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

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### MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. The business operations of the Group are located in Huzhou, China. Due to the business requirements of the Group, none of the executive Directors has been, is or will be based in Hong Kong.

We have applied to the Stock Exchange for a waiver from the strict compliance with the requirement under rule 8.12 of the Listing Rules on the following grounds:

- (a) the Group's principal business operations are located in the PRC;
- (b) members of the Group's senior management are, and expect to continue to be, based primarily in the PRC; and
- (c) for the purposes of the management and operations of the Group, the appointment of additional executive directors who are ordinarily resident in Hong Kong would not only increase the administrative expenses of the Group, but would also reduce the effectiveness and responsiveness of the board of directors in making decisions for the Group, especially when business decisions are required to be made within a short period of time. In addition, by appointing a new executive director, who may not be familiar with the operations of the Group, to the board of the Company for the sole purpose of satisfying the requirement of rule 8.12 of the Listing Rules may not be in the best interest of the Company and its shareholders as a whole.

We have received from the Stock Exchange a waiver from strict compliance with rule 8.12 of the Listing Rules subject to the following conditions:

- (a) We will appoint two authorised 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 we comply with the Listing Rules at all times. The two authorised representatives are Mr. Chen, our Chairman, chief executive officer and executive Director, and Mr. AU Wai Keung, our company secretary. Mr. Au Wai Keung is ordinarily resident in Hong Kong. Each of the authorised 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) Each of the authorised representatives has 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 matter. In addition, we have provided all of our Directors' mobile phone numbers, office phone numbers, e-mail addresses and fax numbers to the Stock Exchange;

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- (c) All Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong for business purpose and will be able to meet with the relevant members of the Stock Exchange in Hong Kong upon reasonable notice; and
- (d) In compliance with Rule 3A.19 of the Listing Rules, we retained TC Capital Asia Limited as our compliance adviser, they will act as an additional channel of communication with the Stock Exchange.

### ACCOUNTS IN THIS PROSPECTUS

The accountant's report set out in Appendix I to this prospectus includes financial information of our Group for each of the three years ended December 31, 2010, 2011 and 2012 and the eight months ended August 31, 2013.

Rule 4.04(1) of the Listing Rules requires that we include in this prospectus the consolidated results of our Group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies Ordinance requires that we include an accountants' report which contains the matters specified in the Third Schedule to the Companies Ordinance.

Paragraph 27 of the Third Schedule to the Companies Ordinance requires that we set out in this prospectus a statement as to the gross trading income or sales turnover of our Group for each of the three financial years preceding the issue of this prospectus including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31 of the Third Schedule to the Companies Ordinance further requires that we include in this prospectus a report by our auditors with respect to (i) the profits and losses of our Group for each of the three financial years immediately preceding the issue of this prospectus; and (ii) the assets and liabilities of our Group at the last date to which the accounts of our Group were made up.

Further, according to the Stock Exchange's guidance letter HKEx-GL25-11, where a listing applicant issues its prospectus within two months after the latest year end, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules would be subject to the following conditions:

- (a) the applicant must list on the Stock Exchange within three months after the latest year end;
- (b) the applicant must obtain a certificate of exemption from the Securities and Futures Commission from compliance with the requirements under section 342(1), paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance;
- (c) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and

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- (d) there must be a directors' statement in the prospectus that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

We have applied for and received (i) a waiver from the Stock Exchange from strict compliance with Rule 4.04(1) of the Listing Rules; and (ii) a certificate of exemption under section 342A of the Companies Ordinance from the SFC from strict compliance with section 342(1), 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 December 31, 2013 in this prospectus, on the following grounds:

**(a) Limited time between the end of the latest financial year and the date of the prospectus**

Both the date of this prospectus (being January 16, 2014) and the date on which dealings in our Shares on the Stock Exchange are expected to commence (being January 28, 2014) fall within three months after our latest financial year-end. Given the short period of time, it would not be possible for the audited results of our Group for the year ended December 31, 2013 to be finalized and included in this prospectus. If such results are included, there will be a significant delay in our proposed listing timetable. We and our reporting accountants would have to undertake a considerable amount of work to prepare, update and finalise the accountants' report and this prospectus will need to be updated to cover such additional period. It would be unduly burdensome for us to produce, and our auditors to audit, the financial statements for the year ended December 31, 2013 to meet our proposed listing timetable.

**(b) Exemption would not prejudice the interests of the investing public**

The accountants' report set out in Appendix I to this prospectus is made up to August 31, 2013, namely, a date less than six months before the date of this prospectus. Our Directors are of the view that all information that is reasonably necessary for the potential investors to make an informed assessment of the financial results or financial position of our Group has been included in this prospectus, therefore an exemption from compliance with such requirements would not prejudice the interests of the investing public.

**(c) Profit estimate for the year 2013 will be included in this prospectus**

Our Directors are of the view that the accountants' report covering the three years ended December 31, 2012 and the eight months ended August 31, 2013 as set out in Appendix I to this prospectus already provides potential investors with adequate and reasonably up-to-date information in the circumstances to form a view on our track record and earnings trend. Furthermore, a profit estimate for the full year of 2013 is included in Appendix III to this prospectus to provide investors with further information on our financial position.

**(d) Results of our Group for the full year of 2013 will be published after the Listing**

We will comply with Rules 13.46(1) and 13.49(1) of the Listing Rules in respect of the publication of our annual results announcement(s) and report(s) after the Listing.

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We will publish our results for the year ended December 31, 2013 according to Rule 13.49(1) of the Listing Rules on or before March 31, 2014 and publish our annual report according to Rule 13.46(1) not later than April 30, 2014.

**(e) No material adverse change**

Our Directors and the Sole Sponsor confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial and trading positions or prospects since August 31, 2013 and there is no event since August 31, 2013 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

The waiver from strict compliance with Rule 4.04(1) of the Listing Rules was granted by the Stock Exchange on that conditions that:

- (a) we shall issue the prospectus by February 28, 2014 and list on the Stock Exchange by March 31, 2014;
- (b) we shall include in this Prospectus a profit estimate for the year ended December 31, 2013 in compliance with Rules 11.17 to 11.19 of the Listing Rules;
- (c) we shall ensure that sufficient due diligence is performed to ensure that any material adverse change in the financial and trading positions or prospects of our Group since August 31, 2013 will be disclosed herein;
- (d) this prospectus shall include a statement as follows:

“Our Directors and the Sole Sponsor confirm that they have performed sufficient due diligence to ensure that, up to the date of this prospectus, there has been no material adverse change in our financial and trading positions or prospects since August 31, 2013 and there is no event since August 31, 2013 which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus”;
- (e) the listing of our Shares on the Stock Exchange shall commence by March 31, 2014; and
- (f) a certificate of exemption from similar requirements under paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance has been granted by the SFC (which certificate has already been granted as set out in the immediately following paragraph).

The certificate of exemption has been granted by the SFC under section 342A of the Companies Ordinance on the conditions that (i) particular of the exemption are set out in this prospectus, and (ii) this prospectus will be issued on or before January 16, 2014.