
WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

For the purpose of listing of the H Shares on GEM, the Company has sought a waiver from the GEM Listing Division in relation to the escrow arrangement requirements under the GEM Listing Rules. Details of the waiver are described below.

Escrow arrangements

Pursuant to Rule 13.16(1) of the GEM Listing Rules, the Company shall procure that Professor Xiao, Xi'an Jiefang Group, XITIC, BJ Holdings, Shaanxi Silk, Xi'an Zhengheng Investment, Mr. Wu, Mr. Chen and Shaanxi Mant, each being an Initial Management Shareholder places in escrow, with an escrow agent and on such terms as are acceptable to the Stock Exchange, its/his Relevant Securities for a period of 12 months from the Listing Date, or where that Initial Management Shareholder's Relevant Securities represent no more than 1% of the issued capital of the Company as at the Listing Date, for a period of six months from the Listing Date.

The Directors consider that compliance with Rule 13.16(1) of the GEM Listing Rules is not applicable to the Domestic Shares held by the Initial Management Shareholders since the Domestic Shares held by the Initial Management Shareholders are not represented by any form of physical scrip or title documents and do not form any part of the securities to be listed on GEM. Given that the Domestic Shares are in scrip-less form, the Initial Management Shareholders may not be able to create any pledge or charge by the deposit of the title documents of their respective Domestic Shares or any part thereof. This also means that the subject matter for custody by the escrow agent under Rule 13.16(1) of the GEM Listing Rules does not physically exist in any form available for custody purposes.

Given the above, an application has been made on behalf of the Company for a waiver from strict compliance with Rule 13.16(1) of the GEM Listing Rules in respect of making physical escrow arrangements. Each of the Directors (including the non-executive Directors and independent non-executive Directors) has undertaken (i) not to approve, and to procure the Company not to approve, the registration of any transfer of the Domestic Shares owned by the Initial Management Shareholders within a period of 12 months or six months, as the case may be, after the Listing Date; and (ii) to submit a copy of the undertakings in favour of the Stock Exchange and the Company in relation to the restriction on disposal of the Domestic Shares given by the Initial Management Shareholders to 西安工商行政管理局 (the Administration of Industry and Commerce of Xi'an) for filing purpose and request the Administration of Industry and Commerce of Xi'an, after the Listing, (i) to insert a note in the register of the Company's information maintained by the Administration of Industry and Commerce of Xi'an which shall state that all the Domestic Shares held by the Initial Management Shareholders cannot be transferred; and (ii) not to register any transfer of the Domestic Shares held by the Initial Management Shareholders, within their respective moratorium periods under the GEM Listing Rules as stated in this prospectus.