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

The following material waivers from the basic conditions in relation to qualifications for Listing have been applied for and granted from the Stock Exchange and SFC.

WAIVER FROM 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 stipulates that our Company is required to include in this prospectus an accountants' report covering the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

Paragraph 27 of Part I of the Third Schedule to the Companies Ordinance requires our Company to set out in this prospectus a statement as to, *inter alia*, the gross trading income or sales turnover during the three years preceding the date of this prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable break-down between the more important trading activities.

Paragraph 31 of Part II of the Third Schedule to the Companies Ordinance requires our Company to include in this prospectus a report by the auditors with respect to, *inter alia*, the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of this prospectus.

The accountants' report of our Group for each of the three financial years ended 31 December 2007 and the ten months ended 31 October 2008 has been prepared and is set forth in Appendix I to this prospectus. However, strict compliance with Rule 4.04 of the Listing Rules and paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would create undue burden on us, as there would not be sufficient time for us and the reporting accountants to finalize the audited financial statements for the full financial year ended 31 December 2008 for inclusion in this prospectus.

In such circumstances, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 4.04(1) of the Listing Rules, and such waiver has been granted by the Stock Exchange subject to the condition that the Listing Date is on or before 31 March 2009.

An application has also been made to the SFC for a certificate of exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants' report for the full year ended 31 December 2008 in this prospectus on the ground that it would be unduly burdensome for the Company to do so and a certificate of exemption has been granted by the SFC under section 342(A) of the Companies Ordinance.

Our Directors have confirmed that they have performed sufficient due diligence on our Group to ensure that, save as disclosed in this prospectus, up to the date of this prospectus, there has been no material adverse change in the financial position or prospects of our Group since 31 October 2008 and that there is no event since 31 October 2008 which would adversely and materially affect the information shown in the accountants' report of our Group as set forth in Appendix I to this prospectus. In coming to the abovementioned conclusions, our Directors had, among other things, reviewed and conducted financial due diligence on the unaudited management accounts of our Group for the one month ended 30 November 2008, and made enquiries in respect of our Group's production volume, average sales price for our products and our five largest customers.

WAIVER PURSUANT TO RULES 8.05 AND 18.03 OF THE LISTING RULES

Pursuant to Rule 8.05 of the Listing Rules, an issuer must satisfy one of the three tests in relation to: (i) profit; (ii) market capitalization, revenue and cash flow; or (iii) market capitalization and revenue requirements. Chapter 18 of the Listing Rules applies to mineral companies. Under Rules 18.03 and 8.05 of the Listing Rules, the requirements of Rule 8.05 of the Listing Rules may not apply if the Stock Exchange is satisfied that the directors and management of the issuer have sufficient and satisfactory experience of at least three years in mining and/or exploration activities. We have applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.05 of the Listing Rules in accordance with the reasoning under Rules 18.03 and 8.05 of the Listing Rules.

WAIVER FROM RULE 8.12 OF THE LISTING RULES

Pursuant to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong, which normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. We do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules. We have applied for a waiver from strict compliance with Rule 8.12 of the Listing Rules on the basis that, as our core business operations are based, managed and conducted in the PRC, our management is best able to attend to its functions by being based in the PRC. We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the following conditions:

- (a) we have appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules who will act as our principal communication channel with the Stock Exchange and will ensure that they comply with the Listing Rules at all times. The two authorized representatives are Mr Xiao Zuhe, an independent non-executive Director, and Ms Lam Yuen Hung, our joint company secretary and qualified accountant. Each of the authorized representatives is an ordinary resident in Hong Kong and the authorized representatives will be available to meet with the Stock Exchange in Hong Kong within a reasonable time frame upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile or e-mail;
- (b) in compliance with Rule 3A.19 of the Listing Rules, we shall retain a qualified institution to act as compliance advisor for a period commencing on the Listing Date and ending on the date on which we distribute the annual report for the first full financial year commencing after the Listing Date in accordance with Rule 13.46 of the Listing Rules to provide us with advices on the obligation in compliance with the Listing Rules, all other applicable laws, rules, codes and guidelines. The compliance advisor will advise on on-going compliance requirements and other issues arising under the Listing Rules and other applicable laws and regulations in Hong Kong after listing and, where our authorized representatives are unavailable, act as an additional channel of communication between the Stock Exchange and us at least for the period commencing from the Listing Date and ending on the date that we publish our first full financial year results pursuant to Rule 3A.19 of the Listing Rules;
- (c) both the authorized representatives have means to contact all members of the Board (including the independent non-executive Directors) promptly at all times as and when the Stock Exchange wishes to contact the members of the Board for any matters. We will implement a policy whereby (a) each Director will provide his or her mobile phone number,

residential phone number, fax number and e-mail address to the authorized representatives; (b) each executive Director will provide valid phone numbers or means of communication to the authorized representatives when he or she is traveling; and (c) each executive Director will provide his or her mobile phone number, residential phone number, office phone number, fax number and e-mail address to the Stock Exchange; and

- (d) all Directors who are not ordinary residents in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the relevant members of the Stock Exchange within a reasonable period of time, when required.

WAIVER FROM RULE 8.17 OF THE LISTING RULES

Pursuant to Rule 8.17 of the Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong, and who has the requisite knowledge and experience to discharge the functions of a company secretary and is either (i) a member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister or a professional accountant, or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experience, is in the opinion of the Stock Exchange capable of discharging those functions.

We have appointed Ms Yu Lulu as one of the joint company secretaries. Ms Yu does not possess full qualification as required under Rule 8.17 of the Listing Rules. Accordingly we have also appointed Ms Lam Yuen Hung as another joint company secretary. Ms Lam is a qualified accountant and is also an Associate Member of Hong Kong Institute of Certified Public Accountants and a Fellow Member of the Association of Chartered Certified Accountants. Accordingly, Ms Lam fully complies with the requirements set out under Rule 8.17 of the Listing Rules. Ms Yu is experienced in business management and has a thorough understanding in the operations of our Group; however Ms Yu does not possess a qualification as stipulated in Rule 8.17 of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 8.17 of the Listing Rules. As such, our Company has appointed Ms Lam to act as a joint company secretary and to provide assistance to Ms Yu so as to enable her to acquire the relevant experience (as required under Rule 8.17(3) of the Listing Rules) and to duly discharge the functions of a company secretary.

We propose to engage Ms Lam as joint company secretary for a minimum period of three years commencing from the Listing Date. During her engagement period, Ms Lam will ensure that at all times she will be available to provide the assistance as described above. Ms Lam will also provide training to Ms Yu by introducing her the relevant provisions and requirements of the Listing Rules to enhance and improve Ms Yu's knowledge and familiarity with the requirements of the Listing Rules.

The waiver is valid for an initial period of three years from the Listing Date. Upon expiry of the three-year period, our Company will re-evaluate the qualifications of Ms Yu to determine whether the requirements as stipulated in Rule 8.17 of the Listing Rules can be satisfied.