

WAIVERS FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES AND THE COMPANIES ORDINANCE

WAIVER ON SHARE DISPOSAL RESTRICTION UNDER THE GEM LISTING RULES

Moratorium period imposed on the Initial Management Shareholders

Under Rule 13.16 of the GEM Listing Rules, a new applicant shall procure that every initial management shareholder undertakes to the new applicant and the Stock Exchange not to dispose of (or enter into any agreement to dispose of), for a period of two years from the date on which dealings in the shares of the listing applicant on GEM commence save as provided in Rule 13.17 of the GEM Listing Rules, any direct or indirect interest in relevant securities.

Under the GEM Listing Rules, Mr. Tse Ping, Mr. Wang Jinyu, Conspicuous Group Limited, Remarkable Industries Limited, Validated Profits Limited and Discover Profits Limited, being the Initial Management Shareholders, would ordinarily be subject to a moratorium period of two years from the date on which dealings in the Shares on GEM commence. However, as the result of an application made on behalf of the Company and the Initial Management Shareholders, and consistent with the joint announcement issued by the SFC and the Stock Exchange dated 11 March, 2000 (the "Joint Announcement"), the Stock Exchange has granted a waiver to the Initial Management Shareholders from strict compliance with Rule 13.16 of the GEM Listing Rules to the effect that the moratorium period applicable to Mr. Tse Ping, Mr. Wang Jinyu, Conspicuous Group Limited, Remarkable Industries Limited, Validated Profits Limited and Discover Profits Limited, being the Initial Management Shareholders, has been reduced to six months from the date on which dealings in the Shares on GEM commence, subject to the conditions that none of Mr. Tse Ping, Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited are allowed to dispose of any relevant securities in the second six-month period after listing if such disposal would result in Mr. Tse Ping, Conspicuous Group Limited, Remarkable Industries Limited and Validated Profits Limited together ceasing to have control over 35 per cent. of the voting powers at general meetings of the Company.

Stock borrowing arrangement

In order to facilitate the settlement of over-allocations in the Placing, DBS Asia may choose to borrow Shares from Mr. Tse Ping and Conspicuous Group Limited, being two of the Initial Management Shareholders, under a stock borrowing arrangement prior to any exercise of the Over-allotment Option or the acquisition of a sufficient number of Shares from other sources. An application has been made to the Stock Exchange for a waiver to be granted to Mr. Tse Ping and Conspicuous Group Limited from strict compliance with Rule 13.16 of the GEM Listing Rules which restricts the disposal of shares by initial management shareholders following a new listing, in order to allow it to enter into the stock borrowing arrangement. The Stock Exchange has indicated that the waiver will be granted subject to the following conditions:—

- (1) such stock borrowing arrangement with Mr. Tse Ping and Conspicuous Group Limited will only be effected by DBS Asia for settlement of over-allocation in connection with the Placing;
- (2) the maximum number of Shares borrowed from Mr. Tse Ping and Conspicuous Group Limited will be limited to the maximum number of 9,000,000 Shares which may be placed upon exercise of the Over-allotment Option; and

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- (3) up to 9,000,000 Shares borrowed from Mr. Tse Ping and Conspicuous Group Limited (subject to the offset arrangement as mentioned below) shall be returned to Conspicuous Group Limited no later than 3 business days following the earlier of (i) the last day on which the Over-allotment Option may be exercised or (ii) the day on which the Over-allotment Option is exercised in full.

Such stock borrowing arrangement will be effected in compliance with all applicable laws, and regulatory requirements. No payments will be made to Mr. Tse Ping and Conspicuous Group Limited by DBS Asia in relation to such stock borrowing arrangement. In the event that DBS Asia (acting on behalf of the Underwriters) exercises the Over-allotment Option, such Shares received by DBS Asia pursuant to the exercise of the Over-allotment Option will be used to offset against the Shares owed by DBS Asia to Conspicuous Group Limited, if any.

WAIVER ON THE REQUIREMENT OF FINANCIAL PERIOD REPORTED ON UNDER THE COMPANIES ORDINANCE

Under paragraph 27 of Part I of the Third Schedule and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance, this prospectus is required to include a report by the auditors of the Company and its subsidiaries in respect of each of the three financial years immediately preceding the issue of this prospectus.

The Company has sought a waiver from the SFC in relation to the above Companies Ordinance requirements. The SFC has granted such waiver in relation to paragraph 27 of Part I of the Third Schedule and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance accordingly. The Directors confirm that they have performed sufficient due diligence on the Group to ensure that, up to the date of this prospectus, there has been no material adverse change in the financial position of the Group since 31 May, 2000, and there is no event which would materially affect the information shown in the Accountants' Report set out in Appendix I to this prospectus.