

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

### WAIVER FROM STRICT COMPLIANCE WITH RULE 8.12 OF THE LISTING RULES

An application has been submitted to the Stock Exchange for a waiver from strict compliance with Rule 8.12 of the Listing Rules which requires a new applicant applying for primary listing on the Main Board to have sufficient management presence in Hong Kong. This will normally mean that at least two executive directors must be ordinarily resident in Hong Kong.

Our business is principally carried out in the PRC. Save for the immaterial amount of trading of steel pipes to customers in Hong Kong as managed by Crown Central, none of our business is located, conducted or managed in Hong Kong. Given that all of our executive Directors are ordinarily resident in the PRC, we would need to appoint two additional executive Directors or relocate at least two executive Directors to Hong Kong in order to comply with the requirements under Rule 8.12 of the Listing Rules. In any of these events, it would result in a difficult situation to us and it would not be commercially feasible for us to implement such arrangement.

In this regard, the Stock Exchange has granted a waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules. In this respect, our Company has appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules who will act as the principal channel of communication with the Stock Exchange. The two authorised representatives appointed are Mr. Chen and Ms. Chen Zhao Nian, both being executive Directors. Each of the authorised representatives has confirmed that each of them will be available to meet with the Stock Exchange in Hong Kong within a reasonable time upon the request of the Stock Exchange and will be readily contactable by telephone, facsimile and electronic means. Each of the two authorised representatives will be authorised to communicate on behalf of our Company with the Stock Exchange. Further, all our Directors 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.

In order to further enhance the communication between the Stock Exchange, our authorised representatives and our Directors, we will implement the policies that:

- each Director will provide his/her office phone number, mobile phone number, residential phone number, fax number and e-mail address (if applicable) to the authorised representatives and his/her respective alternate; and
- in the event that a Director expects to travel and be out of office, he/she will provide the phone number of the place of his/her accommodation to the authorised representatives and his/her respective alternate.

In addition, we will appoint, before the Listing Date, ICBCI as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules for the period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after the Listing Date to advise on corporate finance matters after listing.

Furthermore, we shall also appoint other professional advisers (including legal advisers and accountants) after the Listing to assist us in dealing with any questions which may be raised by the Stock Exchange and to ensure that there will be efficient communication with the Stock Exchange.

We have and will continue to maintain a principal place of business in Hong Kong, which is currently at Flat B, 16th Floor, Wah Hing Commercial Centre, No. 383 Shanghai Street, Kowloon, Hong Kong.

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### **WAIVER FROM STRICT COMPLIANCE WITH CHAPTER 14A OF THE LISTING RULES**

Our Group has entered into certain transactions which would constitute continuing connected transactions subject to the reporting and announcement requirements under the Listing Rules after the Listing.

Further particulars about such transactions together with the application for a waiver from strict compliance with the relevant requirements under Chapter 14A of the Listing Rules are set out in the section headed "Connected transactions" in this prospectus.

### **WAIVER FROM STRICT COMPLIANCE WITH RULE 4.04(1) OF THE LISTING RULES AND EXEMPTION FROM SECTION 342(1) OF THE COMPANIES ORDINANCE**

Rule 4.04(1) of the Listing Rules requires that the accountants' report of the Company should include the consolidated results of the Group for each of the three financial years immediately preceding the issue of this prospectus, or such shorter period as may be acceptable to the Stock Exchange.

Similarly, section 342(1) of the Companies Ordinance stipulates that the Company should state the matters specified in Part I of the Third Schedule to the Companies Ordinance, and set out the reports specified in Part II of that Schedule. Paragraph 27 under Part I of the Third Schedule to the Companies Ordinance requires the Company to set out in this prospectus a statement as to the gross trading income or sales turnover (as may be appropriate) of the Company for the three financial years immediately preceding the issue of this prospectus. Paragraph 31 under Part II of the Third Schedule to the Companies Ordinance requires an inclusion of an accountants' report in respect of the Group's profits, losses, assets and liabilities for each of the three financial years, also immediately preceding the issue of this prospectus.

Pursuant to section 342A(1) of the Companies Ordinance, the SFC may issue, subject to such conditions (if any) as the SFC thinks fit, a certificate of exemption from compliance with any or all of the requirements of section 342(1) of the Companies Ordinance if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance with any or all of those requirements would be irrelevant or unduly burdensome, or is otherwise unnecessary or inappropriate.

An application has been made to the SFC for a certificate of exemption 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 31 December 2009 in this prospectus because it would be unduly burdensome and would inevitably delay the timetable of the Listing significantly as the financial statements would under such requirements be required to be audited up to 31 December 2009. The reporting accountants of the Company would then have to undertake a considerable amount of work to prepare, update and finalise the accountants' report (which currently covers the Track Record Period up to 31 August 2009) to cover additional four-month-period, which would not only involve additional costs but also require substantial work to be carried out for audit purposes. Our Company and its reporting accountants would not have sufficient time to complete the audited financial statements for the full financial year ended 31 December 2009 which would not be possible to be finalised within a short period of time. Our Directors consider that the benefits of such work to the existing and prospective Shareholders may not justify the additional work and expenses involved and the delay of the timetable for the Listing.

Our Company lodged the above application with the SFC accordingly. In this connection, a certificate of exemption has been granted by the SFC on the ground that strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance would be unduly burdensome. Such exemption is granted on the conditions that (i) particulars of the exemption be set forth in this prospectus; and (ii) this prospectus is issued on or before 28 January 2010.

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An application has also 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 on the conditions that (i) the Listing Date shall not be later than three months after the latest financial year-end of the Company, i.e. on or before 31 March 2010; (ii) Rule 8.06 of the Listing Rules is to be complied with, in that the latest financial period reported on by the reporting accountants of the Company as set out in the accountants' report in Appendix I to this prospectus shall not end more than six months before the date of this prospectus; and (iii) the grant of a certificate of exemption from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance by the SFC (which certificate has already been granted as set out in the immediately preceding paragraph).

Our Directors are of the view that all information that is necessary for the public to make an informed assessment of the financial position of our Group has been included in this prospectus and that an exemption from compliance with the above accounting period requirements would not prejudice the interests of the investing public. Our Directors confirm that, based on the discussion among the management and due diligence work conducted so far which our Directors consider appropriate to ensure that up to the date of this prospectus, there have been no material adverse changes in the financial or trading position and operations of our Group since 31 August 2009 and that there is no event which may materially affect the information as contained in the accountants' report of our Group, as set out in Appendix I to this prospectus, and all financial information contained in other parts of this prospectus.