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## WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

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### CONNECTED TRANSACTIONS

Members of our Group have entered into, and are expected to continue after the Listing, certain transactions, which will constitute non-exempt continuing connected transactions under the Listing Rules upon Listing. Our Company has applied to the Hong Kong Stock Exchange for waivers from strict compliance with the requirements regarding the announcements and independent shareholders' approval in respect of such non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waivers are set out in the section entitled "Connected Transactions" in this prospectus.

### MANAGEMENT PRESENCE

According to Rule 8.12 and Rule 19A.15 of the Listing Rules, a new applicant applying for a listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong, and this normally means that at least two of its executive directors must be ordinarily resident in Hong Kong. Our operations are principally in the PRC and the Group's head office and substantially all of the Directors currently reside in the PRC. We do not, and for the foreseeable future will not, have sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules. As a result, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver in connection with Rules 8.12 of the Listing Rules, on the following conditions to ensure that regular and effective communication is maintained between the Hong Kong Stock Exchange and us:

1. **Authorized Representative:** We have appointed Mr. Weifang Ye, our Director and Mr. Davhen Wong Ki Yan, one of the Joint Company Secretaries as our authorized representatives (the "**Authorized Representatives**") for the purpose of Rule 3.05 of the Listing Rules. They will act as our principal channel of communication with the Stock Exchange. The Authorized Representatives will provide their usual contact details to the Stock Exchange will be readily contactable by the Stock Exchange, and will be available to meet with the Stock Exchange to discuss any matters on short notice;
2. **Directors:** As and when the Stock Exchange wishes to contact the Directors on any matters, either of the Authorized Representatives will have the means to contact all the Directors (including our independent non-executive Directors) promptly at all times. We will implement such measures that (a) each Director must provide his/her mobile phone numbers, office phone numbers, email addresses and fax numbers to the Authorized Representatives; and (b) in the event that a Director expects to travel and or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorized Representatives.

We will provide the mobile phone number, the telephone number of the business office, email address and fax number of every Director to the Stock Exchange in due course.

Each of the Directors who is not an ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Stock Exchange within a reasonable period;

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3. **Compliance Advisor:** We will appoint China International Capital Corporation Hong Kong Securities Limited as the Compliance Advisor in compliance with Rule 3A.19 of the Listing Rules, which will act as our additional channel of communication with the Stock Exchange for the period from the Listing Date to the date on which we have mailed the annual reports to the Shareholders for the first full financial year immediately after the H Share Listing when the Authorized Representatives are not available. The Compliance Advisor will have access at all times to the Authorized Representatives, the Directors and our other officers to ensure that it is in a position to provide prompt responses to any queries or requests from the Stock Exchange in respect of us. We will provide the Stock Exchange with names, home and office telephone numbers, facsimile numbers and email addresses, of at least one of the Compliance Adviser's officers and an alternate who will act as the Compliance Adviser's contact person with the Stock Exchange and us pursuant to Rule 19A.06(4) of the Listing Rules.

Pursuant to Rule 19A.05(2) of the Listing Rules, we will ensure that the Compliance Adviser retained by us shall have access at all times to our Authorised Representatives, Directors and other officers. We will also procure that such persons provide promptly to the Compliance Adviser such information and assistance as the Compliance Adviser may need or may reasonably request in connection with the performance of the Compliance Adviser's duties as set forth in Chapter 3A and Rule 19A.06 of the Listing Rules. We will ensure that there are adequate and efficient means of communication between our Company, our Authorized Representatives, Directors and other officers and the Compliance Adviser, and will keep the Compliance Adviser fully informed of all communications and dealings between our Company and the Stock Exchange; and

4. **Legal Advisor:** We will also hire a legal advisor post listing (i) to inform us on a timely basis of any amendment or supplement to the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to us, and (ii) to provide advice to us on the continuing requirements under the Listing Rules and applicable laws and regulations as required under Rule 19A.06(3), we will retain a Hong Kong legal adviser to advise us on the application of the Listing Rules and other applicable Hong Kong laws and regulations relating to securities after the listing.

### JOINT COMPANY SECRETARY

According to Rule 8.17 of the Listing Rules, the secretary of our Company must be a person who is ordinarily resident in Hong Kong, 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 (as defined in the Legal Practitioners Ordinance) or a professional accountant, or (ii) an individual who, by virtue of his academic or professional qualifications or relevant experiences, is in the opinion of the Hong Kong Stock Exchange capable of discharging those functions. Rule 19A.16 of the Listing Rules provides that the secretary of a PRC issuer, such as our Company, need not be ordinarily resident in Hong Kong, provided that such person can meet the other requirements of Rule 8.17 of the Listing Rules.

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We have appointed Mr. TANG Dejun as one of our joint company secretaries. Mr. TANG is experienced in handling administrative work and preparing meeting materials for the Board, and has a thorough understanding of the operation of the Board and our business operations, internal control systems and corporate culture. However, Mr. TANG is not ordinarily resident in Hong Kong and does not possess the Hong Kong professional qualifications as stipulated in Rule 8.17(2) of the Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 8.17 and Rule 19A.16 of the Listing Rules. As such, we have appointed Mr. WONG Ki Yan as another joint company secretary who is able to fully comply with the requirements set out under Rule 8.17 of the Listing Rules. Over a period of three years from the Listing Date, we propose to implement the following measures to assist Mr. TANG to possess all the requisite qualifications as required under the Listing Rules:

- Mr. WONG will assist and guide Mr. TANG in his discharge of duties as a joint company secretary and in gaining the relevant experience as required by the Listing Rules; and
- we will ensure Mr. TANG has access to the relevant training and support to enable him to familiarize himself with the Listing Rules and the duties required for a company secretary of a PRC issuer listed on the Hong Kong Stock Exchange.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under and in respect of Rule 8.17 and Rule 19A.16 of the Listing Rules. The waiver is valid for an initial period of three years from the Listing Date. At the end of the three year period, our Company has to liaise with the Hong Kong Stock Exchange. The Hong Kong Stock Exchange will revisit the situation in the expectation that our Company should then be able to demonstrate to the Hong Kong Stock Exchange's satisfaction that Mr. TANG, having had the benefit of Mr. WONG's assistance for three years, would have acquired the relevant experience within the meaning of Rule 8.17 and Rule 19A.16 of the Listing Rules so that a further waiver would not be necessary.

### POST BALANCE SHEET DATE ACQUISITION

Pursuant to Rule 4.04(2) and Rule 4.04(4)(a) of the Listing Rules, our accountants' report must include the results of any business or subsidiary acquired since June 30, 2011.

On August 11, 2011, Lucency entered into a legally binding agreement to purchase a 50% equity interest in Dalian Economic and Technological Development Zone Drain Management Company (大連經濟技術開發區排水管理有限公司) ("**Dalian Company**"), a water treatment company independent from us, located in Dalian, PRC, for a total consideration of RMB26.7 million. The Dalian Company will be our associated company. The consideration we paid was determined after an evaluation by an independent evaluation firm as requested by the Working Group of Enterprises' Reform of Dalian Economic Development District. We consider the purchase price to be fair and reasonable after our due diligence, based on the following factors: the Dalian Company's (i) regional dominant nature; (ii) customer base and (iii) economic potential given that it is at the end of its build-out cycle.

We expect a few managers of Lucency will join the management of the Dalian Company, subject to the approval of the board of the Dalian Company.

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We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted, a waiver under and in respect of Rule 4.04(2) and Rule 4.04(4)(a) of the Listing Rules on the following grounds:

- (i) **Immateriality**—The relevant percentage ratios, as defined under Rule 14.04(9) of the Listing Rules, as of, or for the year ended on, December 31, 2010, are approximately as follows:

(a)	Asset ratio	:	0.4%
(b)	Profit ratio	:	0%
(c)	Revenue ratio	:	0%

- (ii) **Lack of Financial Information**—The seller of the Dalian Company is an independent third party. Our purchase price was paid based on fair value. We completed the acquisition of our interests in the Dalian Company in November 2011. However, as we have not appointed any directors or management to the Dalian Company, we currently have limited access to its financial information and are in the process of obtaining an authorization for the inclusion of its financial information herein.

- (iii) **Alternative Disclosure**—According to the audited report issued by Dalian Huasheng CPA Co., Ltd., a PRC CPA firm, the total assets of Dalian Company were RMB36.6 million, RMB37.3 million and RMB14.6 million, and the net assets of the Dalian Company were RMB35.1 million, RMB36.1 million and RMB33.2 million, for the three years ended December 31, 2008, 2009 and 2010, respectively. Prior to the acquisition, the Dalian Company was in a build-out stage and operated as an institution directly under a local government. It was not run as a corporation and was not required to generate revenues pursuant to its government affiliate status for each of the three years ended December 31, 2008, 2009 and 2010. It did, however, incur expenses in respect of its operations, which were subsequently subsidized by the local government. The government subsidies, however, were not paid to the Dalian Company when its financial statements for the two years ended December 31, 2008 and 2009 were issued, and therefore it recorded a loss of RMB0.4 million and RMB0.7 million for the two years ended December 31, 2008 and 2009 respectively. At the time that its financial statements for 2010 were issued, all the losses of the Dalian Company were fully subsidized by the local government and accordingly, it did not record any loss or profit for the year ended December 31, 2010. After the acquisition, the Dalian Company is expected to operate as a business which is expected to generate revenue. The business address of the Dalian Company's No. 101 Huanghai Middle Road, Dalian Economic Development District Dalian City, Liaoning Province.

The detailed information for the Dalian Company as required under Rules 4.04(2) and 4.04(2)(a) of the Listing Rules will be disclosed in our annual report in relation to our financial year ending December 31, 2011 once the information becomes available.