceeds" of this letter.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALING IN THE NEW SHARES

The New Shares have been dealt with on an ex-entitlement basis from Monday, 18 July 2005. If the Underwriter terminates the Underwriting Agreement, or the conditions of the Open Offer are not fulfilled, the Open Offer will not proceed. Shareholders and the public are advised to exercise caution when dealing in the New Shares, and if Shareholders are in any doubt about their position, they should consult their professional advisers.

The Open Offer may or may not proceed. Shareholders and interested investors are reminded to exercise caution when dealing in the New Shares. iSteelAsia will make an appropriate announcement in the event that the Open Offer does not proceed.

LISTINGS AND DEALINGS

Application has been made to the GEM Listing Committee of the Stock Exchange for the listing for, and permission to deal in, the Offer Shares which may be issued pursuant to the Open Offer. Dealings in the Offer Shares are expected to commence on 10 August 2005. No part of the securities of iSteelAsia are listed or dealt in on any stock exchange other than the Stock Exchange, nor is the listing of, or permission to deal in, iSteelAsia's securities on any other stock exchange being or proposed to be sought.

Subject to the granting of a listing of, and permission to deal in, the Offer Shares on GEM, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares on GEM or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading date 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.

Dealings in the Offer Shares will be subject to payment of the applicable stamp duty, Stock Exchange trading fee, SFC transaction levy and an investor compensation levy in Hong Kong.

PERMISSION OF THE BERMUDA MONETARY AUTHORITY

Permission under the Exchange Control Act 1972 of Bermuda (and regulations made thereunder) has been received from the BMA in respect of the issue of shares in the Company (which would include the Offer Shares) to persons regarded as non-residents of Bermuda for exchange control purposes subject to the requirement that the shares of the Company are listed on the Stock Exchange. In granting such permission the BMA accepts no responsibility for the financial soundness of the Group or for the correctness of any statements made or opinions expressed in the Prospectus Documents.

LETTER FROM THE BOARD

PROCEDURES FOR ACCEPTANCE

An Assured Allotment Letter is enclosed with this Prospectus which entitles you to accept any number of Offer Shares provisionally allotted to you. Qualifying Shareholders should note that they may accept any number of Offer Shares but are assured of an allotment only up to the number set out in the Assured Allotment Letter. If you are a Qualifying Shareholder and you wish to accept your assured allotment of Offer Shares to which you are entitled as specified in the enclosed Assured Allotment Letter or you wish to accept any number less than your assured entitlement, you must complete, sign and lodge the Assured Allotment Letter in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of Offer Shares you have accepted with the Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 4 August 2005. **All remittances must be made in Hong Kong dollars and cheques or cashier's orders must be drawn on a bank account in Hong Kong and made payable to "iSteelAsia Holdings Limited — Open Offer Account" and crossed "Account Payee Only".**

It should be noted that unless the Assured Allotment Letter, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Thursday, 4 August 2005, that assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated in accordance with its terms and conditions, the subscription monies will be refunded, without interest, by sending a cheque made out to the relevant Shareholders named on the Assured Allotment Letter (or in the case of joint Shareholders, to the first named Shareholder) and crossed "Account Payee Only", through ordinary post at the risk of the relevant Shareholder(s) to the address specified in the register of members of the Company on Monday, 8 August 2005.

The Assured Allotment Letter contains full information regarding the procedures to be followed if you wish to accept only part of your assured entitlements under the Open Offer.

All cheques or cashier's orders will be presented for payment upon receipt and all interest earned on such moneys (if any) will be retained for the benefit of the Company. Any Assured Allotment Letter in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected, and in that event the assured entitlement and all rights thereunder will be deemed to have been declined and will be cancelled.

The Assured Allotment Letter is for use only by the person(s) named therein and is not transferable.

No receipt will be issued in respect of any acceptance monies received.

LETTER FROM THE BOARD

APPLICATION FOR EXCESS OFFER SHARES

In addition to their pro rata assured allotments of one Offer Share for every New Share held, Qualifying Shareholders who apply for their assured allotment will be able to apply at the Offer Price for the Offer Shares which are not applied for by other Qualifying Shareholders, including the Offer Shares which would have been offered to the Excluded Shareholder in Australia.

Applications for excess Offer Shares may be made by completing the Excess Application Form. Excess Offer Shares shall be allocated at the Board's discretion on a fair and equitable basis to Qualifying Shareholders who have validly applied for their assured allotments and for excess Offer Shares but with a preference being given to applications that will round holdings to integral numbers of full board lots.

If you are a Qualifying Shareholder and you wish to apply for excess Offer Shares in addition to your assured allotment of Offer Shares to which you are entitled as specified in the enclosed Assured Allotment Letter, you must complete, sign and lodge the Excess Application Form in accordance with the instructions printed thereon, together with remittance for the aggregate subscription price in respect of such number of excess Offer Shares you have applied with the Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by not later than 4:00 p.m. on Thursday, 4 August 2005. All remittances must be made in Hong Kong dollars and cheques or cashier's order must be drawn on a bank account in Hong Kong and made payable to "iSteelAsia Holdings Limited — Open Offer Account" and crossed "Account Payee Only". Computershare Hong Kong Investor Services Limited will notify you of any allotment of the excess Offer Shares made to you, which allotment will be allocated on a fair and reasonable basis to be decided at the sole discretion of the Directors.

It should be noted that unless the Excess Application Form, together with the appropriate remittance, have been lodged with the Registrar by not later than 4:00 p.m. on Thursday, 4 August 2005, the Excess Application Form is liable to be rejected.

If the conditions of the Underwriting Agreement are not fulfilled or the Underwriting Agreement is terminated in accordance with its terms and conditions or no excess Offer Shares are allotted to you, the subscription monies for excess Offer Shares will be refunded, without interest, by sending a cheque made out to the relevant Shareholder named on the Excess Application Form (or in the case of joint Shareholders, to the first named Shareholder) and crossed "Account Payee Only", through ordinary post at the risk of the relevant Shareholder(s) to the address specified in the register of members of the Company on Monday, 8 August 2005.

All cheques or cashier's orders will be presented for payment upon receipt and all interest earned on such moneys (if any) will be retained for the benefit of the Company. Any Excess Application Form in respect of which the cheque or cashier's order is dishonoured on first presentation is liable to be rejected.

LETTER FROM THE BOARD

The Excess Application Form is for use only by person(s) named therein and is not transferable.

No receipt will be issued in respect of any monies received for application of excess Offer Shares.

The Excess Application Form contains full information regarding the procedures to be followed if you wish to apply for excess Offer Shares in addition to your assured allotment under the Open Offer.

SHARE CERTIFICATES AND REFUND CHEQUES

Subject to the fulfillment of the conditions of the Open Offer, certificates for the Offer Shares and refund cheques in respect of unsuccessful excess application (if any) are expected to be sent by ordinary post on or before Monday, 8 August 2005 to those who have accepted/applied and paid in full for the Offer Shares at their own risk.

GENERAL

Your attention is drawn to the information contained in the appendices to this Prospectus.

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

1. SHARE CAPITAL

The authorised and issued share capital of iSteelAsia as at the Latest Practicable Date were as follows:

		HK\$
<i>Authorised:</i>		
40,000,000,000	New Shares	400,000,000
<i>Issued and fully paid:</i>		
15,968,878	New Shares	159,688

The authorised and issued share capital of iSteelAsia following completion of the Proposals will be as follows:

		HK\$
<i>Authorised:</i>		
40,000,000,000	New Shares	400,000,000
<i>Issued and fully paid:</i>		
15,968,878	New Shares arising from the Capital Reorganisation	159,688
15,968,878	Offer Shares to be issued under the Open Offer	159,688
63,856,960	Subscription Shares to be issued under the Subscription	638,569
95,794,716		957,945

All the New Shares rank pari passu in all respects including all rights as to dividends, voting and capital. All the New Shares to be in issue following completion of the Open Offer will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

Under the terms of the Company’s share option scheme approved by the Shareholders on 13 April 2000 (the “Old Scheme”), the iSteelAsia Board may at their discretion, invite any full-time employees of the Company or any of the companies of the Group, including any executive Directors, to take up Options to subscribe for Shares. The Old Scheme became effective upon the listing of the Shares on 20 April 2000 and was terminated on 10 June 2002. At the SGM, an ordinary resolution was passed whereby all Options granted under the Old Scheme were cancelled.

A new share option scheme has been adopted by the Company since 10 June 2002 (the “New Scheme”) to replace the Old Scheme to comply with the current statutory requirements. The Company may grant options to the participants as set out in the New Scheme. Up to the Latest Practicable Date, no options have been granted pursuant to the New Scheme. Any options to be granted under the New Scheme will be unlisted and will represent physically settled equity derivatives.

2. SUMMARY OF FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the iSteelAsia Group for the three years ended 31 March 2005 as extracted from the relevant annual reports of iSteelAsia is set out below:

RESULTS

	Year ended 31 March		
	2003	2004	2005
	HK\$'000	HK\$'000	HK\$'000
Turnover	811,142	1,429,443	859,685
Profit/(Loss) before taxation	8,464	(25,042)	(4,497)
Taxation	(1,840)	(889)	(5,946)
Profit/(Loss) before minority interests	6,624	(25,931)	(10,443)
Minority interests	(34)	220	—
Profit/(Loss) attributable to Shareholders	6,590	(25,711)	(10,443)
Profit/(Loss) per Share (HK cents)			
— Basic	0.42	(1.63)	(0.65)

ASSETS AND LIABILITIES

	As at 31 March		
	2003	2004	2005
	(audited)	(audited)	(audited)
	HK\$'000	HK\$'000	HK\$'000
Total assets	338,718	387,187	165,748
Total liabilities	(324,033)	(374,542)	(163,611)
Shareholders' equity	14,685	12,645	2,137

The iSteelAsia Group did not declare any dividend in respect of the three years ended 31 March 2005.

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following is the reproduction of the audited financial statements of the iSteelAsia Group for the year ended 31 March 2005 as extracted from the iSteelAsia's annual report 2005:

Consolidated Profit and Loss Account

For the year ended 31st March 2005

		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	3	859,685	1,429,443
Cost of sales		(828,580)	(1,390,654)
Gross profit		31,105	38,789
Other revenue	3	1,239	1,078
Selling and distribution expenses		(7,494)	(7,891)
General and administrative expenses		(25,139)	(28,682)
Gain on disposal of investments, net	13	911	—
Impairment loss of an investment		—	(20,414)
Loss on disposal of subsidiaries, net	25(c)	(63)	—
Operating profit/(loss)	4	559	(17,120)
Finance costs	5	(5,056)	(7,922)
Loss before taxation		(4,497)	(25,042)
Taxation	8	(5,946)	(889)
Loss after taxation but before minority interests		(10,443)	(25,931)
Minority interests		—	220
Loss attributable to shareholders	9	(10,443)	(25,711)
Loss per share — Basic	10	HK(0.65) cents	HK(1.63) cents

APPENDIX I FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

Balance Sheets

As at 31st March 2005

		Consolidated		Company	
		2005	2004	2005	2004
	Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Non-current assets					
Fixed assets	11	1,411	2,922	—	—
Website development costs	12	21	43	—	—
Long-term investment	13	780	2,136	—	2,136
Deferred tax assets	20	—	4,483	—	—
Investments in subsidiaries	14	—	—	1	1
Total non-current assets		2,212	9,584	1	2,137
Current assets					
Short-term investment	13	—	23,400	—	—
Inventories	15	94,936	131,082	—	—
Deposits for purchase of inventories		27,387	89,321	—	—
Prepayments, deposits and other receivables		7,893	12,735	30	53
Accounts and bills receivable	16	3,977	31,193	—	—
Pledged bank deposits	17	16,080	34,439	13,049	13,645
Cash and other bank deposits	17	13,263	55,433	12	3,961
Total current assets		163,536	377,603	13,091	17,659
Current liabilities					
Short-term bank borrowings	18	(24,360)	(51,426)	—	—
Accounts and bills payable	2 & 19	(121,018)	(284,445)	—	—
Other payables		(1,807)	(517)	—	—
Accruals		(5,634)	(2,082)	(71)	(50)
Receipts in advance		(5,256)	(30,065)	—	—
Taxation payable		(5,536)	(6,007)	—	—
Total current liabilities		(163,611)	(374,542)	(71)	(50)
Net current (liabilities)/assets		(75)	3,061	13,020	17,609
Non-current liabilities					
Amounts due to subsidiaries	14	—	—	(3,907)	(4,702)
Net assets		2,137	12,645	9,114	15,044

APPENDIX I

FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

	<i>Note</i>	Consolidated		Company	
		2005	2004	2005	2004
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Representing:					
Share capital	21	159,659	159,638	159,659	159,638
Reserves	24	<u>(157,522)</u>	<u>(146,993)</u>	<u>(150,545)</u>	<u>(144,594)</u>
Shareholders' equity		<u>2,137</u>	<u>12,645</u>	<u>9,114</u>	<u>15,044</u>

Consolidated Cash Flow Statement

For the year ended 31st March 2005

		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Operating activities			
Net cash (outflow)/inflow generated from operations	25(a)	(52,162)	55,554
Interest received		580	657
Interest paid		(5,056)	(7,922)
Mainland China enterprise income tax paid		(2,096)	(704)
Mainland China enterprise income tax refunded		473	324
		<u> </u>	<u> </u>
Net cash (outflow)/inflow from operating activities		<u>(58,261)</u>	<u>47,909</u>
Investing activities			
Dividend received from an investment		659	421
Increase in long-term investment		(780)	—
Proceeds from disposal of investments		26,447	—
Proceeds from disposal of subsidiaries, net of cash disposed of	25(c)	(1,396)	—
Additions of fixed assets		(191)	(1,021)
Proceeds from disposal of fixed assets		129	142
Additions of website development costs		(5)	(17)
Decrease/(Increase) in pledged bank deposits		18,359	(34,439)
Translation adjustments		(86)	(48)
		<u> </u>	<u> </u>
Net cash inflow/(outflow) from investing activities		<u>43,136</u>	<u>(34,962)</u>
Net cash (outflow)/inflow before financing activities		<u>(15,125)</u>	<u>12,947</u>

APPENDIX I FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

		2005	2004
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Financing activities	<i>25(b)</i>		
Issue of ordinary shares		21	68
New short-term bank loans		6,615	68,480
Repayment of short-term bank loans		(9,450)	(62,857)
Net decrease in trust receipts bank loans		(24,231)	(11,331)
Distribution paid to minority shareholders of a subsidiary		—	(1,114)
		<hr/>	<hr/>
Net cash outflow from financing activities		<u>(27,045)</u>	<u>(6,754)</u>
 (Decrease)/Increase in cash and cash equivalents		 (42,170)	 6,193
 Cash and cash equivalents, beginning of year		 <hr/> 55,433	 <hr/> 49,240
 Cash and cash equivalents, end of year	<i>25(d)</i>	 <u><u>13,263</u></u>	 <u><u>55,433</u></u>

Consolidated Statement of Changes in Equity
For the year ended 31st March 2005

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Balance as at beginning of year		12,645	13,351
Loss attributable to shareholders	24	(10,443)	(25,711)
Translation adjustments	24	(86)	(48)
Change in fair value of a long-term investment	24	548	1,451
Realisation of investment revaluation reserve upon disposal of a long-term investment	24	(548)	—
Investment revaluation reserve transferred to profit and loss account upon recognition of impairment loss of a long-term investment		—	20,414
Proceeds from issue of ordinary shares	21	<u>21</u>	<u>3,188</u>
Balance as at end of year		<u><u>2,137</u></u>	<u><u>12,645</u></u>

Notes to the Accounts

1. Principal accounting policies

The principal accounting policies adopted in the preparation of these accounts are set out below:

(a) *Basis of preparation*

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention except that investments are stated at fair value.

The HKICPA issued a number of new and revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards (“new HKFRSs”) which are effective for accounting periods beginning on or after 1st January 2005. The Group has not early adopted these new HKFRSs in the accounts for the year ended 31st March 2005. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a significant impact on its results of operations and financial position.

(b) *Basis of consolidation*

The consolidated accounts include the accounts of the Company and its subsidiaries.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Any significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the disposal and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill and any related cumulative foreign currency translation adjustments.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

(c) *Subsidiaries*

Subsidiaries are those entities in which the Company, directly or indirectly, controls more than one half of the voting power; has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors, or to cast majority votes at the meetings of the board of directors.

In the Company’s balance sheet, investments in subsidiaries are stated at cost less accumulated impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) *Contractual joint ventures*

A contractual joint venture is an entity established between the Group and one or more other parties for a pre-determined period of time, with the rights and obligations of the joint venture partners being governed by a contract. If the Group is able to govern and control the financial and operating policies of the contractual joint venture so as to obtain benefits from its activities, such joint venture is considered as a subsidiary and is accounted for as such.

(e) *Fixed assets and depreciation*

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Major expenditures on modifications and betterments of fixed assets which will increase their future economic benefits are capitalised, while expenditures on repairs and maintenance are expensed when incurred. Fixed assets are depreciated on a straight-line basis at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives. The principal annual rate is 20%.

The depreciation methods and useful lives are reviewed periodically to ensure that the methods and rates of depreciation are consistent with the expected pattern of economic benefits from fixed assets.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce that asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

The gain or loss on disposal of a fixed asset is the difference between the net disposal proceeds and the then carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) *Website development costs*

Costs directly associated with the development of specific websites, which include external direct costs of materials and services consumed in developing or obtaining an internal-use website, are capitalised. The capitalisation of such costs ceases no later than the point at which the websites are substantially completed and ready for their intended purpose. Website development costs are amortised on a straight-line basis over a period of three years, which represents the expected useful life of the website. The Company's Directors and the Group's management review and evaluate the recoverability of the carrying value of website development costs periodically by reference to certain external factors, including, but not limited to, anticipated future revenue to be generated from the website and changes in technology.

Research and other development costs relating to website development and website maintenance costs are expensed as incurred.

(g) *Investments*

Investments, which are held for non-trading purpose, are stated at fair value at the balance sheet date. Changes in fair value of individual investments are credited or debited to the investment revaluation reserve until the investments are sold or otherwise disposed of or until the investments are determined to be impaired. Upon disposal, the cumulative gain or loss, representing the difference between the net disposal proceeds and the carrying amount

of the relevant investments, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account. When there is objective evidence that individual investments are impaired, the cumulative loss recorded in the investment revaluation reserve is taken to the profit and loss account.

(h) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, comprises materials, direct labour and an appropriate proportion of all production overhead expenditure. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

(i) *Accounts receivable*

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(j) *Deferred taxation*

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(k) *Provisions*

Provisions are recognised when the Group has a present obligation, legal or constructive, as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed regularly and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain.

(l) *Contingent liabilities and contingent assets*

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(m) *Revenue recognition*

Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group. Revenue is recognised on the following bases:

(i) *Sales revenue*

Revenue from sales of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(ii) *Commission from procurement and online steel trading services*

Commission from procurement and online steel trading services is recognised when the services are rendered.

(iii) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(iv) *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Advance payments received from customers prior to delivery of goods and provision of services are recorded as receipts in advance.

(n) *Employee benefits*

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group's contributions to defined contribution retirement schemes are expensed as incurred.

(o) *Borrowing costs*

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the profit and loss account in the period in which they are incurred.

(p) *Operating leases*

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the relevant leases.

(q) *Foreign currency translation*

Individual companies within the Group maintain their books and records in the primary currencies of their respective operations (“functional currencies”). In the accounts of the individual companies, transactions in other currencies during the year are translated into the functional currencies at the applicable rates of exchange prevailing at the time of the transactions; monetary assets and liabilities denominated in other currencies are translated into the respective functional currencies at the applicable rates of exchange in effect at the balance sheet date. Exchange gains or losses are dealt with in the profit and loss account of the individual companies.

The Group prepares consolidated accounts in Hong Kong dollars. For the purpose of consolidation, all assets and liabilities of subsidiaries with functional currencies other than Hong Kong dollars are translated into Hong Kong dollars at the applicable rates of exchange in effect at the balance sheet date; all income and expense items are translated at the applicable average exchange rates during the year. Exchange differences arising from such translation are dealt with as movements of cumulative foreign currency translation adjustments.

(r) *Segment reporting*

In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of all of fixed assets, inventories, receivables and other operating assets. Segment liabilities consist primarily of all of the Group’s operating liabilities. Capital expenditure comprises additions to fixed assets, website development costs and short-term/long-term investments.

In respect of geographical segment reporting, turnover is based on the destination of delivery of goods or the location for the provision of services. Total assets and capital expenditure are classified where the assets are located.

(s) *Cash and cash equivalents*

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, cash investments with a maturity of three months or less from date of investment and bank overdrafts.

2. Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

- (a) The Group purchased inventories of approximately HK\$399,246,000 (2004: HK\$155,716,000) from Van Shung Chong Hong Limited (“VSCHL”), a related company, during the year ended 31st March 2005, and had an outstanding payable to VSCHL of approximately HK\$118,843,000 as at 31st March 2005 (2004: HK\$205,611,000) of which approximately HK\$115,453,000 (2004: HK\$198,417,000) was overdue. VSCHL has granted to the Group a normal credit period and has agreed not to demand repayment of overdue balances but charges interest on such balances based on commercial lending rates.
- (b) Details of significant transactions with related parties were:

Name of related party/Nature of transaction	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Van Shung Chong Hong Limited (<i>i</i>)		
— Purchases made by the Group (<i>Note 2(a)</i>)	399,246	155,716
— Commission from procurement services earned by the Group	2,221	1,894
— Interest charged to the Group (<i>Note 2(a)</i>)	3,380	5,672
— Administrative fees charged to the Group	360	360
CFY Enterprises Limited (<i>i</i>)		
— Rental expense charged to the Group	<u>162</u>	<u>198</u>

Note:

- (i) Van Shung Chong Hong Limited and CFY Enterprises Limited are wholly owned by Van Shung Chong (B.V.I.) Limited, a substantial shareholder of the Company.
- (c) The amounts due to related companies arising from transactions described in Note 2(b) were included in accounts payable. Details of such balances are as follows:

Name of related company	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Van Shung Chong Hong Limited (<i>i</i>)	<u>118,843</u>	<u>205,611</u>

Note:

- (i) The balance is unsecured, repayable within ordinary credit term and bore interest at commercial lending rates for overdue balances.

3. Turnover and revenues

Revenues recognised are as follows:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Sales revenue	854,564	1,416,236
Commission from procurement and online steel trading services	5,121	13,207
Total turnover	859,685	1,429,443
Dividend income	659	421
Interest income	580	657
	1,239	1,078
Total revenues	860,924	1,430,521

4. Operating profit/(loss)

Operating profit/(loss) is determined after charging and crediting the following items:

	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
After charging—		
Staff costs (including directors' emoluments) (<i>Note 6</i>)	9,416	15,232
Operating lease rental in respect of premises paid to		
— a related company (<i>Note 2(b)</i>)	162	198
— others	990	1,656
Loss on disposal of an listed investment (<i>Note 13</i>)	194	—
Loss on disposal of a subsidiary (<i>Note 25(c)</i>)	263	—
Depreciation of fixed assets	1,016	1,069
Loss on disposal of fixed assets	87	118
Amortisation of website development costs	27	892
Write-off of and provision for bad and doubtful debts	1,761	439
Provision for inventories	1,448	420
Auditors' remuneration	500	438
After crediting—		
Gain on disposal of an unlisted investment (<i>Note 13</i>)	1,105	—
Gain on disposal of a subsidiary (<i>Note 25(c)</i>)	200	—
Dividend income from an unlisted investment	659	421
Interest income from bank deposits	580	657
Net exchange gain	328	376

5. Finance costs

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	1,676	2,250
Interest on amount due to a related company (<i>Note 2(b)</i>)	3,380	5,672
	<u>5,056</u>	<u>7,922</u>

6. Staff costs (including directors' emoluments)

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and allowances	7,947	12,556
Bonus	1,238	2,376
Pension costs — defined contribution schemes (<i>Note 27</i>)	231	300
	<u>9,416</u>	<u>15,232</u>

7. Directors' and senior executives' emoluments

(a) Directors' emoluments

	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees for independent non-executive directors	60	20
Fees for non-executive directors	11	15
Other emoluments for executive directors		
— Salaries and allowances	1,855	3,863
— Discretionary bonuses	—	1,440
— Retirement contributions	—	21
	<u>1,926</u>	<u>5,359</u>

During the year ended 31st March 2005, Mr. Andrew Cho Fai Yao waived his emolument of approximately HK\$636,000 (2004: HK\$636,000).

No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the years ended 31st March 2005 and 2004.

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Analysis of directors' emoluments by number of directors and emolument ranges is as follows:

	2005	2004
Executive directors		
— Nil to HK\$1,000,000	2	2
— HK\$1,500,001 to HK\$2,000,000	1	1
— HK\$2,000,001 to HK\$2,500,000	—	1
Non-executive directors		
— Nil to HK\$1,000,000	2	4
Independent non-executive directors		
— Nil to HK\$1,000,000	3	3
	<u>8</u>	<u>11</u>

For the year ended 31st March 2005, the executive directors received individual emoluments of approximately HK\$1,855,000 (2004: HK\$1,806,000), Nil (2004: HK\$480,000), Nil (2004: HK\$546,000) and Nil (2004: HK\$2,492,000). The non-executive directors and independent non-executive directors received individual fees of approximately HK\$10,000 (2004: HK\$10,000), HK\$1,000 (2004: HK\$10,000), HK\$10,000 (2004: HK\$6,000), Nil (2004: HK\$4,000), Nil (2004: HK\$4,000), HK\$10,000 (2004: HK\$1,000) and HK\$40,000 (2004: Nil).

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one director (2004: two directors) whose emoluments are reflected in the analysis presented in Note 7(a) above. The emoluments paid/payable to the remaining four (2004: three) individuals were as follows:

	2005 HK\$'000	2004 HK\$'000
Basic salaries and allowances	2,191	1,925
Bonuses	—	553
Retirement contributions	24	36
	<u>2,215</u>	<u>2,514</u>

The emoluments fell within the following band:

	2005	2004
Nil to HK\$1,000,000	<u>4</u>	<u>3</u>

8. Taxation

The Company is exempted from taxation in Bermuda until 2016.

No Hong Kong profits tax has been provided as the Group had no assessable profit arising in or derived from Hong Kong.

APPENDIX I FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

The subsidiaries established in Mainland China are subject to Mainland China enterprise income tax at rates ranging from 15% to 33% (2004: 15% to 33%).

The amount of taxation charged to the consolidated profit and loss account represents:

	2005 HK\$'000	2004 HK\$'000
The Company and subsidiaries —		
Current taxation		
Hong Kong profits tax	—	—
Mainland China enterprise income tax		
— Current year	1,988	6,262
— Overprovisions in prior years	(525)	(890)
Deferred taxation relating to the origination and reversal of temporary differences	4,483	(4,483)
	<u>5,946</u>	<u>889</u>

The taxation on the Group's loss before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, the home country of the Group, and the reconciliation was as follows:

	2005 HK\$'000	2004 HK\$'000
Loss before taxation	<u>(4,497)</u>	<u>(25,042)</u>
Calculated at Hong Kong profits tax rate of 17.5% (2004: 17.5%)	(787)	(4,382)
Effect of		
— different tax rates in other jurisdictions	479	146
— income not subject to taxation	(36)	(37)
— expenses not deductible for income tax purposes	338	3,591
— deferred tax assets not recognised	2,043	3,031
— reversal of previously recognised deferred tax assets	4,483	—
— reversal of previously unrecognised deferred tax assets	(49)	(570)
— Overprovisions in prior years	(525)	(890)
Taxation charge	<u>5,946</u>	<u>889</u>

9. Loss attributable to shareholders

The consolidated loss attributable to shareholders included a loss of approximately HK\$5,951,000 (2004: HK\$14,680,000) dealt with in the accounts of the Company.

10. Loss per share

The calculation of basic loss per share for the year ended 31st March 2005 is based on the consolidated loss attributable to shareholders of approximately HK\$10,443,000 (2004: HK\$25,711,000) and the weighted average of approximately 1,596,443,000 (2004: 1,575,758,000) ordinary shares in issue during the year.

No diluted loss per share is presented as the outstanding warrants and share options were anti-dilutive.

11. Fixed assets

Movements were:

	Consolidated 2005			
	Leasehold improvements and furniture	Office equipment	Motor vehicles	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost				
Beginning of year	651	2,415	2,460	5,526
Additions	94	97	—	191
Disposals	(164)	(224)	(145)	(533)
Disposal of subsidiaries (<i>Note 25(c)</i>)	(38)	(75)	(536)	(649)
End of year	543	2,213	1,779	4,535
Accumulated depreciation				
Beginning of year	362	1,626	616	2,604
Charge for the year	143	471	402	1,016
Disposals	(97)	(178)	(42)	(317)
Disposal of subsidiaries (<i>Note 25(c)</i>)	(14)	(34)	(131)	(179)
End of year	394	1,885	845	3,124
Net book value				
End of year	149	328	934	1,411
Beginning of year	289	789	1,844	2,922

12. Website development costs

Movements were:

	Consolidated	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost		
Beginning of year	33,364	33,347
Additions	5	17
End of year	33,369	33,364
Accumulated amortisation and impairment		
Beginning of year	33,321	32,429
Amortisation for the year	27	892
End of year	33,348	33,321
Net book value		
End of year	21	43
Beginning of year	43	918

13. Investments

	Consolidated		Company	
	2005	2004	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Long-term investment				
Listed shares in Hong Kong (i)				
At cost	—	22,550	—	22,550
Change in fair value	—	(20,414)	—	(20,414)
At quoted market value	—	2,136	—	2,136
Unlisted investments, at cost (ii)	780	—	—	—
	780	2,136	—	2,136
Short-term investment				
Unlisted investments (iii)				
At cost	—	25,925	—	—
Accumulated impairment loss	—	(2,525)	—	—
	—	23,400	—	—

Notes:

- (i)

Investment in listed shares represented investment in shares in AcrossAsia Limited (formerly known as AcrossAsia Multimedia Limited), a company incorporated in the Cayman Islands and whose shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. During the year ended 31st March 2005, the Group disposed of its entire investment in AcrossAsia Limited for a consideration of approximately HK\$1,942,000 and recognised a loss of approximately HK\$194,000.
- (ii)

Unlisted investment represents a 10% interest in Foshan Nanhai STS Metal Co., Ltd., a joint venture enterprise established in Mainland China. Foshan Nanhai STS Metal Co., Ltd., is principally engaged in manufacturing, processing and trading of cold rolled stainless steel. The Company’s directors and the Group’s management consider the cost approximates the fair value of this investment at 31st March 2005.
- (iii)

Investment in unlisted shares represented a 3.5% equity interest in Stemcor Holdings Limited (“Stemcor”), a company incorporated in the United Kingdom, which is principally engaged in the trading of steel products and the provision of specialist services to the steel and metals industries. During the year ended 31st March 2005, the Group exercised its put option to sell back its entire equity interest to Stemcor for approximately HK\$24,505,000 and recognised a gain of approximately HK\$1,105,000.

14. Investments in subsidiaries

	Company	
	2005	2004
	HK\$'000	HK\$'000
Unlisted shares, at cost	3,500	3,500
Due from subsidiaries	135,876	130,132
	139,376	133,632
Less: Accumulated impairment losses	(139,375)	(133,631)
	1	1

The amounts due from subsidiaries are unsecured, non-interest bearing and not repayable until the subsidiaries are financially capable to do so.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31st March 2005.

APPENDIX I

FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

Details of the subsidiaries as at 31st March 2005 were:

Name	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity attributable to the Group (i)	Principal activities
Chongqing iSteelAsia Trading Company Limited (ii)	Mainland China	US\$60,000	100%	Trading of steel
Greater China Metal Limited	British Virgin Islands	US\$1	100%	Investment holding
i-AsiaB2B Group Limited (i)	British Virgin Islands	US\$1	100%	Investment holding
ISA (China) Investment Limited	British Virgin Islands	US\$1	100%	Investment holding
ISA Group Holdings Limited	British Virgin Islands	US\$10,000	100%	Investment holding
iSteel Holdings (B.V.I.) Limited	British Virgin Islands	US\$1	100%	Investment holding
iSteel (MT) Holdings Limited	British Virgin Islands	US\$1	100%	Investment holding
iSteelAsia (Hong Kong) Limited	Hong Kong	HK\$2	100%	Operation of an e-commerce vertical portal business for online steel trading
iSteelAsia Limited	British Virgin Islands	US\$10	100%	Operation of an e-commerce vertical portal business for online steel trading
iSteelAsia Logistics Macao Commercial Offshore Company Limited	Macau	MOP100,000	100%	Trading of steel
ISA (South China) Company Limited (ii)	Mainland China	US\$200,000	100%	Trading of steel
iSteelAsia (Stemcor) Holdings Limited	British Virgin Islands	US\$1	100%	Investment holding
MetalAsia Holdings Limited	British Virgin Islands	US\$2,000	100%	Investment holding

Name	Place of incorporation and operations	Issued and fully paid share capital	Percentage of equity attributable to the Group (i)	Principal activities
Metal Logistics Company Limited	Hong Kong	HK\$4	100%	Trading of steel and provision of procurement services
Shanghai iSteelAsia International Limited (ii)	Mainland China	US\$200,000	100%	Trading of steel
Shenzhen iSteelAsia Trading Company Limited (ii)	Mainland China	HK\$2,000,000	100%	Trading of steel
Tianjin iSteelAsia International Limited (ii)	Mainland China	US\$200,000	100%	Trading of steel
Ya Gang Wang Co. Limited	British Virgin Islands	US\$1	100%	Investment holding
Yu Tai Steel (Shanghai) Co. Ltd. (ii)	Mainland China	US\$200,000	100%	Trading of steel

Notes:

- (i)

The shares of i-AsiaB2B Group Limited are held directly by the Company. The shares of the other subsidiaries are held indirectly.
- (ii)

These are wholly foreign owned enterprises established in Mainland China to operate for periods ranging from 10 to 50 years up to 2011 to 2052.

15. Inventories

Inventories consisted of rolled flat steel products for trading purposes. As at 31st March 2005, inventories of approximately HK\$22,499,000 (2004: HK\$7,329,000) were stated at net realisable value.

Certain inventories were held under trust receipts bank loans (Note 30).

16. Accounts and bills receivable

The Group generally requires sales to be settled by cash upon delivery, with some limited cases granting a credit period of not more than 30 to 90 days. Ageing analysis of accounts and bills receivable was as follows:

	Consolidated	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	3,959	29,869
91 to 180 days	3	1,376
181 to 270 days	15	497
271 to 365 days	—	—
Over 365 days	478	2
	<hr/>	<hr/>
	4,455	31,744
<i>Less: Provision for bad and doubtful receivables</i>	(478)	(551)
	<hr/>	<hr/>
	<u>3,977</u>	<u>31,193</u>

17. Cash and bank deposits

As at 31st March 2005, bank deposits of the Group and the Company of approximately HK\$16,080,000 (2004: HK\$34,439,000) and HK\$13,049,000 (2004: HK\$13,645,000), respectively, were pledged as collateral for the Group's banking facilities respectively (*Note 30*).

As at 31st March 2005, cash and bank deposits of the Group of approximately HK\$11,701,000 (2004: HK\$42,448,000) were denominated in Chinese Renminbi, which is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China.

18. Short-term bank borrowings

	Consolidated	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trust receipts bank loans	2,625	26,856
Short-term bank loans	21,735	24,570
	<hr/>	<hr/>
	<u>24,360</u>	<u>51,426</u>

Details of the Group's banking facilities are set out in Note 30.

All of the short-term bank loans were denominated in Chinese Renminbi.

19. Accounts and bills payable

Ageing analysis of accounts and bills payable was as follows:

	Consolidated	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 90 days	18,272	86,032
91 to 180 days	93,467	36,927
181 to 270 days	8,079	56,354
271 to 365 days	—	61,534
1 to 2 years	1,200	43,598
	<u>121,018</u>	<u>284,445</u>

20. Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2004: 17.5%).

The movement on the deferred tax assets, arising primarily from cumulative tax losses, is as follows:

	Consolidated	
	2005	2004
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of year	4,483	—
Deferred taxation (charged)/credited to profit and loss account	<u>(4,483)</u>	<u>4,483</u>
End of year	<u>—</u>	<u>4,483</u>

As at 31st March 2005, the Group had an unprovided deferred tax assets of approximately HK\$22,734,000 (2004: HK\$15,679,000), primarily representing the tax effect of cumulative tax losses (subject to agreement by relevant tax authorities) which can be carried forward indefinitely.

21. Share capital

Movements were:

	2005		2004	
	Number of shares '000	Nominal value HK\$'000	Number of shares '000	Nominal value HK\$'000
Authorised (Ordinary shares of HK\$0.10 each)	<u>4,000,000</u>	<u>400,000</u>	<u>4,000,000</u>	<u>400,000</u>
Issued and fully paid (Ordinary shares of HK\$0.10 each):				
Beginning of year	1,596,384	159,638	1,564,503	156,450
Issue of shares upon exercise of warrants (<i>Note 22</i>)	206	21	681	68
Issue of shares for settlement of payables	<u>—</u>	<u>—</u>	<u>31,200</u>	<u>3,120</u>
End of year	<u>1,596,590</u>	<u>159,659</u>	<u>1,596,384</u>	<u>159,638</u>

22. Warrants

Movements were:

Date of issue	Exercise period	Subscription price per share HK\$	Number of warrants		
			Beginning of year '000	Exercised '000	End of year '000
23rd May 2002	18th June 2002 to 17th June 2005	0.10	<u>312,216</u>	<u>(206)</u>	<u>312,010</u>

On 23rd May 2002, the Company issued approximately 312,900,000 warrants to its shareholders on the basis of one warrant for every five ordinary shares of the Company at no charge. The warrants entitle the holders to subscribe in cash for ordinary shares of HK\$0.10 each in the Company at a subscription price of HK\$0.10 each (subject to adjustment) and are exercisable between 18th June 2002 to 17th June 2005. During the year ended 31st March 2005, 206,000 warrants (2004: 681,000 warrants) were exercised to subscribe for 206,000 shares (2004: 681,000 shares) of the Company at a consideration of approximately HK\$21,000 (2004: HK\$68,000).

23. Share options

The Company has a share option scheme (“the New Scheme”) under which it may grant options to any person being an employee, agent, consultant or representative (including executive directors and non-executive directors) of the Group to subscribe for shares in the Company, subject to a maximum of 30% of the nominal value of the issued share capital of the Company from time to time, excluding for this purpose shares issued on the exercise of options. The exercise price will be determined by the Company’s Board of Directors and shall be the highest of (i) the closing price of the Company’s shares quoted on The Stock Exchange of Hong Kong Limited on the date of grant of the options; (ii) the average closing prices of the Company’s shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the options; and (iii) the nominal value of the Company’s shares of HK\$0.10 each. The New Scheme was adopted to replace an old scheme, with all options granted under the old scheme continue to be exercisable in accordance with the old terms.

Movements of share options were:

Date of grant	Exercise period	Subscription price per share <i>HK\$</i>	Number of share options		
			Beginning of year <i>'000</i>	Lapsed <i>'000</i>	End of year <i>'000</i>
3rd July 2000	1st October 2002 to 12th April 2010	0.360	19,850	(7,500)	12,350
7th November 2000	8th November 2002 to 12th April 2010	0.485	55,400	(13,000)	42,400
			75,250	(20,500)	54,750

APPENDIX I FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

24. Reserves

	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Investment revaluation reserve <i>HK\$'000</i>	Consolidated Cumulative foreign currency translation adjustments <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 1st April 2003	11,099	2,700	(21,865)	153	(135,186)	(143,099)
Loss attributable to shareholders	—	—	—	—	(25,711)	(25,711)
Change in fair value of a long-term investment	—	—	1,451	—	—	1,451
Investment revaluation reserve transferred to profit and loss account upon recognition of impairment loss of a long-term investment	—	—	20,414	—	—	20,414
Translation adjustments	—	—	—	(48)	—	(48)
As at 31st March 2004	11,099	2,700	—	105	(160,897)	(146,993)
Loss attributable to shareholders	—	—	—	—	(10,443)	(10,443)
Change in fair value of a long-term investment	—	—	548	—	—	548
Realised upon disposal of a long-term investment	—	—	(548)	—	—	(548)
Translation adjustments	—	—	—	(86)	—	(86)
As at 31st March 2005	11,099	2,700	—	19	(171,340)	(157,522)

APPENDIX I

FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

	Company			
	Share	Investment	Accumulated	Total
	premium	revaluation	losses	
	HK\$'000	reserve	HK\$'000	HK\$'000
		HK\$'000		
As at 1st April 2003	11,099	(21,865)	(141,013)	(151,779)
Loss attributable to shareholders	—	—	(14,680)	(14,680)
Change in fair value of a long-term investment	—	1,451	—	1,451
Investment revaluation reserve transferred to profit and loss account upon recognition of impairment loss of a long-term investment	—	20,414	—	20,414
As at 31st March 2004	11,099	—	(155,693)	(144,594)
Loss attributable to shareholders	—	—	(5,951)	(5,951)
Change in fair value of a long-term investment	—	548	—	548
Realised upon disposal of a long-term investment	—	(548)	—	(548)
As at 31st March 2005	11,099	—	(161,644)	(150,545)

25. Notes to the consolidated cash flow statement

- (a) Reconciliation of loss before taxation to net cash (outflow)/inflow generated from operations was as follows:

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Loss before taxation		(4,497)	(25,042)
Interest income		(580)	(657)
Interest expense		5,056	7,922
Dividend income		(659)	(421)
Depreciation of fixed assets		1,016	1,069
Loss on disposal of fixed assets		87	118
Amortisation of website development costs		27	892
Loss on disposal of subsidiaries, net	25(c)	63	—
Gain on disposal of investments, net		(911)	—
Impairment loss of an investment		—	20,414
Operating (loss)/profit before working capital changes		(398)	4,295
Decrease in inventories		35,850	24,147
Decrease in prepayments, deposits and other receivables		5,877	6,624
Decrease/(increase) in deposits for purchase of inventories		5,749	(40,089)
Decrease in accounts and bills receivable		23,914	6,232
(Decrease)/increase in accounts and bills payable		(148,697)	52,442
Increase in other payables		10,343	19
Increase in accruals		4,018	210
Increase in receipts in advance		11,182	1,674
Net cash (outflow)/inflow generated from operations		<u>(52,162)</u>	<u>55,554</u>

APPENDIX I FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

(b) Analysis of changes in financing was as follows:

	Share capital and share premium <i>HK\$'000</i>	Short-term bank borrowings <i>HK\$'000</i>
As at 1st April 2003	167,549	57,134
Issue of shares upon exercise of warrants (<i>Note 21</i>)	68	—
Issue of shares for settlement of payables (<i>Note 21</i>)	3,120	—
New short-term bank loans	—	68,480
Repayment of short-term bank loans	—	(62,857)
Net decrease in trust receipts bank loans	—	(11,331)
As at 31st March 2004	170,737	51,426
Issue of shares upon exercise of warrants (<i>Note 21</i>)	21	—
New short-term bank loans	—	6,615
Repayment of short-term bank loans	—	(9,450)
Net decrease in trust receipts bank loans	—	(24,231)
As at 31st March 2005	170,758	24,360

(c) Disposal of subsidiaries:

Details of disposal of subsidiaries were as follows:

	<i>Note</i>	2005 <i>HK\$'000</i>	2004 <i>HK\$'000</i>
Net assets disposed of			
Fixed assets		470	—
Inventories		296	—
Deposits for purchase of inventories		56,185	—
Prepayments, deposits and other receivables		501	—
Accounts and bills receivable		3,302	—
Cash and other bank deposits		2,890	—
Accounts and bills payable		(14,730)	—
Other payables		(9,053)	—
Accruals		(466)	—
Receipts in advance		(35,991)	—
Taxation payable		(311)	—
Net assets		3,093	—
Total consideration		3,030	—
Loss on disposal, net	25(a)	63	—
Satisfied by:			
Other receivables (<i>i</i>)		1,536	—
Cash		1,494	—
		3,030	—

Note:

- (i) The outstanding purchase consideration was included as other receivables as at 31st March 2005, and was settled subsequently.

	2005	2004
	HK\$'000	HK\$'000
Analysis of net cash inflow in respect of disposal of subsidiaries		
Cash consideration received	1,494	—
Less: Cash and cash equivalents disposed of	(2,890)	—
Proceeds from disposal of subsidiaries, net of cash disposed of	(1,396)	—

For the year ended 31 March 2005, the disposed subsidiaries contributed approximately HK\$192,336,000 (2004: HK\$382,277,000) of turnover and approximately HK\$5,176,000 (2004: HK\$5,658,000) of loss attributable to shareholders of the Group.

- (d) Cash and cash equivalents:

Cash and cash equivalents represent cash and other bank deposits of approximately HK\$13,263,000 as at 31st March 2005 (2004: HK\$55,433,000).

26. Segment information

(a) Primary segment

The Group is organised into three major business segments — steel trading, procurement services and investment holding. The steel trading business segment derives revenue from the sale of goods. The procurement services business segment derives commission income from procurement and online steel trading services. The investment holding business segment derives revenue from dividend income. Analysis by business segment is as follows:

	2005			
	Steel trading	Procurement services	Investment holding	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover — Sales to external customers	854,564	5,121	—	859,685
Segment results	(1,654)	604	(62)	(1,112)
Other revenue	578	—	661	1,239
Gain on disposal of investments, net	—	—	911	911
Loss on disposal of subsidiaries, net	(63)	—	—	(63)
Unallocated corporate expenses				(416)
Operating profit				559
Finance costs				(5,056)
Taxation				(5,946)
Loss after taxation but before minority interests				(10,443)
Assets				
Segment assets	164,155	353	780	165,288
Unallocated assets				460
				165,748
Liabilities				
Segment liabilities	(163,235)	—	(71)	(163,306)
Unallocated liabilities				(305)
				(163,611)
Capital expenditure	191	5	780	976
Depreciation and amortisation	1,016	27	—	1,043

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	2004			
	Steel trading	Procurement services	Investment holding	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover — Sales to external customers	<u>1,416,236</u>	<u>13,207</u>	<u>—</u>	<u>1,429,443</u>
Segment results	<u>(2,667)</u>	<u>5,757</u>	<u>(52)</u>	3,038
Other revenue	657	—	421	1,078
Impairment loss of a long-term investment	—	—	(20,414)	(20,414)
Unallocated corporate expenses				<u>(822)</u>
Operating loss				(17,120)
Finance costs				(7,922)
Taxation				<u>(889)</u>
Loss after taxation but before minority interests				<u>(25,931)</u>
Assets				
Segment assets	360,392	859	25,536	386,787
Unallocated assets				<u>400</u>
				<u>387,187</u>
Liabilities				
Segment liabilities	(373,448)	(16)	(50)	(373,514)
Unallocated liabilities				<u>(1,028)</u>
				<u>(374,542)</u>
Capital expenditure	1,021	17	—	<u>1,038</u>
Depreciation and amortisation	1,069	892	—	<u>1,961</u>

APPENDIX I FINANCIAL INFORMATION OF THE iSTEELASIA GROUP

(b) Secondary segment

The Group's activities are conducted predominantly in Hong Kong and Mainland China. Turnover by geographical segments is determined on the basis of the destination of shipment of goods for steel trading, location of service performed for procurement services, location of sellers for online commission income, and location of the short-term/long-term investments for dividend income. Analysis by geographical segment is as follows:

	2005			Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	
Turnover — Sales to external customers	15,280	844,405	—	859,685
Segment results	(586)	4,162	(2,601)	975
Unallocated corporate expenses				(416)
Operating profit				559
Assets	1,891	163,373	484	165,748
Capital expenditure	61	910	5	976
	2004			Total HK\$'000
	Hong Kong HK\$'000	Mainland China HK\$'000	Others HK\$'000	
Turnover — Sales to external customers	39,029	1,390,414	—	1,429,443
Segment results	(21,072)	11,678	(6,904)	(16,298)
Unallocated corporate expenses				(822)
Operating loss				(17,120)
Assets	49,393	311,808	25,986	387,187
Capital expenditure	260	759	19	1,038

27. Pension schemes

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (“the MPF Scheme”), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, each of the Group and its employees make monthly contributions to the scheme generally at 5% of the employees’ earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the employer and employees are subject to a cap of HK\$1,000 and thereafter contributions are voluntary.

As stipulated by rules and regulations in Mainland China, the Group contributes to state-sponsored retirement plans for its employees in Mainland China. The employees contribute approximately 6% to 20% of their basic salaries, while the Group contributes approximately 14% to 22.5% of such salaries and has no further obligations for the actual payment of pensions or post-retirement benefits beyond these contributions. The state-sponsored retirement plans are responsible for the entire pension obligations payable to retired employees.

During the year ended 31st March 2005, the aggregate amount of the Group’s contributions to the aforementioned schemes was approximately HK\$231,000 (2004: HK\$300,000).

28. Operating lease commitments

Total commitments payable under various non-cancellable operating agreements in respect of rented premises are analysed as follows:

	Consolidated	
	2005	2004
	<i>HK\$’000</i>	<i>HK\$’000</i>
Amounts payable		
— Not later than one year	705	683
— Later than one year and not later than five years	322	572
	<u>1,027</u>	<u>1,255</u>

29. Contingent liabilities

As at 31st March 2005, the Company had provided guarantees of approximately HK\$88,725,000 (2004: HK\$146,545,000) to banks in respect of the banking facilities granted to its subsidiaries (*Note 30*). The Company’s Directors and the Group’s management anticipate that no material liabilities will arise from such guarantees which arose in the ordinary course of business.

30. Banking facilities

As at 31st March 2005, the Group had aggregate banking facilities of approximately HK\$88,125,000 (2004: HK\$159,155,000) from several banks for overdrafts, loans, and trade financing. Unused facilities as at the same date amounted to approximately HK\$63,765,000 (2004: HK\$69,691,000). These facilities were secured by:

- (i) pledge of the Group’s and the Company’s bank deposits of approximately HK\$16,080,000 (2004: HK\$34,439,000) and HK\$13,049,000 (2004: HK\$13,645,000), respectively (*Note 17*);
- (ii) inventories held under trust receipts bank loan arrangements (*Note 15*); and
- (iii) guarantees provided by the Company (*Note 29*).

31. Subsequent events

Subsequent to year end, on 19th May 2005, the Company's Board announced that it would put forward to the Company's shareholders to approve, subject to conditions, the following items at an upcoming special general meeting:

- (i) A capital reorganisation, including the following:
- consolidate the Company's every 100 ordinary shares of HK\$0.10 each into one consolidated share of HK\$10.0 and thereafter reduce the Company's issued share capital by way of cancellation of the paid-up capital to the extent of HK\$9.99 on each issued consolidated share such that the par value of all the issued consolidated shares would be reduced from HK\$10.0 each to HK\$0.01 each;
 - increase in the Company's authorised share capital back to its original amount of HK\$400,000,000, by the creation of additional new ordinary share of HK\$0.01 each; and
 - cancel the Company's entire share premium reserve of approximately HK\$11.1 million.

The credits arising from the aforementioned capital reduction of approximately HK\$159.5 million and from the cancellation of the share premium reserve of approximately HK\$11.1 million, totalling approximately HK\$170.6 million, would be transferred to the Company's contributed surplus account which will be used to set off against the Company's accumulated losses which amounted to approximately HK\$161.6 million as at 31st March 2005.

- (ii) An offer to existing shareholders to subscribe new shares of HK\$0.01 each at a subscription price of HK\$0.1566 each, on the basis of one new share for holder of one share after the aforementioned capital reorganisation. The Company would raise an aggregate sum of approximately HK\$2.5 million. Such an offer is underwritten by Van Shung Chong (B.V.I.) Limited, a substantial shareholder holding approximately 18.9% of the Company's equity interest at 31st March 2005.
- (iii) Issue an aggregate of 63,856,960 shares of HK\$0.01 each, after the aforementioned capital reorganisation, to third parties (North Asia Strategic Acquisition Corp. and Mr. Moses Kwok Tai Tsang) at a subscription price of HK\$0.1566 each, raising a total of approximately HK\$10.0 million.
- (iv) Issue convertible and redeemable bonds to third parties (North Asia Strategic Acquisition Corp. and Mr. Moses Kwok Tai Tsang) at face value of HK\$20.0 million. These bonds are non-interest bearing and can be converted into the Company's ordinary shares of HK\$0.01 each at an initial conversion price of HK\$0.1566 each (subject to adjustments) at any time, or have the right to request the Company to redeem the whole or in part of the outstanding bonds from December 2007 to the date which is five years after the date of issue.
- (v) The Company's name will be changed to North Asia Strategic Holdings Limited.

32. Approval of accounts

The accounts were approved by the board of directors on 9th June 2005.

4.

(I)

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

For illustrative purpose only, the following statement of unaudited pro forma consolidated net tangible assets of the Group has been prepared to illustrate the effect of the Open Offer on the consolidated net tangible assets of the Group as at 31 March 2005, assuming the Open Offer had taken place on 31 March 2005. As this statement of unaudited pro forma consolidated net tangible assets is prepared for illustrative purpose only, after taking into account of the foregoing and because of its nature, it may not purport to represent what the consolidated net tangible assets of the Group are upon completion of the Open Offer.

The following statement of unaudited pro forma consolidated net tangible assets of the Group is prepared based on the audited consolidated balance sheet of the Group as at 31 March 2005 extracted from the Company’s annual report for the year ended 31 March 2005 and adjusted for the financial effect of the Open Offer.

	Audited consolidated net assets of the Group as at 31 March 2005 HK\$'000 (a)	Audited consolidated net tangible assets of the Group as at 31 March 2005 HK\$'000 (a)	Estimated net proceeds HK\$'000	Unaudited pro forma consolidated net tangible assets of the Group HK\$'000	Unaudited pro forma consolidated net tangible asset value of the Group per New Share HK cents
Before completion of the Open Offer	<u>2,137</u>	<u>2,116</u>			13.25(d)
Based on the Offer Price of HK\$0.1566 per Offer Share	<u>2,137</u>	<u>2,116</u>	1,900 (b)	<u>4,016</u>	12.57 (c)

- (a) The consolidated net assets of the Group is extracted from the audited accounts of the Group for the year ended 31 March 2005. As at 31 March 2005, the consolidated net assets of the Group included website development costs of approximately HK\$21,000 which is considered as an intangible asset and was adjusted to arrive at the consolidated net tangible assets of the Group as at 31 March 2005.
- (b) This reflects the net proceeds of approximately HK\$1.9 million from the Open Offer amounting to approximately HK\$2.5 million after deducting estimated expenses of approximately HK\$0.6 million attributable to the Open Offer.
- (c) The calculation is based on the assumption that 31,937,756 New Shares will be in issue upon completion of the Open Offer.
- (d) The calculation is based on 15,968,878 New Shares in issue before completion of the Proposals but after adjusting for the effect of the Share Consolidation.

**(II) REPORT ON THE STATEMENT OF UNAUDITED PRO FORMA
CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong

21 July 2005

The Directors
iSteelAsia Holdings Limited

Dear Sirs,

We report on the statement of unaudited pro forma consolidated net tangible assets of iSteelAsia Holdings Limited (“the Company”) and its subsidiaries (hereinafter collectively referred to as “the Group”) set out on pages 61 and 62 under the heading of “Statement of unaudited pro forma consolidated net tangible assets of the Group” in Appendix I of the Company’s prospectus dated 21 July 2005 in connection with the proposed Open Offer of the Company. The statement of unaudited pro forma consolidated net tangible assets has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed Open Offer might have affected the consolidated net tangible assets of the Group as at 31 March 2005.

RESPONSIBILITIES

It is the responsibility solely of the directors of the Company to prepare the statement of unaudited pro forma consolidated net tangible assets in accordance with paragraph 13 of Appendix 1B and paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“the GEM Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 7.31 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the statement of unaudited pro forma consolidated net tangible assets beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

BASIS OF OPINION

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the Listing Rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustment and discussing the statement of unaudited pro forma consolidated net tangible assets with the directors of the Company.

Our work does not constitute an audit or review in accordance with Statements of Auditing Standards issued by the Hong Kong Institute of Certified Public Accountants, and accordingly, we do not express any such assurance on the statement of unaudited pro forma consolidated net tangible assets.

The statement of unaudited pro forma consolidated net tangible assets has been prepared on the bases set out on pages 61 and 62 for illustrative purpose only and, because of its nature, it may not be indicative of the financial position of the Group at any future date.

OPINION

In our opinion:

- (a) the statement of unaudited pro forma consolidated net tangible assets has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustment is appropriate for the purposes of the statement of unaudited pro forma consolidated net tangible assets as disclosed pursuant to paragraph 7.31 of the GEM Listing Rules.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

5. STATEMENT OF INDEBTEDNESS**(a) Borrowings**

As at the close of business on 31 May 2005, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Prospectus, the iSteelAsia Group had outstanding borrowings of approximately HK\$25,652,000, comprising the following:

- (i) Short-term bank borrowings of approximately HK\$21,735,000. These loans were denominated in Chinese Renminbi and bore interest at rates ranging from approximately 5.5% to 5.6% per annum.
- (ii) Trust receipts bank loans of approximately HK\$3,917,000. These loans were denominated in US Dollars.

(b) Collaterals

The borrowings were secured by:

- (i) pledge of the Group's bank deposits of approximately HK\$16,125,000;
- (ii) inventories held under trust receipts bank loan arrangements; and
- (iii) guarantees provided by the Company.

(c) Contingent liabilities

As at 31 May 2005, the Group had no material contingent liabilities.

(d) Disclaimer

Save as disclosed in the preceding paragraph and apart from intra-group liabilities, at the close of business on 31 May 2005, the Group did not have any loan capital issued and outstanding or agreed to be issued, debt securities or other similar indebtedness, liabilities under acceptance (other than normal trade bills and payables) or acceptance credits, debentures, mortgages, charges, hire purchase or other finance lease commitments, guarantees or other material contingent liabilities.

The Directors have confirmed that there has been no material change in the indebtedness and contingent liabilities of the Group since 31 May 2005.

6. MATERIAL CHANGE

Save for the Capital Reorganisation, the Open Offer, the Subscription and the application for the Whitewash Waiver, the Directors are not aware of any material change in the financial or trading position or prospects of the Group since 31 March 2005, the date to which the latest audited consolidated financial statements of the Group were made up.

7. WORKING CAPITAL

The Directors are of the opinion that after taking into account the existing banking facilities available, the existing cash and bank balances, our internally generated funds and the estimated net proceeds from the Proposals, the Group has sufficient working capital for its present requirements, for the period ending 12 months from the date of this Prospectus.

RESPONSIBILITY STATEMENT

This Prospectus, for which the iSteelAsia Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to iSteelAsia. The iSteelAsia Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

1. the information contained in this Prospectus is accurate and complete in all material respects and not misleading;
2. there are no other matters the omission of which would make any statement in this Prospectus misleading; and
3. all opinions expressed in this Prospectus have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

PARTICULARS OF DIRECTORS

(i) Name	Address
<i>Executive Directors:</i>	
Mr. Andrew Cho Fai Yao (<i>Chairman</i>)	Rooms 4902-8, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Mr. Desmond Hay Ching Fu	Rooms 4902-8, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<i>Non-Executive Director:</i>	
Mr. David Michael Faktor	Rooms 4902-8, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
<i>Independent Non-executive Directors:</i>	
Mr. Philip King Huen Ma	Rooms 4902-8, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Mr. Kennedy Ying Ho Wong	Rooms 4902-8, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong
Mr. Kenny King Ching Tam	Rooms 4902-8, Hopewell Centre 183 Queen's Road East Wanchai, Hong Kong

Proposed Executive Directors (to be appointed after completion of the Proposals):

Mr. Chow Savio Sing Nam	78th Floor The Center 99 Queen’s Road Central Hong Kong
Mr. Cho Henry Kim	78th Floor The Center 99 Queen’s Road Central Hong Kong
Mr. Göran Sture Malm	78th Floor The Center 99 Queen’s Road Central Hong Kong

(ii) Biographical Details of Directors

Executive Directors

Mr. Andrew Cho Fai Yao, aged 39, is the Chairman of the iSteelAsia Board. He primarily focuses on formulating strategic business alliances for the iSteelAsia Group. He has been with the iSteelAsia Group since the formal establishment of the trading operation in April 1997. He graduated from the University of California, Berkeley with a bachelor degree in finance and obtained a master of business administration degree from the Harvard University Graduate School of Business Administration. Mr. Yao has extensive experience in the steel trading business and is the chairman of Van Shung Chong. He serves as a member of Hong Kong Housing Society and the chairman of the construction material for Federation of Hong Kong Industries. He also sits on the Shanghai People’s Political Consultative Conference, deputy chairman of Shanghai Youths Federation, deputy chairman of the Hong Kong United Youth Association Limited and director of the Shanghai Fudan University.

Mr. Desmond Hay Ching Fu, aged 49, is an iSteelAsia Director and the Chief Executive Officer of the iSteelAsia Group. He joined the iSteelAsia Group in May 2000 and is now responsible for managing the iSteelAsia Group's operations. Mr. Fu has over 20 years of experience in China related steel business and investment with several multi-national steel companies including British Steel Corporation (now known as Corus), TradeArbed (now known as Arcelor) and Fletcher Challenge (the biggest private company in New Zealand). Mr. Fu holds a bachelor degree in Civil Engineering with honor from the University of London and a master degree in E-commerce from the University of Hong Kong.

Non-Executive Director

Mr. David Michael Faktor, aged 44, is an iSteelAsia Director. He joined the iSteelAsia Group in February 2004. In November 2000, he was appointed Managing Director International Trading for the Stemcor Group. He has been a director of Stemcor Holdings Limited ("Stemcor") since 1995. Stemcor's principal business is the international distribution of steel. Their worldwide network of offices provides services for all aspects of international steel trading, including marketing, logistics, finance and after sales support. Mr. Faktor is currently based in London, and is responsible for the Stemcor Group's trading activities in the Far East, South Asia, Northern Africa, Middle East, Caribbean and CIS.

Independent Non-executive Directors

Mr. Kennedy Ying Ho Wong, J.P., aged 42, is an iSteelAsia Director. He joined the iSteelAsia Group in August 2003. Mr. Wong is a solicitor and a China Appointed Attesting Officer. He is the managing partner of Philip K.H. Wong, Kennedy Y.H. Wong & Co., Solicitors & Notaries. He is a National Committee Member of the Chinese People's Political Consultative Conference (year 2003-2008). Mr. Wong is also a director of a number of listed companies in Hong Kong.

Mr. Philip King Huen Ma, aged 49, is an iSteelAsia Director. Mr. Ma is the group managing director of The Sincere Company Limited, a listed company on the Stock Exchange. He joined the iSteelAsia Group in March 2000. He is also very active in his community services and was the Chairman of the Hong Kong Retail Management Association ("HKRMA") from 1996-2000. He holds a masters degree in business administration from McMaster University in Canada.

Mr. Kenny King Ching Tam, aged 56, is an iSteelAsia Director. He joined the iSteelAsia Group in September 2004. Mr. Tam is a qualified accountant in Hong Kong and Canada. He is a practising accountant in Hong Kong and is the owner of Kenny Tam & Co., Certified Public Accountants. He is also a registered Insolvency Practitioner of the Official Receiver's Office. He has substantial experience in the accounting and insolvency fields. He serves on a number of advisory committees in the Accountancy and Insolvency Profession and has been active in community work in Hong Kong for many years. Mr. Tam is also an independent non-executive director of a number of listed companies in Hong Kong.

Proposed Executive Directors (to be appointed after completion of the Proposals):

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

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

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

PARTIES INVOLVED IN THE OPEN OFFER AND CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Head office and principal place of business in Hong Kong	Rooms 4902-8, Hopewell Centre 183 Queen’s Road East Wanchai, Hong Kong
Underwriter	VSC BVI Akara Building, 24 De Castro Street, Wickhams Cay 1, P.O. Box 3136, Road Town, Tortola, British Virgin Islands
Legal advisers	<i>On Hong Kong Law:</i> K.C. Ho & Fong 18th Floor, Henley Building 5 Queen’s Road Central Hong Kong <i>On Bermuda law:</i> Conyers Dill & Pearman 2901, One Exchange Square 8 Connaught Place, Central Hong Kong
Auditors	PricewaterhouseCoopers 22nd Floor Prince’s Building Central Hong Kong
Principal bankers	Hang Seng Bank Limited 83 Des Voeux Road Central Hong Kong The Bank of East Asia Limited — Shanghai Branch 1/F., Bank of China Tower 200 Yin Cheng Road Central Pudong New Area Shanghai People’s Republic of China

First Sino Bank — Shanghai Branch
 G/F., New Shanghai International Tower
 360 South Pudong Road
 Shanghai
 People's Republic of China

Banco Weng Hang, S.A. Macau
 241 Avenida de Almeida Riberiro
 Macau

Principal registrar in Bermuda

Butterfield Fund Services (Bermuda) Limited
 Rosebank Centre
 11 Bermudiana Road
 Pembroke
 Bermuda

Branch registrar in Hong Kong

Computershare Hong Kong Investor Services Limited
 Shops 1712-1716, 17th Floor
 Hopewell Centre
 183 Queen's Road East
 Wanchai, Hong Kong

Authorised representatives

Mr. Andrew Cho Fai Yao
 Mr. Desmond Hay Ching Fu

Company secretary

Ms. Tse Sau Wai, *FCS, FCIS*

Qualified accountant

Mr. Ng Pan, *FCPA*

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company and their associates in the New Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions

which they were taken or deemed to have under such provisions of the SFO); or (b) were required pursuant to Section 352 of the SFO to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, were as follows:

Long positions in the New Shares and underlying shares of the Company

Name	Nature of Interest	Attributable interest to the Director	Number of New Shares and approximate % of shareholding	
Mr. Andrew Yao	— Corporate interest held by TN (Note 1)	deemed interest (indirectly)	1,633,676	(10.23%)
	— Corporate interest held by Huge Top (Note 2)	more than one-third (indirectly)	1,598,113	(10.01%)
	— Corporate interest held by VSC BVI (Note 3(a))	through Huge Top (indirectly)	3,010,260	(18.85%)
	— Corporate interest held by VSC BVI (Note 3(b))	through Huge Top (indirectly)	15,968,878	(100%)
	— Corporate interest held by Right Action (Note 4)	100% (directly)	1,024,000	(6.41%)
			<hr/> <hr/> 23,234,927 (145.50%)	

Notes:

1. As at the Latest Practicable Date, TN owns 1,633,676 New Shares. VSC BVI owns 54% of the issued share capital of TN and Mr. Andrew Yao owns 10% of the issued share capital of TN. Mr. Andrew Yao is one of the two directors of TN. These interests of the aforesaid Director 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 14 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 owns 1,598,113 New Shares. Mr. Andrew Yao directly holds approximately 11.91% and indirectly through Perfect Capital International Corp. ("Perfect Capital") owns approximately 42.86% of the issued share capital of Huge Top and is entitled to exercise more than one-third of the voting power at general meetings of Huge Top. Mr. Andrew Yao owns the entire issued share capital of Perfect Capital. Mr. Andrew Yao is one of the two directors of Huge Top. These interests of the aforesaid Director in the securities of the Company were corporate interests.
- 3(a). As at the Latest Practicable Date, VSC BVI owns 3,010,260 New Shares and Huge Top owns approximately 47.05% of the issued share capital of Van Shung Chong. VSC BVI is a wholly-owned subsidiary of Van Shung Chong. Mr. Andrew Yao is one of the two directors from time to time of VSC BVI. These interests of the aforesaid Director in the securities of the Company were corporate interests.
- 3(b). VSC BVI also has a deemed interest in 15,968,878 New Shares by virtue of its interest as the Underwriter in the Underwriting Agreement. Through his interest in Huge Top as described in 3(a) above, Mr. Andrew Yao is deemed to be interested in the 15,968,878 New Shares. These interests of the aforesaid Director in the securities of the Company were corporate interests.
4. As at the Latest Practicable Date, Right Action Offshore Inc. ("Right Action") owns 1,024,000 Shares. Mr. Andrew 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.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and the chief executives of the Company or their respective associates had any interests or short positions in the New Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (include interests and short positions which they have taken or deemed to have under provisions of SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange as referred in Rules 5.46 to 5.67 of the GEM Listing Rules.

PERSONS WHO HAVE INTERESTS OR SHORT POSITIONS WHICH WERE DISCLOSEABLE UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO

As at the Latest Practicable Date, so far as is known to the Directors the following persons (other than the Director and chief executive of the Company whose interests of which were disclosed above) had an interest or short position in the New Shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group together with particulars of any options in respect of such capital:

Long positions

Name	Nature of interest	Number of New Shares and approximate % of shareholding		Notes
<i>Substantial shareholders</i>				
VSC BVI	— directly	3,010,260	(18.85%)	
	— directly (deemed interest through acting as the Underwriter to the Open Offer)	15,968,878	(100%)	
	— indirect deemed interest through TN	1,633,676	(10.23%)	
		<u>20,612,814</u>	<u>(129.08%)</u>	<i>1(a) & 1(b)</i>
Van Shung Chong	— indirectly through VSC BVI	3,010,260	(18.85%)	
	— indirectly through VSC BVI (deemed interest through VSC BVI acting as the Underwriter to the Open Offer)	15,968,878	(100%)	
	— indirect deemed interest through TN	1,633,676	(10.23%)	<i>1(a) & 1(b) & 2(a) & 2(b)</i>
		<u>20,612,814</u>	<u>(129.08%)</u>	

Name	Nature of interest	Number of New Shares and approximate % of shareholding		Notes
Huge Top	— directly	1,598,113	(10.01%)	
	— indirectly through VSC BVI	3,010,260	(18.85%)	
	— indirectly through VSC BVI (deemed interest through VSC BVI acting as the Underwriter to the Open Offer)	15,968,878	(100%)	
	— indirect deemed interest through TN	1,633,676	(10.23%)	
		<u>22,210,927</u>	<u>(139.09%)</u>	<i>1(a) & 1(b), 2(a) & 2(b) & 3(a) & 3(b)</i>
Perfect Capital	— indirectly through Huge Top	1,598,113	(10.01%)	
	— indirectly through VSC BVI	3,010,260	(18.85%)	
	— indirectly through VSC BVI (deemed interest through VSC BVI acting as the Underwriter to the Open Offer)	15,968,878	(100%)	
	— indirect deemed interest through TN	1,633,676	(10.23%)	
		<u>22,210,927</u>	<u>(139.09%)</u>	<i>1(a) & 1(b), 2(a) & 2(b) & 3(a) & 3(b)</i>

Name	Nature of interest	Number of New Shares and approximate % of shareholding		Notes
Ms. Miriam Che Li Yao	— indirect deemed interest through Huge Top	1,598,113	(10.01%)	
	— indirect deemed interest through VSC BVI	3,010,260	(18.85%)	
	— indirectly through VSC BVI (deemed interest through VSC BVI acting as the Underwriter to the Open Offer)	15,968,878	(100%)	
	— indirect deemed interest through TN	1,633,676	(10.23%)	
		22,210,927	(139.09%)	1(a) & 1(b), 2(a) & 2(b), 3(a) & 3(b) & 4(a) & 4(b)
TN	— directly	1,633,676	(10.23%)	5
Mr. Tsang	— directly	59,080,459	(369.97%)	6
	— indirect deemed interest through Oboe Development Trading Limited	509,400	(3.19%)	
		59,589,859	(373.16%)	6
NASAC	— directly	132,490,421	(829.68%)	7
NASA	— indirect deemed interest through NASAC	132,490,421	(829.68%)	7
API	— indirect deemed interest through NASAC	132,490,421	(829.68%)	7 & 8
<i>Other shareholder</i>				
Right Action	— directly	1,024,000	(6.41%)	

Notes:

- 1(a). VSC BVI owns 54% of the share capital of TN and is deemed to be interested in the 1,633,676 New Shares held by TN as at the Latest Practicable Date. VSC BVI directly owns 3,010,260 New Shares as at the Latest Practicable Date. VSC BVI is therefore directly and indirectly interested in an aggregate of 4,643,936 New Shares.
- 1(b). VSC BVI also has a deemed interest in 15,968,878 New Shares by virtue of its interest as the Underwriter in the Underwriting Agreement.
- 2(a). Van Shung Chong owns the entire issued share capital of VSC BVI, Van Shung Chong is therefore deemed to be interested in an aggregate of 4,643,936 New Shares.
- 2(b). VSC BVI also has a deemed interest in 15,968,878 New Shares by virtue of its interest as the Underwriter in the Underwriting Agreement. Through its interest in VSC BVI as described in 2(a) above, Van Shung Chong is deemed to be interested in the 15,968,878 New Shares.
- 3(a). Perfect Capital owns approximately 42.86% of the issued share capital of Huge Top as at the Latest Practicable Date. Huge Top is beneficially interested in approximately 47.05% of the issued share capital of Van Shung Chong as at the Latest Practicable Date and Perfect Capital and Huge Top are therefore deemed to be interested in the 1,633,676 New Shares held by TN and the 3,010,260 New Shares held by VSC BVI as at the Latest Practicable Date. As at the same date, Huge Top also directly owns 1,598,113 New Shares. Huge Top is therefore directly and indirectly interested in an aggregate of 6,242,049 New Shares, and Perfect Capital is indirectly interested in the same aggregate interests.
- 3(b). VSC BVI also has a deemed interest in 15,968,878 New Shares by virtue of its interest as the Underwriter in the Underwriting Agreement. Through its interest Huge Top and indirectly Van Shung Chong and VSC BVI as described in 3(a) above, Perfect Capital is deemed to be interested in the 15,968,878 New Shares.
- 4(a). As at the Latest Practicable Date, Ms. Miriam Che Li Yao is one of the two directors for TN and Huge Top while the remaining director of these two companies is Mr. Andrew Yao who is the brother of Ms. Miriam Che Li Yao. Ms. Miriam Che Li Yao is therefore indirectly interested in an aggregate of 6,242,049 New Shares.
- 4(b). VSC BVI has a deemed interest in 15,968,878 New Shares by virtue of its interest as the Underwriter in the Underwriting Agreement. Through her interest in Huge Top as described in 4(a) above, Ms. Miriam Che Li Yao is deemed to be interested in the 15,968,878 New Shares.
5. 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 14 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.
6. As at the Latest Practicable Date, Mr. Tsang was directly interested in 59,080,459 New Shares. In addition, Oboe Development Trading Limited was directly interested in 509,400 New Shares. As Oboe Development Trading Limited is wholly owned by Mr. Tsang, Mr. Tsang is therefore deemed to be interested in an aggregate of 59,589,859 New Shares.
7. As at the Latest Practicable Date, NASAC was directly interested in 132,490,421 New Shares. As NASA holds the single voting participating share of NASAC, NASA is therefore deemed to be interested in 132,490,421 New Shares.

8. As at the Latest Practicable Date, API wholly owns all the issued shares in NASA, which in turn holds the single voting participating share of NASAC. API is therefore deemed to be interested in 132,490,421 New Shares.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executives of the Company were not aware of any other person (other than the Directors and chief executives of the Company whose interests were disclosed above) who had an interest or short position in the New Shares and underlying shares of the Company which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and/or were directly or indirectly interested in 10% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group together with particulars of any options in respect of such capital.

EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this Prospectus and has given opinion or advice which is contained in this Prospectus:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any shareholding in any member of the iSteelAsia Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the iSteelAsia Group.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any direct or indirect interests in any assets which have been, since 31 March 2005 (being the date to which the latest published audited consolidated accounts of the iSteelAsia Group were made up), acquired or disposed of by or leased to any member of the iSteelAsia Group, or which are proposed to be acquired or disposed of by or leased to any member of the iSteelAsia Group.

PricewaterhouseCoopers has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter as set out in this Prospectus and/or references to its name in the form and context in which it appears respectively.

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had a service contract which is not terminable by the employing company within one year without payment of compensation other than statutory compensation.

MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the Company and/or its subsidiaries within the two years preceding the Latest Practicable Date and are or may be material:

- a. a subscription agreement dated 20 October 2003 entered into by iSteelAsia, AFAC Equity, L.P. and McKinsey & Company Inc. Hong Kong;
- b. the Subscription Agreement;
- c. the Deed of Indemnity; and
- d. the Underwriting Agreement.

MISCELLANEOUS

- The compliance officer of iSteelAsia is Mr. Desmond Hay Ching Fu. Mr. Fu holds a bachelor degree in Civil Engineering with honor from the University of London and a master degree in E-commerce from the University of Hong Kong;
- iSteelAsia has established an audit committee with written terms of reference based upon the guidelines recommended by the Hong Kong Institute of Certified Public Accountants. The duties of the audit committee include reviewing iSteelAsia's annual reports and quarterly reviews and providing advice and comments thereon to the iSteelAsia Board. The audit committee is also responsible for reviewing and supervising iSteelAsia's financial reporting and internal control procedures. The audit committee comprises three independent non-executive iSteelAsia Directors, namely Mr. Philip King Huen Ma, Mr. Kennedy Ying Ho Wong and Mr. Kenny King Ching Tam. Their biographical details have been stated in "Biographical Details of Directors" under "PARTICULARS OF DIRECTORS" in this appendix;
- Save for the Deed of Indemnity of which Mr. Yao is an obligor, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date which was significant in relation to the business of the Group;
- None of the Directors or proposed Directors has any direct or indirect interests in any assets which have been 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 since 31 March 2005, being the date to which the latest published audited consolidated accounts of the Group were made up; and

— The English text of this Prospectus shall prevail over the Chinese text.

EXPENSES

The expenses in connection with the Open Offer, including underwriting commission, printing, registration, translation, legal, professional and accounting charges are estimated to amount to approximately HK\$0.6 million and will be payable by iSteelAsia.

DOCUMENTS REGISTERED BY THE REGISTRAR OF COMPANIES IN HONG KONG AND FILED WITH THE REGISTRAR OF COMPANIES IN BERMUDA

Copies of the Prospectus Documents and the written consent of PricewaterhouseCoopers have been registered with the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance. Copies of the Prospectus Documents have been filed with the Registrar of Companies in Bermuda in accordance with the Companies Act.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours from 9:30 a.m. to 5:30 p.m. (except Saturdays and public holidays) at the principal office of the Company at Rooms 4902-8, Hopewell Centre, 183 Queen's Road East, Hong Kong up to and including 4 August 2005:

- (a) iSteelAsia's memorandum of association and bye-laws;
- (b) the annual reports of iSteelAsia for the three years ended 31 March 2005;
- (c) the report from PricewaterhouseCoopers dated 21 July 2005 on the statement of unaudited proforma consolidated net tangible assets of the Group, the text of which is set out on pages 63 to 64 of this Prospectus;
- (d) the material contracts referred to in the section headed "Material Contracts" in this appendix;
- (e) the written consent referred to under the section headed "Expert and Consent" in this appendix; and
- (f) the circular dated 20 June 2005.