

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Securities (Stock Exchange Listing) Rules 1989 of Hong Kong and the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief:

- (a) the information contained in this prospectus is accurate and complete in all material respects and not misleading;
- (b) there are no other matters the omission of which would make any statement in this prospectus misleading; and
- (c) 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.

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised in connection with the Placing to give any information or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Underwriters, their respective directors or any other person involved in the Placing.

THE PLACING

Fully Underwritten

This prospectus is published in connection with the Placing, which is sponsored by BNP Prime Peregrine Capital. **The Placing Shares are fully underwritten by the Underwriters pursuant to the Underwriting Agreement. For further information relating to the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.**

Fixing of the Offer Price

The Placing Shares are being offered at the Offer Price which will be determined in Hong Kong dollars by BNP Prime Peregrine Securities and the Company at or before the Price Determination Time.

If BNP Prime Peregrine Securities and the Company are unable to reach agreement on the Offer Price or a postponement of the Price Determination Time by the Price Determination Time, the Placing will not become unconditional and will lapse.

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The Placing Shares to be offered in certain jurisdictions only

Pursuant to the Placing, it is expected that the Underwriters or selling agents nominated by the Underwriters on behalf of the Company and iMerchants Group Limited shall conditionally place the Placing Shares at the Offer Price. The Placing Shares will be placed with investors in Hong Kong and in certain other jurisdictions.

The Placing is subject to the conditions as stated in the section headed “Structure and conditions of the Placing” of this prospectus.

The distribution of this prospectus and the offering or sale of the Placing Shares in certain jurisdictions are restricted by law. In particular, but without limitation to the foregoing:—

United States

The Shares have not been and will not be registered under the US Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the US Securities Act. Terms used in this paragraph and the following two paragraphs have the meanings given to them by Regulation S of the US Securities Act.

Accordingly, the Placing Shares are being offered and sold only: (i) outside the United States to persons other than US persons as defined in Regulation S in offshore transactions in reliance on, and in compliance with, Regulation S; and (ii) in the United States to a limited number of qualified institutional buyers as defined in Rule 144A in connection with resales by affiliates of BNP Prime Peregrine Securities in the United States in transactions meeting the requirements of Rule 144A.

In addition, until 40 days after the commencement of the Placing, an offer or sale by any dealer of Shares within the United States (whether or not as a part of the Placing) may violate the registration requirements of the Securities Act if such offer or sale is made other than in accordance with Rule 144A or another exemption from the registration requirements of the Securities Act.

United Kingdom

This prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. None of the Company or the Underwriters has offered or sold and, prior to the expiry of six months from the date dealings in the Shares commence on the Stock Exchange, will not offer or sell any Shares in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purpose of their business or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public Offers of Securities Regulations 1995. In addition, no person may issue or pass on to any person in the United Kingdom any document received by

it in connection with the Placing unless that person is of a kind described in Article 11(3) of the Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1996 (as amended) or is a person to whom such document may otherwise lawfully be issued or passed on.

Singapore

This prospectus has not been and will not be registered as a prospectus with the Registrar of Companies and Businesses in Singapore and the Placing Shares will be offered in Singapore pursuant to an exemption invoked under Section 106C of the Companies Act, Chapter 50 of Singapore (the "Singapore Companies Act"). Accordingly, this prospectus and any other document or material in connection with the offer of the Placing Shares may not be circulated or distributed in Singapore, nor may any of the Placing Shares be offered or sold, whether directly or indirectly, nor may any invitation or offer to subscribe for or purchase any Placing Shares be made, whether directly or indirectly, to the public or any member of the public in Singapore other than (i) to an institutional investor or other person specified in Section 106C of the Singapore Companies Act, or (ii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provisions of the Singapore Companies Act. The Registrar of Companies and Businesses in Singapore takes no responsibility for the contents of this prospectus or any of the documents referred to above.

Japan

The Placing has not been and will not be registered under the Securities and Exchange Law of Japan (the "Securities and Exchange Law"). None of the Placing Shares may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except: (i) pursuant to an exemption from the registration requirements of the Securities and Exchange Law; and (ii) in compliance with any other applicable requirements of Japanese law.

Each person acquiring Placing Shares in the Placing will be required to, or deemed by its acquisition of Placing Shares to, confirm that it is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

APPLICATION FOR LISTING ON THE GEM

Application has been made to the GEM Listing Committee for the listing of and permission to deal in the Shares in issue, and the Shares to be issued pursuant to the Capitalisation Issue and the Placing (including any Shares to be issued pursuant to the exercise of the Over-allotment Option and the BNP Prime Peregrine Option), the Shares to be issued pursuant to the iSteelAsia Acquisition and any Shares to be issued pursuant to the exercise of any options which have been granted or may be granted under the Pre-IPO Share Option Plan and the Share Option Scheme.

It is a requirement of Section 44B(1) of the Companies Ordinance that any allotment made on an application in pursuance of a prospectus shall, whenever made, be void if

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the permission has not been applied for before the 3rd day after the first issue of the prospectus or if the permission has been refused before the expiration of 3 weeks from the date of the closing of the subscription lists or such longer period not exceeding 6 weeks as may, within the said 3 weeks, be notified to the applicant for permission by or on behalf of the Stock Exchange.

No part of the Share or loan capital of the Company is listed or dealt in on any other stock exchange and at present no such listing or permission to deal is being or proposed to be sought.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on the GEM is expected to commence on or about 31st March, 2000. Shares will be traded in board lots of 2,000 each.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares in issue and the Shares to be issued as described in this prospectus on the GEM by the Stock Exchange as well as the compliance with the stock admission requirements of Hongkong Clearing, the Shares will be accepted as eligible securities by Hongkong Clearing for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the GEM or on any other date Hongkong Clearing chooses. All necessary arrangements have been made for the Shares to be admitted into CCASS.

Settlement of transactions between members of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, the Placing Shares, you should consult an expert.

The Company, the Directors, the Global Coordinator, the Sponsor, the Underwriters, their respective directors, agents and advisors and any other person involved in the Placing do not accept responsibility for any tax effects on or liabilities of any person resulting from the subscription for, or purchase, holding or disposal of, or dealing in, or the exercise of any rights in relation to, the Placing Shares.

STAMP DUTY

All the New Shares will be, and all the Sale Shares have been, registered on the Hong Kong register of members of the Company. Dealings in Shares on that register will be subject to Hong Kong stamp duty.

STABILISATION

In connection with the Placing, BNP Prime Peregrine Securities or its agents, on behalf of the Underwriters, may effect transactions which stabilise or maintain the market price of the Shares at levels above those which might otherwise prevail in the open market. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements. Such stabilisation, if commenced, may be discontinued at any time.

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, an underwriter may bid for or purchase the offered securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial offer price of the securities. The stabilisation price will not be higher than the initial offer price.

Stabilisation is not a practice commonly associated with the distribution of securities in Hong Kong. Should stabilising transactions be effected in connection with the distribution of the Placing Shares, they will be done at the direction, and in the absolute discretion, of BNP Prime Peregrine Securities. In Hong Kong, such stabilisation activities on the Stock Exchange are restricted to cases where underwriters genuinely purchase shares in the secondary market effected solely for the purpose of covering over-allocations in the offering. The relevant provisions of the Securities Ordinance prohibit market manipulation in the form of pegging or stabilising the price of securities in certain circumstances.

STRUCTURE AND CONDITIONS OF THE PLACING

Details of the structure and conditions of the Placing are set out in the section headed "Structure and conditions of the Placing" in this prospectus.