
WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

For the purpose of the listing of the H Shares on GEM, the Company has sought a waiver from the Stock Exchange in relation to Rule 13.16(1) under the GEM Listing Rules.

ESCROW ARRANGEMENTS

Under Rule 13.16(1) of the GEM Listing Rules, the Company shall procure that each of the Initial Management Shareholders places in escrow, with an escrow agent and on such terms as acceptable to the Stock Exchange, all its Relevant Securities (as defined under Rule 13.15(4) of the GEM Listing Rules) for a period commencing from the date of this prospectus and ending on the date which is (a) 12 months from the Listing Date; or (b) where the Initial Management Shareholders' Relevant Securities represent no more than 1% of the issued share capital of the Company as at the Listing Date, 6 months from the Listing Date. All of the Initial Management Shareholders of the Company are subject to the escrow arrangements under Rule 13.16(1) of the GEM Listing Rules.

The Directors consider that Rule 13.16(1) of the GEM Listing Rules are not applicable to the Domestic Shares held by the Initial Management Shareholders as the Domestic Shares are not represented by any form of physical scrip or title documents. Holders of Domestic Shares are unable to create any pledge or charge by 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 do not physically exist in any form available for custody purposes.

Under the relevant laws and regulations of the PRC, the Domestic Shares held by the Promoters and/or the Initial Management Shareholders are subject to (i) Article 142 of the Company Law which provides that the shares held by the promoters of a joint stock limited company established under the Company Law are not transferable within 12 months from the listing date of such company; and (ii) Article 75 of the Law of Guarantee of the PRC which provides that only shares which are legally transferable may form lawful security for the purposes of pledge or charge in the PRC.

As the Company was transformed into a joint stock limited company on 13 April 2006 in the PRC, the Domestic Shares held by the Initial Management Shareholders are subject to the restrictions imposed by the Company Law and the Law of Guarantee of the PRC, and are therefore within 12 months from the Listing Date neither transferable nor able to form any lawful security for the purpose of pledge or charge in the PRC. In the event that the above relevant PRC laws and regulations are relaxed or removed, the Company will procure the Initial Management Shareholders to comply with the escrow arrangements pursuant to Rule 13.16(1) of the GEM Listing Rules.

It was provided in Article 21 of the Articles of Association that the Domestic Shares of the Company shall not be transferred for a period of one year from the Listing Date since the date the H Shares of the Company are first listed on the Hong Kong Stock Exchange. Therefore, the Domestic Shares held by the Promoters are subject to the same restriction and shall not be transferred for a period of one year from the Listing Date.

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Given the above, the Company has applied for a waiver from strict compliance with Rule 13.16(1) of the GEM Listing Rules in respect of making physical escrow arrangements and the waiver has been granted by the Stock Exchange on condition that:

- (1) each of the Initial Management Shareholders undertakes to the Company and the Stock Exchange that for a period commencing on the date of this prospectus and ending on the date which is (a) 12 months from the Listing Date, or (b) where the shareholders' relevant securities represent no more than 1% of the issued share capital of the Company as at the Listing Date, six months from the Listing Date, it will not (i) dispose of (nor enter into any agreement to dispose of) or permit the registered holder to dispose of (or to enter into any agreement to dispose of) any of its direct or indirect interest in its relevant securities; or (ii) otherwise create (nor enter into any agreement to create) or permit the registered holder to create (or to enter into any agreement to create) any options, rights, interests or encumbrances in respect of any such interest; and
- (2) the Directors undertake to the Company and the Stock Exchange that they will not approve and will procure the Company not to approve the transfer of and the registration of any transfer of the Domestic Shares held by the Initial Management Shareholders during the applicable moratorium periods in respect of Rule 13.16(1) of the GEM Listing Rules as required.