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## WAIVERS FROM STRICT COMPLIANCE WITH THE MAIN BOARD LISTING RULES

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### MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Main Board Listing Rules, the Company must have a sufficient management presence in Hong Kong. This normally means that at least two of the executive Directors must be ordinarily resident in Hong Kong. Since the principal business operations of the Group are primarily located in the PRC, the senior management members of the Company are therefore based in the PRC. As at the Latest Practicable Date, Tam Hon Shan, Celia, the company secretary and qualified accountant of the Company, is ordinarily resident in Hong Kong and none of the executive Directors is a Hong Kong resident and based in Hong Kong. The Directors believe that it would be practically difficult and commercially unfeasible for the Company to appoint two Hong Kong residents as executive Directors or to relocate the Company's executive Directors who are resident in the PRC to Hong Kong merely for the purpose of complying with Rule 8.12 of the Main Board Listing Rules.

The Company has applied and received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Main Board Listing Rules subject to the following conditions:

- (a) The Company has appointed Liu Luyuan and Tam Hon Shan, Celia as its two authorized representatives pursuant to Rule 5.25 of the GEM Listing Rules and will appoint them pursuant to Rule 3.05 of the Main Board Listing Rules, who will act as the Company's principal channel of communication with the Stock Exchange. Tam Hon Shan, Celia is a Hong Kong resident.
- (b) Each of the authorised representatives will be available to meet with the Stock Exchange in Hong Kong at a short notice and be readily contactable by mobile, office telephone, facsimile and email. Each of the authorized representatives has been duly authorised to communicate on behalf of the Company with the Stock Exchange.
- (c) Both authorised representatives have 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 matters.
- (d) Each of the Directors who are not ordinary resident in Hong Kong (including the independent non-executive Directors) has confirmed that he holds valid travel documents such that he will be available to travel to Hong Kong to meet with the Stock Exchange, with a short notice upon the request of the Stock Exchange. Each Director will be readily contactable by mobile, office telephone, facsimile and email, and is authorised to communicate on behalf of the Company with the Stock Exchange.
- (e) To enhance communication between the Stock Exchange, the authorised representatives and the Directors, the Company has implemented a policy whereby (i) each Director will have to provide his mobile number, office telephone number, facsimile number and email address to the authorised representatives; (ii) in the event that a Director expects to travel and be out of office, he will have to provide the phone number of the place of his accommodation to the authorised representatives; and (iii) all Directors will provide their mobile numbers, office telephone numbers, facsimile numbers and email addresses to the Stock Exchange.

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- (f) The Company has appointed a compliance adviser, First Shanghai Capital, (the “Compliance Adviser”) for the purpose of, among other things, obtaining professional advice on matters relating to compliance with the Main Board Listing Rules. Pursuant to a compliance adviser agreement entered into between the Compliance Adviser and the Company, the Company has appointed the Compliance Adviser for the period commencing on the Main Board Listing Date and ending on the date that the Company complies with the Main Board Listing Rule 13.46 to distribute its annual report or its financial results for the first full financial year commencing after the Main Board Listing Date pursuant to the Main Board Listing Rule 3A.19, and the Compliance Adviser will provide professional advice on matters relating to compliance with the Main Board Listing Rules and all other applicable laws, rules, codes and guidelines. The Compliance Adviser will, in addition to the authorised representatives, act as the Company’s alternative channel of communication with the Stock Exchange.
- (g) The compliance adviser agreement provides that the Compliance Adviser shall have access at all times to the authorised representatives, the Directors and other senior officers of the Company who will provide to the Compliance Adviser such information and assistance as the Compliance Adviser may reasonably require in connection with the performance of the Compliance Adviser’s duties.
- (h) Meetings between the Stock Exchange and the Directors can be arranged with a short notice. The Company will inform the Stock Exchange promptly in respect of any change in its authorised representatives and/or compliance adviser.

### NON-DISPOSAL OF SHARES

In connection with the Introduction, we have applied to the Stock Exchange for, and the Stock Exchange has granted, (i) a waiver from strict compliance with the restrictions regarding further issue of securities of the Company within six months from the Main Board Listing Date, as specified under Rule 10.08 of the Main Board Listing Rules; and (ii) a waiver from strict compliance with the restriction under Rule 10.07(1)(a) of the Main Board Listing Rules in relation to the deemed disposal of Shares by the Controlling Shareholders upon the issue of securities by the Company within six months from the Main Board Listing Date. We consider that the interests of the Shareholders are protected since any further issue of new Shares by the Company would either be issued under a general mandate to issue further Shares to be granted at the EGM to be held on 12 June 2008 or a separate approval at the general meeting as required under Rule 13.36 of the Main Board Listing Rules.

The Shares are already listed on GEM. We are applying for a migration of our listing status from GEM to the Main Board. Accordingly, we are a new applicant for listing on the Main Board. Some of the restrictions under Rules 10.07(1)(a) and 10.08 of the Main Board Listing Rules may unnecessarily interrupt our current operations (e.g. equity fund raising exercise or issue of new Shares as consideration for acquisition of assets as and when the opportunity arises within the first six months

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of listing of the Shares on the Main Board) for a period of six months after our migration from GEM onto the Main Board. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, the above mentioned waivers based on the following reasons:

- (a) the Company will not raise any new funds under the Introduction, therefore the Shareholders will not suffer any dilution of their interests as a result of the Company's listing on the Main Board;
- (b) the Company is deemed to be a new listing applicant by reason of the Introduction, the Shareholders remain the same and there is no change in their shareholdings, save that the Shares will be listed on the Main Board and the listing status of the Company on GEM will be withdrawn;
- (c) the interests of the Shareholders are protected since any further issue of new Shares by the Company would either be issued under the general mandate to be granted by the Shareholders at the EGM to be held on 12 June 2008 or be issued following the Shareholder's approval at a general meeting as required under Rule 13.36 of the Main Board Listing Rules to which any further issuance of Shares would be subject to Shareholders' approval;
- (d) though we do not have an imminent plan to raise equity funds, the ever changing securities market and economic situation in Hong Kong and the regional areas may turn to be so favourable to us within the first six months of listing of the Shares on the Main Board, the waiver will enable us to raise funds (as and when appropriate) which provides us with the maximum flexibility and enable the Directors to act in the best interests of the Company and the Shareholders as a whole; and
- (e) acquisition opportunities may arise from time to time within the first six months of the listing of the Shares on the Main Board, and the waiver will allow the issuance of new Shares to satisfy the consideration payable which provides us with the maximum flexibility in financing/structuring the payment method of any future acquisitions as well as to preserve our cash resources for the deployment of our business operation.

### *Commitment by controlling shareholder*

Since the Shares were first listed on GEM on 2 November 2007, the Controlling Shareholders have remained as our controlling shareholders with shareholding interest equals to or above approximately 50% at all times and had never disposed of any shareholding interest in the Company.

The Controlling Shareholders, since the Shares were listed on GEM, have shown their commitment to the Company, including without limitation, development of our business, detail of which are set out in "Comparison of Business Objectives with Actual Business Progress" in this document. After listing of the Shares on the Main Board, the Board will continue to try its best

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endeavour to develop our business, details of which are set out in “Comparison of Business Objectives with Actual Business Progress — Business Strategies” in this document. Please also refer to the conditions to which the Company and the Controlling Shareholders are prepared to be subject and set out the following subsection “Conditions” below.

### *Conditions*

For the sake of the granting of the waiver by the Stock Exchange from strict compliance with Rules 10.07(1)(a) and 10.08 of the Main Board Listing Rules and for the sake of good corporate governance, we will comply with the following conditions to the waiver:

- (a) any issue of Shares (or convertible securities) during the first six months after listing on the Main Board will be either for cash to fund a specific acquisition or as part of full consideration for an acquisition;
- (b) any acquisition(s) mentioned in (a) above must be for asset(s) or business(es) that will contribute to the growth of the operation of the Group; and
- (c) the Controlling Shareholders, will not cease to be our controlling shareholder by virtue of the deemed disposal of Shares upon the issue of any Shares within six months of the listing on the Main Board.

### **STRUCTURE CONTRACTS**

We have entered into the Structure Contracts with NetDragon (Fujian) which would constitute non-exempt continuing connected transactions of the Company under the Main Board Listing Rules. We have received from the Stock Exchange a specific waiver from strict compliance with the announcement, reporting and shareholders’ approval requirements set out in Chapter 14A of the Main Board Listing Rules for the Structure Contracts. Further details of the Structure Contracts and the specific waiver are set out in “Structure Contracts” in this document.

### **CONNECTED TRANSACTIONS**

We have entered into a transaction which would constitute non-exempt continuing connected transaction of the Company under the Main Board Listing Rules after the Introduction. We have received from the Stock Exchange a waiver from strict compliance with the announcement requirements set out in Chapter 14A of the Main Board Listing Rules for such non-exempt continuing connected transaction. Further details of such non-exempt continuing connected transaction and the waiver are set out in “Relationship with the Controlling Shareholders and non-competition undertakings — Continuing connected transaction exempt from independent shareholders’ approval requirement but subject to reporting and announcement requirements” in this document.