
WAIVERS AND EXEMPTION FROM COMPLIANCE WITH THE HONG KONG LISTING RULES

PUBLIC FLOAT REQUIREMENTS

Rules 8.08(1)(a) and (b) of the Hong Kong Listing Rules require that there must be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s), including the Hong Kong Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital. However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital and must have an expected market capitalization at the time of listing of not less than HK\$50 million.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.08(1) of the Hong Kong Listing Rules to allow a minimum public float for the H shares to be the higher of (i) 10% of the total issued Shares or (ii) such a percentage of H Shares held by the public immediately after completion of the Global Offering, as increased by the H Shares which may be issued upon the exercise of the Over-allotment Option and the transfer and conversion of the relevant state-owned shares into H Shares pursuant to the PRC regulations on reduction of state-owned shares.

The above waiver is subject to the condition that we will make appropriate disclosure of the lower prescribed percentage of public float of H Shares and confirm sufficiency of public float of H Shares in successive annual reports after Listing. In the event that the public float percentage falls below the minimum percentage prescribed by the Hong Kong Stock Exchange, we will take appropriate steps to ensure that the minimum percentage of public float prescribed by the Hong Kong Stock Exchange is complied with.

MANAGEMENT PRESENCE

According to Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules, our Company must have sufficient management presence in Hong Kong. This usually means that at least two of our executive Directors must be ordinarily residing in Hong Kong. Our head office and substantially all of our business operations are based, managed and conducted in the PRC. As the executive Directors play very important roles in our Company's business operations, it is in our best interests for them to be based in or near the places where our Group has significant operations. As such, our Company does not, and in the foreseeable future, will not, have executive Directors ordinarily resident in Hong Kong. Currently, both of our executive Directors, Mr. Wang Kaiguo and Mr. Li Mingshan, are ordinarily resident in the PRC.

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Accordingly, we have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rule 8.12 and Rule 19A.15 of the Hong Kong Listing Rules. We have made arrangements to maintain effective communication between the Hong Kong Stock Exchange and us as follows:

- we have designated Mr. Jin Xiaobin, one of our joint company secretaries, and Mr. Wang Kaiguo, one of our Company's executive Directors, as our authorized representatives and they will act as our Company's principal channel of communication with the Hong Kong Stock Exchange and would be readily contactable by the Hong Kong Stock Exchange;
- both of the authorized representatives of our Company have means of contacting all Directors (including independent non-executive Directors) promptly at all times and when the Hong Kong Stock Exchange wishes to contact a Director for any reason;
- we have provided the authorized representatives and the Hong Kong Stock Exchange with the contact details of each Director, including mobile phone numbers, office phone numbers, e-mail addresses and fax numbers;
- each Director who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong to meet with the Hong Kong Stock Exchange within a reasonable period of time pursuant to requests of the Hong Kong Stock Exchange; and
- we have appointed Haitong International Capital Limited and BOCOM International (Asia) Limited as our joint compliance advisors who will serve as an additional channel of communication of the Company with the Hong Kong Stock Exchange from the Listing Date to the date when the Company mails its annual reports to its shareholders for the first full financial year immediately after the listing of our H Shares.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Rule 3.28

Pursuant to Rule 3.28 of the Hong Kong Listing Rules, an issuer must appoint as its company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary.

Note 1 to Rule 3.28 of the Hong Kong Listing Rules sets out academic or professional qualifications to be considered acceptable by the Hong Kong Stock Exchange:

- (a) a Member of The Hong Kong Institute of Chartered Secretaries;

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- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Hong Kong Listing Rules sets out factors the Hong Kong Stock Exchange considers in assessing an individual's "relevant experience":

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, Companies Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Pursuant to Rule 8.17 (as amended effective on January 1, 2012) of the Hong Kong Listing Rules, an issuer must appoint a company secretary who satisfies Rule 3.28 of the Hong Kong Listing Rules.

Mr. Jin Xiaobin joined our Company in August 1998, and has 13 years of management experience in securities industry and profound understanding of our operation. Mr. Jin does not possess the specified qualifications required by Rule 3.28 of the Hong Kong Listing Rules. Given the important role of the company secretary in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Jin will endeavor to attend relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations and the Hong Kong Listing Rules organized by the Company's Hong Kong legal advisors on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules;
- we have appointed Ms. Mok Mingwai who meets the requirements under Note 1 to Rule 3.28 of the Hong Kong Listing Rules, as a joint company secretary to work closely with and provide assistance to Mr. Jin in the discharge of his duties as company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Jin to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Hong Kong Listing Rules) to discharge the duties and responsibilities as company secretary; and

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- upon expiry of the three-year period, the qualifications and experience of Mr. Jin will be evaluated. Mr. Jin is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Ms. Mok's assistance for three years, would then have acquired the "relevant experience" within the meaning of Note 2 to Rule 3.28 of the Hong Kong Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. Upon the expiry of the initial three-year period, the qualifications of Mr. Jin will be re-evaluated to determine whether the requirements as stipulated in Note 2 to Rule 3.28 of the Hong Kong Listing Rules can be satisfied. In the event that Mr. Jin has obtained relevant experience under Note 2 to Rule 3.28 of the Hong Kong Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

SUBMISSION SEEKING CONSENT FROM THE HONG KONG STOCK EXCHANGE REGARDING THE REQUIREMENTS UNDER RULE 10.04 AND PARAGRAPH 5(2) OF APPENDIX 6 OF THE HONG KONG LISTING RULES

Rule 10.04 of the Hong Kong Listing Rules provides that a person who is an existing shareholder of the issuer may only subscribe for or purchase any securities for which listing is sought which are being marketed by or on behalf of a new applicant either in his or its own name or through nominees if the conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are fulfilled. The conditions in Rules 10.03(1) and (2) of the Hong Kong Listing Rules are as follows: (i) no securities are offered to the existing shareholders on a preferential basis and no preferential treatment is given to them in the allocation of the securities; and (ii) the minimum prescribed percentage of public shareholders required by Rule 8.08(1) of the Hong Kong Listing Rules is achieved.

Paragraph 5(2) of Appendix 6 to the Hong Kong Listing Rules provides that, unless with the prior consent of the Hong Kong Stock Exchange, no allocations will be permitted to directors or existing shareholders of the applicant or their associates, whether in their own names or through nominees unless the conditions set out in Rules 10.03 and 10.04 of the Hong Kong Listing Rules are fulfilled.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, its consent under Rule 10.04 and Paragraph 5(2) of Appendix 6 of the Hong Kong Listing Rules so that the Company could allocate H Shares under the placing tranche of the Global Offering to its existing public holders of A Shares on the grounds that:

1. the Global Offering comprises the Hong Kong Public Offer and the International Offering, and the International Underwriters will solicit indications of interest from prospective investors in the book-building phase of the International Offering;
2. we have a wide spread of shareholder base and do not have any controlling shareholder as defined under the Hong Kong Listing Rules; and

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3. it is not intended that any Connected Persons of us or any of their associates would participate in the International Offering, or otherwise subscribe for or purchase any H Shares of us under the Global Offering.

The Hong Kong Stock Exchange has granted such consent on the condition that:

1. such holders of A Shares would be shareholders who each holds less than 2% of our issued share capital immediately prior to the Global Offering and has no board representation in our Company and therefore would not be in a position to exert any influence over the allocation process in the International Offering;
2. such holders of A Shares are not, and would not be, our Connected Persons or any of their associates immediately prior to or after the Global Offering;
3. the proposed placing of shares would be at the same price offered in the initial public offering;
4. such holders of A Shares would be subject to the same book building and allocation process as other investors in the International Offering, and no preferential treatment would be given to them in the allocation of H Shares in the International Offering;
5. allocation to these holders of A Shares would not affect our ability to satisfy the public float requirement under Rule 8.08 of the Hong Kong Listing Rules; and
6. all relevant information in respect of the allocation to the holders of A Shares would be disclosed in both this prospectus and the allotment results announcement.

CLAWBACK MECHANISM UNDER PARAGRAPH 4.2 OF PRACTICE NOTE 18 OF THE HONG KONG LISTING RULES

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-subscription, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

1. if the number of the H Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering,

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then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 92,205,000 H Shares, representing approximately 7.5% of the Offer Shares initially available under the Global Offering;

2. if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 122,940,000 H Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
3. if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 245,880,000 H Shares, representing 20% of the Offer Shares initially available under the Global Offering. In each such case, the number of the Offer Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Please also see “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation” of this prospectus.

WAIVER FROM THE HONG KONG STOCK EXCHANGE REGARDING THE REQUIREMENTS UNDER RULE 13.46(2) OF THE HONG KONG LISTING RULES

Pursuant to Rule 13.46(2) of the Listing Rules, an issuer is required to send a copy of its annual report and accounts or summary financial report to its shareholders within four months after its financial year-end.

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As the financial year end of our Company falls on December 31 and the Listing is expected to commence on April 27, 2012, we would be required to publish our annual report for the year ended December 31, 2011 by April 30, 2012 pursuant to Rule 13.46(2) of the Listing Rules. Given that our financial information in respect of the financial year ended December 31, 2011 and the detailed management discussion on the changes of the financials in 2011 have been included in the Prospectus and taking into consideration the short time between the date of this prospectus and the deadline for the issue of the annual report, our Directors consider that strict compliance with the requirements of Rule 13.46(2) of the Listing Rules to publish an annual report will not provide our Shareholders with further material information of our Company that is required to be disclosed in an annual report and would incur unnecessary administrative cost and be unduly burdensome for us. Our Directors, having made all reasonable enquiries and taken into account the advice of the legal advisors to our Company as to PRC law, confirmed that the departure from strict compliance with Rule 13.46(2) of the Listing Rules will not be in breach of the constitutional documents of our Company or laws and regulations of the PRC or other PRC regulatory requirements regarding our obligation to distribute annual reports and accounts. A short statement as to whether we will otherwise comply with the HKSE Corporate Governance Code after the Listing has been set out in the paragraph headed “Corporate Governance” under the section headed “Directors, Supervisors and Senior Management” in this prospectus.

On the above basis, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements of Rule 13.46(2) of the Listing Rules in respect of the issue of an annual report for the financial year ended December 31, 2011.

EXPLANATION REGARDING POTENTIAL DEVIATION FROM CODE PROVISION A.1.8 OF THE HKSE CORPORATE GOVERNANCE CODE

Our Directors are aware that, effective from April 1, 2012, the recommended best practice of arranging appropriate insurance cover in respect of legal actions against directors has been upgraded to a code provision in the HKSE Corporate Governance Code. Our Directors are also aware that, upon Listing, we are expected to comply with, but may choose to deviate from such code provision. However, such deviation shall be carefully considered and reasons for such deviation shall be given in the interim report and the annual report of the relevant period. While we are committed to achieving high standards of corporate governance and to complying with the code provisions as set out in the HKSE Corporate Governance Code, we are advised by our PRC legal advisors, Grandall Law Firm (Shanghai), that insurance cover in respect of legal actions against directors shall be approved at general meeting under the SSE Corporate Governance Index. Upon careful consideration, our Directors decided to delay the compliance with such code provision and submit the relevant insurance plans for our Shareholders’ approval at our next annual general meeting, which is expected to be held by June 2012 for the following reasons: (i) the deviation from such code provision will be for a short period of time of less than three months, taking into consideration that our Listing Date is expected to be on April 27, 2012 and our annual general meeting is expected to be held by June 2012; and (ii) to convene an extraordinary general meeting approximately two months before our annual general meeting solely to approve such insurance plans would incur undue administrative cost on the part of our Company and be unduly burdensome for the Company.