
WAIVERS

Waiver in respect of Rule 11.12 of the GEM Listing Rules

Pursuant to Rule 11.12 of the GEM Listing Rules, a new applicant must demonstrate that, throughout the period of 24 months immediately preceding the date of the listing document, it has actively pursued one focused line of business under substantially the same management and ownership as exist at the time of the application for listing.

Tiancai Network was established in June 1999 with a view to rewarding and motivating the Group's research and development professionals and other key personnel pursuing the data broadcasting business. The establishment of Tiancai Network resulted in a substantial dilution of Genius' interests in Tiancai Network's underlying data broadcasting business from 100% to 30%. As a result of the Reorganisation, certain key personnel of the Group who are responsible for the development and operation of Tiancai Network became the beneficiaries of the remaining 70% interests in Tiancai Network via a fixed trust.

Despite the establishment of Tiancai Network:

1. the data broadcasting business of the Group will continue to be managed and operated by the same team of dedicated professionals as in the period of active business pursuits;
2. a significant degree of "control" over the data broadcasting business of the Group will be preserved by virtue of Genius' interest as a substantial shareholder in Tiancai Network; and
3. the relevant staff responsible for the data broadcasting projects will hold an interest in the data broadcasting business of the Group and will be rewarded and motivated via the prospective expansion of the business operation of the Group.

As a result of such dilution of Genius' interest in Tiancai Network, substantial continuity of ownership for the purposes of Rule 11.12 of the GEM Listing Rules has not been preserved.

In light of the change of ownership in the data broadcasting business of the Group during the past 24 months immediately preceding the proposed date of this prospectus, the Company has applied to the Stock Exchange for a waiver from compliance with the continuity of ownership requirement set out under Rule 11.12 of the GEM Listing Rules from the Stock Exchange.

Waiver in respect of Rule 13.16 of the GEM Listing Rules

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 issuer undertakes to the new applicant and the Stock Exchange that, for a period of two years from the listing date, he will not dispose of (nor enter into any agreement to dispose of) any of his interests in the relevant securities of the issuer.

The stock borrowing arrangement entered into between Oriental Patron and Ultra Challenge is to facilitate settlement of over-allocation in connection with the Placing pending exercise of the Over-allotment Option or the acquisition of a sufficient number of Shares from other sources which may result in non-compliance with Rule 13.16 of the GEM Listing Rules.

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The granting of an Over-allotment Option together with the accompanying stock borrowing arrangement is a practice adopted by Oriental Patron to facilitate the distribution of the Shares under the Placing. The Company has applied to the Stock Exchange for a waiver from compliance with the requirement set out under Rule 13.16 of the GEM Listing Rules from the Stock Exchange. Such waiver application is made on the basis that (1) such stock borrowing arrangement from Ultra Challenge will only be effected by Oriental Patron for settlement of over-allocation in connection with the Placing; (2) the maximum number of Shares borrowed from Ultra Challenge 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 Ultra Challenge 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.

Waivers in respect of Rules 7.03 (1), 11.10 and 11.11 of the GEM Listing Rules and paragraph 31 of the Third Schedule to the Companies Ordinance

The Directors are aware of the following requirements:

- (i) Rules 7.03(1) and 11.10 of the GEM Listing Rules which require that the accountants' report included in this prospectus must include the combined results of the Group in respect of each of the two financial years immediately preceding the issue of this prospectus and according to Rule 11.11 of the GEM Listing Rules, the latest financial period of the Company reported on by the reporting accountants must not have ended more than six months before the date of this prospectus. The accountants' report contained in this prospectus has been prepared to include combined results of the Group for each of the two years ended 31st December, 1998 and the six months ended 30th June, 1999 only.**
- (ii) Paragraph 31 of the Third Schedule to the Companies Ordinance which requires this prospectus to include a report by the auditors of the Company with respect to the profits and losses of the Group for each of the two years ended 31st December, 1999 and the assets and liabilities of the Group as at 31st December, 1999.**

The Company has applied to the Stock Exchange for waivers from compliance with the requirements referred to in (i) and has been granted by the Securities and Futures Commission a certificate of exemption from compliance with the requirement referred to in (ii). The Directors confirmed that they have performed sufficient due diligence on the Group to ensure that, save as disclosed herein, up to the date of the issue of this prospectus, there has been no material adverse change in the financial position of the Group since 30th June, 1999, and there is no event which would materially affect the information shown in the accountants' report of the Group as set out in Appendix I to this prospectus.

Waiver in respect of certain requirements under the GEM Listing Rules for Continuing Connected Transactions

The Genius Group is deemed to be a connected person of the Company for the purpose of the GEM Listing Rules. Accordingly, for so long as the Genius Group remains a connected person of the Company for the purpose of the GEM Listing Rules, all transactions between the Group and the Genius Group subsequent to the listing of the Shares on GEM will constitute continuing connected transactions of the Company for the purpose of the GEM Listing Rules which depending on the size of each transaction, may require full disclosure and/or approval of the independent Shareholders in general meeting.

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The Directors currently intend that certain transactions (“Continuing Connected Transactions”) with the Genius Group will continue in the ordinary and usual course of business of the Group after the listing of the Shares on GEM. As the Continuing Connected Transactions are of a recurring nature and are expected to continue in the future in the ordinary and usual course of business of the Group as defined in the GEM Listing Rules, the obligations to make full disclosure and/or to seek approval of the Shareholders in general meeting from time to time would be impracticable and unduly burdensome. The Company has sought from the Stock Exchange a conditional waiver from strict compliance with such obligations.

Please refer to the paragraph headed “Continuing Connected Transactions” under the section headed “Business” for details of the Continuing Connected Transactions and the application to the Stock Exchange for a conditional waiver in respect thereof.