
WAIVERS AND EXEMPTION FROM STRICT COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

CONNECTED TRANSACTIONS

Our Group has entered into certain transactions which would constitute continuing connected transactions of our Company under the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver in relation to certain continuing connected transactions under Chapter 14A of the Listing Rules. For further details of such continuing connected transactions and the waiver, see “Connected Transactions” in this prospectus.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two executive Directors must be ordinarily resident in Hong Kong. At present, since our main operation is conducted in China, out of our two executive Directors, only Mr. Wu Xiao An is ordinarily resident in Hong Kong. We do not and will not, in the foreseeable future, have sufficient management presence in Hong Kong as required under Rule 8.12 of the Listing Rules.

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the following conditions:

- (i) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. We have appointed Mr. Wu Xiao An, our executive Director who is ordinarily resident in Hong Kong, and Mr. Wang Yunxian, our executive Director, as our two authorized representatives. The authorized representatives will be able to meet with the Stock Exchange on reasonable notice upon the request of the Stock Exchange and they will be readily contactable by telephone, facsimile and email by the Stock Exchange;
- (ii) the authorized representatives have means of contacting our other Directors (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact our Directors on any matters;
- (iii) we have, in compliance with Rule 3A.19 of the Listing Rules, retained Somerley Limited as our compliance adviser, who will, among other things, in addition to the two authorized representatives, act as our company’s additional channel of communication with the Stock Exchange;
- (iv) the Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents or can apply for valid travel documents to visit Hong Kong, and will be able to meet with the Stock Exchange in Hong Kong within a reasonable period of time, if required; and
- (v) to enhance communications among the Stock Exchange, the authorized representatives and the Directors, we have implemented a policy whereby (a) all Directors shall provide their respective office phone numbers, mobile phone numbers, facsimile numbers and email addresses to the authorized representatives as well as the Stock Exchange; and (b) in the event that a Director expects to travel and be out of office, he shall provide the phone number of the place of his accommodation to the authorized representatives.

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RULE 4.04(1) OF THE LISTING RULES AND PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES ORDINANCE

Rule 4.04(1) of the Listing Rules requires that the accountants' report to be included in a prospectus must include the consolidated results of the listing applicant in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies Ordinance requires all prospectuses to include an accountants' report which contains the matters specified in the Third Schedule to the Companies Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies Ordinance requires that a prospectus must include a statement as to the gross trading income or sales turnover (as may be appropriate) of the listing applicant during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies Ordinance requires that a prospectus must include a report by the auditors of the company setting out the consolidated results of the listing applicant in respect of each of the three financial years immediately preceding the issue of the prospectus.

Guidance letter HKEx-GL25-11 stipulates that "where an applicant issues its prospectus within two months after the latest year end", the existing conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules are as follows:

- (i) the applicant must list on the Stock Exchange within three months after the latest year end;
- (ii) the applicant must obtain a certificate of exemption from the SFC on compliance with the Companies Ordinance Requirements;
- (iii) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and
- (iv) there must be a directors' statement in the prospectus that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

The accountants' report for the three years ended December 31, 2011 and the nine months ended September 30, 2012 is set out in Appendix I to this prospectus. However, strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance and Rule 4.04(1) of the Listing Rules would create undue burden on us, as Listing is expected to take place on March 13, 2013, which is within three months after December 31, 2012 and there would not be sufficient time for us and the reporting accountants to finalize the audited financial statements for the full financial year ended December 31, 2012 for inclusion in this prospectus and such additional work will lead to a significant delay in the Listing timetable and unjustifiable expenses.

In such circumstances, we have applied for a waiver from the Stock Exchange from strict compliance with Rule 4.04(1) of the Listing Rules. As required by Guidance Letter HKEx-GL25-11, an application has also been made to the SFC for a certificate of exemption under section 342A of the

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Companies Ordinance from the SFC from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full financial year ended December 31, 2012 in this prospectus.

Our Directors confirm that they have performed sufficient due diligence on our Group and after conducting all due enquiries they are not aware of any event since September 30, 2012 which would materially affect the information shown in the accountants' report for our Company set out in Appendix I to this prospectus. As required by Guidance Letter HKEx-GL25-11, our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group from September 30, 2012 (being the date to which the latest audited consolidated financial statements of our Group were prepared) to December 31, 2012. In addition, our Directors consider that all information that is reasonably necessary for the potential investors to make an informed assessment of the activities or financial position of our Group has been included in this prospectus and the exemption from compliance would not prejudice the interests of the investing public.

Also, in accordance with Guidance Letter HKEx-GL25-11, an estimate of the consolidated profit of the Group for the year ended December 31, 2012 has been included in this prospectus. See "Appendix III — Profit Estimate". Investing public would thus be given some guidance as to the Company's financial performance for the year ended December 31, 2012.

The waiver from strict compliance with Rule 4.04(1) of the Listing Rules was granted by the Stock Exchange and a certificate of exemption has been granted by the SFC under section 342A of the Companies Ordinance on the conditions that (i) particulars of the exemption are set out in this prospectus, and (ii) this prospectus will be issued on or before February 28, 2013.