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## **WAIVERS AND EXEMPTION FROM COMPLIANCE WITH THE HONG KONG LISTING RULES AND THE COMPANIES ORDINANCE**

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### **PUBLIC FLOAT REQUIREMENTS**

Rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules require that there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s), including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK\$50 million.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.08(1) of the Hong Kong Listing Rules to allow a minimum public float for the H shares to be the higher of (i) 10% of the total issued Shares or (ii) such a percentage of H Shares held by the public immediately after completion of the Global Offering, as increased by the H Shares which may be issued upon the exercise of the Over-allotment Option and the transfer and conversion of the relevant state-owned shares into H Shares pursuant to the PRC regulations on reduction of state-owned shares.

The above waiver is subject to the condition that we will make appropriate disclosure of the lower prescribed percentage of public float of H Shares and confirm sufficiency of public float of H Shares in successive annual reports after Listing. In the event that the public float percentage falls below the minimum percentage prescribed by the Hong Kong Stock Exchange, we will take appropriate steps to ensure that the minimum percentage of public float prescribed by the Hong Kong Stock Exchange is complied with.

### **MANAGEMENT PRESENCE**

According to Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, our Company must have sufficient management presence in Hong Kong. This usually means that at least two of our executive Directors must be ordinarily residing in Hong Kong. Our head office and substantially all of our business operations are based, managed and conducted in the PRC. As the executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in or near the places where our Group has significant operations. As such, our Company does not, and in the foreseeable future, will not, have executive Directors ordinarily resident in Hong Kong. Currently, both of our executive Directors, Mr. Wang Kaiguo and Mr. Li Mingshan, are ordinarily resident in the PRC.

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Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules. We have made arrangements to maintain effective communication between the Hong Kong Stock Exchange and us as follows:

- we have designated Mr. Jin Xiaobin, one of our joint company secretaries, and Mr. Wang Kaiguo, one of our Company's executive Directors, as our authorized representatives and they will act as our Company's principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by the Hong Kong Stock Exchange;
- both of the authorized representatives of our Company have means of contacting all Directors (including independent non-executive Directors) promptly at all times and when the Hong Kong Stock Exchange wishes to contact a Director for any reason;
- we have provided the authorized representatives and the Hong Kong Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, e-mail addresses and fax numbers;
- each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time pursuant to requests of the Hong Kong Stock Exchange; and
- we have appointed Haitong International Capital Limited and BOCOM International (Asia) Limited as our joint compliance advisors who will serve as an additional channel of communication of the Company with the Hong Kong Stock Exchange from the Listing Date to the date when the Company mails its annual reports to its shareholders for the first full financial year immediately after the listing of our H Shares.

### APPOINTMENT OF JOINT COMPANY SECRETARIES

#### Rule 8.17

Rule 8.17 of the Hong Kong Listing Rules sets out qualification requirements relating to the company secretary of an issuer applying for a primary listing on the Hong Kong Stock Exchange. These requirements include, *inter alia*, that such person:

- must be ordinarily resident in Hong Kong;
- has the requisite knowledge and experience to discharge the functions of secretary of the issuer; or

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- is an ordinary member of the Hong Kong Institute of Chartered Secretaries, a solicitor or barrister as defined in the Legal Practitioners Ordinance or a professional accountant, or is an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging those functions.

### **Rule 19A.16**

Rule 19A.16 of the Hong Kong Listing Rules does not require the secretary of a PRC issuer to be ordinarily resident in Hong Kong, provided that such person can meet the other requirements under Rule 8.17 of the Hong Kong Listing Rules.

Mr. Jin Xiaobin joined our Company in August 1998, and has 13 years of management experience in securities industry and profound understanding of our operation. Mr. Jin does not possess the specified qualifications required by Rule 8.17 of the Hong Kong Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Jin will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Hong Kong Listing Rules organized by the Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time;
- we have appointed Ms. Mok Mingwai who meets the requirements under Rule 8.17(2) of the Hong Kong Listing Rules, as a joint company secretary to work closely with and provide assistance to Mr. Jin in the discharge of his duties as company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Jin to acquire the relevant experience (as required under 8.17(3) of the Hong Kong Listing Rules) to discharge the duties and responsibilities as company secretary; and
- upon expiry of the three-year period, the qualifications and experience of Mr. Jin will be evaluated. Mr. Jin is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. Mok's assistance for three years, would then have acquired the "relevant experience" within the meaning of Rule 8.17.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.17 and Rule 19A.16 of the Hong Kong Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Jin will be re-evaluated to determine whether the requirements

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as stipulated in Rule 8.17 of the Hong Kong Listing Rules can be satisfied. In the event that Mr. Jin has obtained relevant experience under Rule 8.17(3) of the Hong Kong Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

### PROPERTY VALUATION

According to Rule 5.01 of the Hong Kong Listing Rules, valuations of and information on all of the Group's interests in land and buildings are required to be included in the prospectus, and according to paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, the Group is required to set out full valuation reports in respect of properties legally and beneficially owned by them in the prospectus.

According to Rules 5.06(1) and 5.06(2) of the Hong Kong Listing Rules, the valuation report should contain a description of each property, which shall include particulars specified by such rules.

According to Paragraph 34 of the Third Schedule to the Companies Ordinance, the Group shall include in the prospectus a valuation report for all our interests in land or buildings (including interests held as a lessee under an operating lease) if the value placed on such interests in our latest accounts either exceeds 10% of the value of our assets or is not less than HK\$3,000,000.

We have applied to the Hong Kong Stock Exchange and the SFC for, and the Hong Kong Stock Exchange and the SFC have granted us, respectively, a waiver from compliance with Rules 5.01, 5.06(1), 5.06(2) and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, and an exemption from compliance with paragraph 34 of the Third Schedule to the Companies Ordinance regarding the property interests held by the Group on the grounds of being unduly burdensome and irrelevant that:

1. as of September 30, 2011, (i) the carrying amount of all the owned and leased properties represented approximately 0.7% of the value of our total assets and the leased properties are considered to have no commercial value; and (ii) the single most valuable property interest had a carrying amount of less than 0.1% of our total assets;
2. our core business is not property investment or development; and
3. to require us to comply with the above requirements would involve the preparation of a property valuation report in respect of 98 owned properties and 318 leased properties in the PRC, Hong Kong and Macau which the Company only leases for office and administration, which would be unduly burdensome to us and irrelevant to potential investors in a securities firm in the making of their investment decisions.

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The Hong Kong Stock Exchange and the SFC have granted us, respectively, a waiver from compliance with Rules 5.01, 5.06(1), 5.06(2) and paragraph 3(a) of Practice Note 16 of the Hong Kong Listing Rules, and an exemption from compliance with paragraph 34 of the Third Schedule to the Companies Ordinance regarding the property interests held by the Group on the condition that this prospectus contains the following disclosures:

1. an overview of our Group's property interests which will disclose geographical location, number of properties, size, use and whether the properties are owned or leased;
2. a statement (i) that none of the Group's property interests is individually material to the Group in terms of revenue contribution and rental expense; and (ii) of the percentage of the Group's property interests to the total assets as of September 30, 2011; and
3. particulars of the exemption.

We also disclose in this prospectus:

1. the range of gross floor area of the leased properties; and
2. the total and average monthly rental expense of the leased properties for each of the three financial years ended December 31, 2008, 2009 and 2010, and for the nine months ended September 30, 2011.

### **SUBMISSION SEEKING CONSENT FROM THE HONG KONG STOCK EXCHANGE REGARDING THE REQUIREMENTS UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 OF THE HONG KONG LISTING RULES**

Rule 10.04 of the Hong Kong Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are fulfilled. The conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides that, unless with the prior consent of the Hong Kong Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

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We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, its consent under Rule 10.04 and Paragraph 5(2) of Appendix 6 of the Hong Kong Listing Rules so that the Company could allocate H Shares under the placing tranche of the Global Offering to its existing public holders of A Shares on the grounds that:

1. the Global Offering comprises the Hong Kong Public Offer and the International Offering, and the International Underwriters will solicit indications of interest from prospective investors in the book-building phase of the International Offering;
2. we have a wide spread of shareholder base and do not have any controlling shareholder as defined under the Hong Kong Listing Rules; and
3. it is not intended that any Connected Persons of us or any of their associates would participate in the International Offering, or otherwise subscribe for or purchase any H Shares of us under the Global Offering.

The Hong Kong Stock Exchange has granted such consent on the condition that:

1. such holders of A Shares would be shareholders who each holds less than 2% of our issued share capital immediately prior to the Global Offering and has no board representation in our Company and therefore would not be in a position to exert any influence over the allocation process in the International Offering;
2. such holders of A Shares are not, and would not be, our Connected Persons or any of their associates immediately prior to or after the Global Offering;
3. the proposed placing of shares would be at the same price offered in the initial public offering;
4. such holders of A Shares would be subject to the same book building and allocation process as other investors in the International Offering, and no preferential treatment would be given to them in the allocation of H Shares in the International Offering;
5. allocation to these holders of A Shares would not affect our ability to satisfy the public float requirement under Rule 8.08 of the Hong Kong Listing Rules; and
6. all relevant information in respect of the allocation to the holders of A Shares would be disclosed in both this prospectus and the allotment results announcement.

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### CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE HONG KONG LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

1. if the number of the H Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 92,205,200 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;
2. if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 122,940,000 H Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
3. if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 245,880,000 H Shares, representing 20% of the Offer Shares initially available under the Global Offering. In each such case, the number of the Offer Shares allocated to the International Offering will be correspondingly reduced.

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In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Please also see “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” of this prospectus.