

WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

In preparation for the listing of the Shares on the GEM, the Company has sought a number of waivers from the Stock Exchange in relation to certain requirements under the GEM Listing Rules and the Securities and Futures Commission in relation to certain requirements under the Companies Ordinance. Such waivers are summarised below:

LOCK-UP PERIOD WAIVERS

Initial management shareholder moratorium

After completion of the Reorganisation and immediately prior to the listing of the Shares on the GEM, the following persons will be regarded as initial management shareholders of the Company:

<u>Name of initial management shareholder</u>	<u>Notes</u>	<u>Effective interest in the Company (%)</u>
iMerchants Group Limited		83.75
Asian Gold Associates Limited	(1)	83.75
Galaface Limited	(2)	63.65
Mr. Kung	(2)	63.65
Fame World Limited	(3)	20.10
Ms. Foo	(3)	20.10

(the above persons are collectively referred to as “**Initial Management Shareholders**”)

Notes:

- (1) iMerchants Group Limited is a wholly-owned subsidiary of Asian Gold Associates Limited.
- (2) Galaface Limited, wholly-owned by Mr. Kung, owns 76% of the issued share capital of Asian Gold Associates Limited.
- (3) Fame World Limited, wholly-owned by Ms. Foo, owns 24% of the issued share capital of Asian Gold Associates Limited.

Waiver 1

Each Initial Management Shareholder proposes to undertake to the Company and the Stock Exchange that it will not dispose of or permit the registered holder of such Shares to dispose of any of its direct or indirect interests in the Shares for the First Relevant Lock-up Period.

Pursuant to Rule 13.16 of the GEM Listing Rules, a new applicant shall procure that every initial management shareholder who, immediately prior to the listing date is entitled to exercise or control the exercise of 5% or more of the voting power at general

meetings of the applicant, (i) places in escrow, with an escrow agent acceptable to the Stock Exchange, his relevant securities for a period of two years from the listing date, on terms acceptable to the Stock Exchange; and (ii) undertakes to the applicant and the Stock Exchange that, for a period of two years from the listing date, that initial management shareholder will not, save as under certain specified circumstances set out in Rule 13.17 of the GEM Listing Rules, dispose of (or enter into any agreement to dispose of) or permit the registered holder to dispose of (or enter into any agreement to dispose of) any of its direct or indirect interest in the relevant securities.

A waiver application has been made to the Stock Exchange to exempt each of the Initial Management Shareholders from strict compliance with the moratorium requirements under Rule 13.16 of the GEM Listing Rules and to accept each Initial Management Shareholders giving an undertaking to the Company and the Stock Exchange (i) not to dispose of (nor enter into any arrangement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of their respective direct or indirect interest in the Company during the First Relevant Lock-up Period instead of two years from the date on which the Shares are listed on the GEM and (ii) to place, the appropriate number of its relevant securities (if applicable) in escrow with an escrow agent acceptable to the Stock Exchange during the First Relevant Lock-up Period and the Second Relevant Lock-up Period to the extent appropriate instead of two years from the listing date of the Shares.

The Stock Exchange has granted a waiver to the effect that the moratorium period prescribed in Rule 13.16 of the GEM Listing Rules applicable to the Initial Management Shareholders has been reduced from two years to six months from the listing date of the Shares provided that during the Second Relevant Lock-up Period, the Initial Management Shareholders must not, save as provided in the GEM Listing Rules, dispose of (nor enter into any arrangement to dispose of) nor permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of their respective direct or indirect interest in the Company such that the Initial Management Shareholders would together cease to control less than 35% of the issued share capital of the Company.

Waiver II

BNP Prime Peregrine Securities and iMerchants Group Limited have entered into a stock borrowing arrangement pursuant to which iMerchants Group Limited has agreed to lend up to 43,590,000 Shares held by it to BNP Prime Peregrine Securities. The stock borrowing arrangement entered into between BNP Prime Peregrine Securities and iMerchants Group Limited is to facilitate settlement of over-allocations in connection with the Placing pending exercise of the Over-allotment Option and/or acquisition of Shares in the secondary market. The stock borrowing arrangement would result in non-compliance with Rule 13.16 of the GEM Listing Rules.

The granting of an Over-allotment Option together with the accompanying stock borrowing arrangement is adopted by BNP Prime Peregrine Securities to facilitate the

distribution of the Shares under the Placing. A waiver application has been made on the basis that (1) such stock borrowing arrangement from iMerchants Group Limited will only be effected by BNP Prime Peregrine Securities for settlement of over-allocations in connection with the Placing; (2) the maximum number of Shares borrowed from iMerchants Group Limited will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option; and (3) the same number of Shares will be returned to iMerchants Group Limited or its nominees (as the case may be) no later than three business days following the earlier of (i) the last day on which the Over-allotment Option may be exercised or (ii) the day on which the Over-allotment Option is exercised in full; and (4) that the returned Shares will be placed in escrow as soon as practicable with an escrow agent acceptable to the Stock Exchange.

Company moratorium

Pursuant to Rule 17.29 of the GEM Listing Rules, no further shares or securities convertible into equity securities of a listed issuer (whether or not of a class already listed) may be issued or form the subject to any agreement to issue within the first six months of the date on which securities of the issuer first commence dealings on the GEM, save in respect of any capitalisation issue or any consolidation, sub-division or capital reduction of shares.

The Company and iMerchants Group Limited have entered into a conditional sale and purchase agreement (“iSteelAsia Agreement”) pursuant to which the Company would acquire the interest of iMerchants Group Limited in iSteelAsia. Please refer to the paragraph headed “Acquisition of interest in iSteelAsia” in the “Business” section of this prospectus for further details. Pursuant to the terms of the iSteelAsia Agreement, new Shares will be issued to satisfy the consideration payable by the Company to iMerchants Group Limited under the iSteelAsia Acquisition which would be contrary to the requirements set out in Rule 17.29 of the GEM Listing Rules.

The Company has applied to the Stock Exchange for waiver from strict compliance with Rule 17.29 of the GEM Listing Rules with the moratorium requirements in respect of the above matter and the Stock Exchange has granted such waiver provided that the new Shares to be issued and allotted to iMerchants Group Limited pursuant to the iSteelAsia Acquisition will be subject to a two year moratorium from the date of allotment.

SHARE OPTION SCHEME WAIVERS

The Share Option Scheme was adopted by a resolution in writing passed by shareholders of the Company on 15th March, 2000. Under Rule 23.03(2) of the GEM Listing Rules, the total number of Shares subject to the Share Option Scheme and any other schemes (“Scheme Limit”) must not, in aggregate exceed 10% of the issued share capital of the issuer from time to time.

As a result of an application made on behalf of the Company, the Stock Exchange has granted waiver from strict compliance with Rule 23.03 (2) of the GEM Listing Rules. On this basis, the Company is allowed to increase the Scheme Limit to 30% of the issued share capital of the Company provided that (i) if options are granted to a connected person (as such term is defined in the GEM Listing Rules), the granting of such option will be subject to all independent non-executive Directors' approval and (ii) where options are proposed to be granted to a connected person who is also a substantial shareholder (as such term is defined in the GEM Listing Rules) or any of its associates, and the proposed grant of options, when aggregated with the options already granted to that connected person in the past 12 months period, would entitle him to receive more than 0.1% of the total issued Shares for the time being and the value of which is in excess of HK\$5,000,000, the granting of such option will be subject to independent Shareholders' approval.

The maximum number of Shares in respect of which option may be granted under (i) the Share Option Scheme and (ii) any other share option scheme(s) of the Company (including the Pre-IPO Share Option Plan), shall not in aggregate exceed 10% of the entire issued ordinary share capital of the Company as at the end of the first day on which the dealings of the Shares commence on the GEM or 30% of the entire issued ordinary share capital of the Company on the date of shareholders' approval for refreshment as stated below (as the case may be). In determining the said 30% limit, the following Shares shall be excluded:

- (1) Shares to be issued pursuant to the Share Option Scheme and any other share option schemes; and
- (2) any pro rata entitlements to subscribe for further Shares pursuant to the issue of Shares mentioned in (1) above.

The Company may seek approval from shareholders in general meeting for refreshing the 10% limit or for granting further options beyond the 10% limit, provided that the options in excess of the 10% limit are granted to participants specifically identified by the Company before such approval is sought.

Note:

- (1) In seeking the approval of the shareholders of the Company in general meeting for granting options beyond the 10% limit, the Company shall send a circular to the shareholders and the circular must contain a generic description of the specified participants who will be granted options beyond the 10% limit, the number and terms of the options to be granted, the purpose of granting options to those specified participants and an explanation as to how the terms of the options serve such purpose.

No option may be granted to any one person which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted to him and the said option exceeding 25% of the number of Shares issued and issuable under all the options which may be granted under the Share Option Scheme at the time it is proposed to grant the relevant option to that person.

Please refer to the paragraph headed “Summary of terms of the Share Option Scheme” of appendix IV to this prospectus for further details.

CONNECTED TRANSACTIONS WAIVER

Details of the proposed transactions between the Company or its subsidiaries and members of the iMerchants Group are set out in the paragraph headed “Connected transactions” under the section headed “Relationship with the iMerchants Group”.

After the Reorganisation and upon the listing of the Shares on the GEM, the agreements and arrangements between the Company or its subsidiaries and the iMerchants Group referred to in the paragraph headed “Connected transactions” under the section headed “Relationship with the iMerchants Group” (the “Connected Transactions”) will constitute connected transactions (as defined under the GEM Listing Rules) for the Company, and are expected to continue in the future.

The Directors (including the independent non-executive Directors) and the Sponsor are of the view that the Connected Transactions have been entered into in the ordinary course of business of the Group on normal commercial terms, and the Connected Transactions are fair and reasonable so far as the shareholders of the Company taken as a whole are concerned. As such, certain Connected Transactions constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules and are subject to the reporting requirements set out in Rule 20.34, announcement requirements set out in Rule 20.35 and the shareholders’ approval requirement set out in Rule 20.36 of the GEM Listing Rules. The Directors consider strict compliance with Rule 20.26 of the GEM Listing Rules to be impractical and unduly burdensome. The Company has therefore applied to the Stock Exchange for a waiver from the announcement requirements as set out under Rule 20.35 and the shareholders’ approval requirement set out in Rule 20.36 of the GEM Listing Rules in respect of the Ongoing Connected Transactions for a period of three years commencing from the date of listing of the Shares on the GEM and the Stock Exchange has granted such waiver subject to certain conditions. Please refer to the section headed “Relationship with the iMerchants Group — Ongoing connected transactions” for details of the ongoing connected transactions and the conditional waiver from the Stock Exchange in respect thereof.

PRE-IPO SHARE OPTION PLAN

Under paragraph 10 of the Third Schedule to the Companies Ordinance, this prospectus is required to include the number, description and amount of any Shares which any person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for the Shares subscribed for under it, the consideration (if any) given or to be given for it and the name and address of the person to whom it was given. As at the date of this prospectus, the Company has conditionally granted options to 64 employees of the Group to subscribe for a total of 46,500,000 Shares under the Pre-IPO Share Option Plan and on the terms set out in the paragraph headed “Summary of terms of the Pre-IPO Share Option Plan” in the section headed “Share Option Scheme” in appendix IV to this prospectus.

The Company has applied for a waiver from the Hong Kong Securities and Futures Commission from full compliance with the disclosure requirements of paragraph 10(d) of the Third Schedule to the Companies Ordinance, which requires disclosure of the names and addresses of the persons to whom an option to subscribe for Shares was given, on the ground that full compliance with these requirements would be unduly burdensome for the Company, and the Hong Kong Securities and Futures Commission has granted such a waiver to the Company pursuant to Section 38A of the Companies Ordinance on the conditions that:

1. full details of all the options granted by the Company under the Pre-IPO Share Option Plan to a director, the senior management staff and to other employees who have been granted options entitling them to acquire 1,000,000 Shares or more are disclosed in this prospectus, such details to include all the particulars required under paragraph 10 of the Third Schedule; and
2. a list of all the employees of the Group who have been granted options under the Pre-IPO Share Option Plan (including the persons referred to in paragraph 1 above) containing all the particulars as required under paragraph 10 of the Third Schedule be made available for public inspection in accordance with the paragraph entitled “Documents available for inspection” in appendix V to this prospectus.

Please refer to the paragraph headed “Outstanding options under the Pre-IPO Share Option Plan” in the section headed “Share Option Scheme” in appendix IV to this prospectus for further details of the options referred to above.