
WAIVERS FROM COMPLIANCE WITH THE LISTING RULES AND THE COMPANIES ORDINANCE

MANAGEMENT PRESENCE IN HONG KONG

Rule 8.12 of the Listing Rules provides that a new applicant applying for a primary listing on the Stock Exchange 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.

Since our operations are managed and conducted principally in the PRC, and two of our executive Directors ordinarily reside in the PRC while the remaining executive Director ordinarily resides in the United States, we believe that it would be practically difficult and commercially unnecessary for our Company to either relocate two executive Directors to Hong Kong or to appoint two additional executive Directors who are Hong Kong residents. For the purposes of our management and operations, relocation of two executive Directors to Hong Kong or appointment of additional executive Directors who are ordinarily resident in Hong Kong would not only increase our administrative expenses, but would also reduce the effectiveness and responsiveness of our board of directors in making decisions, especially when business decisions are required to be made within a short period of time. In addition, by appointing new executive Directors, who may not be familiar with our operations, to the board of our Company for the sole purpose of satisfying the requirements of Rule 8.12 of the Listing Rules may not be in the best interest of our Company and its shareholders as a whole. As such, we do not have, and do not contemplate in the foreseeable future that we will have sufficient management presence in Hong Kong for the purposes of satisfying the requirements under Rule 8.12 of the Listing Rules.

In view of that, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the compliance with Rule 8.12 of the Listing Rules.

In order to ensure that regular communication is effectively maintained between the Stock Exchange and our Company, we will put in place the following measures:

- (a) 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 and ensure that we comply with the Listing Rules at all times. The two authorized representatives are Mr. Dong, an executive Director, and Liu Shuen Kong, the chief financial officer and company secretary. Each of the authorized representatives will be available to meet with the Stock Exchange on reasonable notice as and when required and will be able to contact the Directors promptly at all times by telephone, facsimile and where applicable, by email as and when the Stock Exchange wishes to contact the Directors on any matters.
- (b) Each of the Directors (including the independent non-executive Directors) holds valid travel documents such that he/she will be available to travel to Hong Kong to meet with the Stock Exchange within a reasonable time frame upon request of the Stock Exchange. Each of them will be readily contactable by telephone, facsimile and where applicable, by email, and is authorized to communicate on our behalf with the Stock Exchange.
- (c) We have appointed Liu Shuen Kong, who is ordinarily resident in Hong Kong, as our company secretary. He will (a) provide his office phone number, mobile phone number, facsimile number and email address to the Stock Exchange; and (b) be able to contact the Directors and the other authorized representative promptly by telephone, facsimile and where applicable, by email at all times as and when the Stock Exchange wishes to contact the Directors on any matters.
- (d) We will appoint Guotai Junan Capital Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will have access at all times to the authorized representatives, the Directors and the other senior management, and will act as our principal channel of communication with the Stock Exchange when the authorized representatives are not available. The compliance adviser will be appointed for a period commencing on the Listing

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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 commencing after the Listing Date. The compliance adviser will act as an additional channel of communication with the Stock Exchange.

- (e) To further enhance communication between the Stock Exchange, the authorized representatives and the Directors, we have implemented a policy whereby (a) each Director will have to provide his mobile phone number, residential phone number, facsimile number and where applicable, email address to the authorized representatives; (b) in the event that a Director expects to travel and be out of office, he will have to provide the phone number of the place of his accommodation or other means of communications to the authorized representatives; and (c) all Directors will provide their mobile phone numbers, office phone numbers, facsimile numbers and where applicable, email addresses to the Stock Exchange.
- (f) Meetings between the Stock Exchange and the Directors could be arranged through the authorized representatives or the compliance advisor, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange promptly in respect of any change in the authorized representatives and/or compliance adviser.

PRE-IPO SHARE OPTION SCHEME

We have applied for (a) a waiver from the Stock Exchange from strict compliance with the disclosure requirements under rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 to the Listing Rules; and (b) a certificate of exemption under section 342A of the Companies Ordinance from the SFC from strict compliance with the disclosure requirements of paragraph 10(d) of the Third Schedule to the Companies Ordinance. Our applications are based on the grounds set forth below, and the Stock Exchange and the SFC have granted the respective waiver and certificate of exemption subject to certain conditions.

Exemption would not prejudice the interests of the investing public

This prospectus includes information on the total number of Shares subject to the Pre-IPO Share Option Scheme and the percentage of our issued share capital represented by such Shares, the consideration paid for the options, the exercise price per Share, the potential dilutive effect on our Shareholders, the impact on our earnings per Share upon exercise of the outstanding options and the terms of the options. Our Directors consider that all information related to the Pre-IPO Share Option Scheme that is reasonably necessary for potential investors to make an informed assessment of our activities and financial position has been disclosed in this prospectus, and therefore an exemption from compliance with the relevant rules would not prejudice the interests of the investing public.

Strict compliance with Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10(d) of the Third Schedule to the Companies Ordinance would be unduly burdensome

As options will be granted to 147 present employees under the Pre-IPO Share Option Scheme, full disclosure pursuant to Rule 17.02(1)(b) of and paragraph 27 of Part A of Appendix 1 to the Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies Ordinance, including the names and addresses of all 147 grantees, would be unduly burdensome. It is estimated that complete disclosure of the name and address of, and options granted to each grantee would significantly increase the cost for drafting and printing. Furthermore, full disclosure may also negatively impact our relationships with the grantees, as some grantees may become dissatisfied with the options granted to them after comparing with options granted to other grantees.

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The Stock Exchange has granted the waiver to us, subject to the following conditions:

- (i) full disclosure in this prospectus on all options under the Pre-IPO Share Option Scheme granted to each of the Directors, senior management, connected persons and grantees who have been granted options for 1,000,000 option Shares or more, including all the particulars required under paragraph 10(d) of Part I of the Third Schedule to the Companies Ordinance and Rule 17.02(1)(b) and paragraph 27 of Part A of Appendix 1 to the Listing Rules;
- (ii) disclosure in this prospectus, for the remaining grantees on an aggregate basis, (a) their aggregate number and the number of Shares underlying the options granted, (b) the consideration paid for the options, (c) the exercise period of each option, and (d) the exercise price of the options;
- (iii) disclosure in this prospectus the aggregate number of Shares underlying the options under the Pre-IPO Share Option Scheme and the percentage of our issued share capital represented by them, the dilution effect and impact on earnings per Shares upon full exercise of the options under the Pre-IPO Share Option Scheme; and
- (iv) availability for public inspection a full list of all grantees under the Pre-IPO Share Option Scheme with all the particulars required under the Companies Ordinance and the Listing Rules.

The SFC (pursuant to section 342A of the Companies Ordinance) has granted the certificate of exemption to us on the following conditions:

- (i) full details of the options granted by our Company under the Pre-IPO Share Option Scheme to each of the grantees who is (a) a director of our Company or its subsidiaries or a member of our Company's senior management; or (b) not a director of our Company or its subsidiaries or a member of our Company's senior management but has been conditionally granted options under the Pre-IPO Share Option Scheme to subscribe for 1,000,000 Shares or more, are disclosed in the prospectus; such details include all the particulars required under paragraph 10 of the Third Schedule to the Companies Ordinance;
- (ii) in respect of options granted by our Company to employees of our Group other than those referred to in (i) above, the following details are disclosed in this prospectus:
 - (a) the aggregate number of grantees and number of Shares subject to such options;
 - (b) the consideration paid for the grant of such options; and
 - (c) the exercise period and the exercise price for such options; and
- (iii) a list of all the grantees (including the persons referred to in (i) above) who have been conditionally granted with options to subscribe for Shares under the Pre-IPO Share Option Scheme, containing full details as required under paragraph 10 of the Third Schedule to the Companies Ordinance, be made available for public inspection in accordance with the section headed "Documents Available for Inspection" in Appendix VIII to this prospectus.

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Further details of the options under the Pre-IPO Share Option Scheme are set out in the paragraph headed “Pre-IPO Share Option Scheme” in Appendix VII to the prospectus.

CONTINUING CONNECTED TRANSACTIONS

We have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, waivers in relation to certain continuing connected transactions under Chapter 14A of the Listing Rules. For further details, please refer to the section headed “Connected Transactions” in this prospectus.