

WAIVERS IN RESPECT OF THE GEM LISTING RULES AND COMPANIES ORDINANCE

For the purpose of the listing of the Shares on GEM, the Company has sought a number of waivers from the GEM Listing Division in relation to certain requirements under the GEM Listing Rules. Details of such waivers are set out below.

MORATORIUM PERIOD

The GEM Listing Rules require every initial management shareholder of a new issuer to undertake to the new issuer and the Stock Exchange, for a period of two years from the listing date, not to dispose of (or 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 direct or indirect interest in relevant securities (as defined in the GEM Listing Rules) (the “Relevant Securities”).

Under the GEM Listing Rules, the Initial Management Shareholder would ordinarily be subject to a moratorium period of two years. As a result of an application made on behalf of the Company, the Stock Exchange has granted a waiver to shorten the two-year moratorium period imposed on the Initial Management Shareholder to six months provided that the Initial Management Shareholder is not allowed to dispose of (or entering into agreements to dispose of) any direct or indirect interest in the Relevant Securities in the second six-month period after listing if such disposal would result in the Initial Management Shareholder ceasing to have control over 35 per cent. of the voting rights at general meetings of the Company.

Stock borrowing

In order to facilitate settlement of over-allocations in connection with the Placing, Guotai Junan may borrow Shares from Mr. Lin under a stock borrowing arrangement pending exercise of the Over-allotment Option and/or acquisition of Shares in the secondary market. As the Shares held by Mr. Lin are subject to the moratorium period as described above, an application has been made to the Stock Exchange for a waiver from strict compliance with Rule 13.16 of the GEM Listing Rules (as explained in the paragraph headed “Moratorium period” above) for the purpose of implementing the stock borrowing arrangement. A waiver has been granted by the Stock Exchange on the conditions that:

- (i) such stock borrowing arrangement with Mr. Lin will only be effected by Guotai Junan for settlement of over-allocations in connection with the Placing;
- (ii) the maximum number of Shares to be borrowed from Mr. Lin will be limited to 10,125,000 Shares, which is the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- (iii) the same number of Shares borrowed will be returned to Mr. Lin or his nominee(s) (as the case may be) not later than three business days following the earlier of (a) the last day on which the Over-allotment Option may be exercised or (b) the day on which the Over-allotment Option is exercised in full;
- (iv) the returned Shares will be deposited with an escrow agent acceptable to the Stock Exchange as soon as practicable;

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- (v) the stock borrowing arrangement will be effected in compliance with all applicable laws and regulatory requirements; and
- (vi) no payments will be made to Mr. Lin by Guotai Junan in relation to such stock borrowing arrangement.

SHARE OPTION SCHEME

The Share Option Scheme was conditionally adopted by a resolution in writing passed by the sole shareholder of the Company on 8th May, 2001. Rule 23.03(2) of the GEM Listing Rules requires that the total number of Shares subject to the Share Option Scheme and any other schemes must not, in aggregate, exceed 10 per cent. of the issued share capital of the Company from time to time (the "General Mandate Limit"). The Company has applied for and has been granted a waiver from strict compliance with Rule 23.03(2) of the GEM Listing Rules so that the total number of Shares subject to the Share Option Scheme and any other schemes can be increased from 10 per cent. to 30 per cent. of the issued share capital of the Company from time to time subject to the following conditions:

- (1) the total number of Shares which may be issued pursuant to the exercise of options under the Share Option Scheme and any other schemes must not, in aggregate, exceed 30 per cent. of the issued share capital of the Company from time to time;
- (2) subject to (1) above, the shareholders of the Company may authorise the Directors to grant options under the Share Option Scheme and any other schemes to existing participants to subscribe for Shares pursuant to the exercise of options representing up to the General Mandate Limit which may be renewed, if approved, by shareholders in general meeting from time to time;
- (3) subject to (1) above, the Company may seek a separate shareholders' approval in general meeting to grant options beyond the General Mandate Limit to participants specified by the Company before such approval is sought;
- (4) any grant of option to a connected person (as defined in the GEM Listing Rules) must be approved by all independent non-executive Directors;
- (5) where options are proposed to be granted to a connected person, who is also a substantial shareholder (as such term is defined in the GEM Listing Rules) or any of its associates, and the proposed grant of options, when, aggregated with the options already granted to that connected person in the past 12-month period, would entitle him to receive more than 0.1 per cent. of the total number of issued Shares for the time being and the value of which is in excess of HK\$5,000,000, the granting of such option will be subject to independent shareholders' approval at general meeting in which the connected person involved and all other connected persons of the Company must abstain from voting (except where any connected person intend to vote against the proposed grant). A circular explaining the proposed grant, disclosing the number and terms of the options to be granted and containing a recommendation from the independent non-executive Directors on whether or not to vote in favour of the proposed grant must be sent to the shareholders of the Company; and

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- (6) details of options granted to each Director and all the other participants, and a summary of the major terms of each share option scheme approved by shareholders of the Company must be disclosed in the annual and interim reports of the Company in addition to the disclosures required under Rule 23.08 of the GEM Listing Rules.

EXEMPTION FROM COMPLIANCE WITH SECTION 342(1) OF THE COMPANIES ORDINANCE

Under paragraph 27 of Part I of the Third Schedule to the Companies Ordinance, a listing applicant is required to set out in its listing document a statement as to the gross trading income or sales turnover (as may be appropriate) of the Group during the three preceding years. Paragraph 31 of Part II of the Third Schedule to the Companies Ordinance requires a listing applicant to set out a report, prepared by its auditors and reporting accountants, containing its financial information in respect of each of the three financial years immediately preceding the issue of the listing document.

The Company has sought a certificate of exemption from the SFC from strict compliance with Section 342(1) of the Companies Ordinance pursuant to which a prospectus is required to contain matters specified in Part I of the Third Schedule to the Companies Ordinance and reports specified in Part II of the Third Schedule to the Companies Ordinance.

The SFC has granted an exemption from strict compliance with Section 342(1) of the Companies Ordinance, in particular paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies Ordinance, so that the Group is only required to include in this prospectus its trading record, financial results and information covering the two financial years ended 30th June, 2000 and the five months ended 30th November, 2000.

The Directors confirm that they have performed sufficient due diligence on the Group to ensure that, up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group since 30th November, 2000, and there is no event which would materially affect the information shown in the accountant's report set out in Appendix I to this prospectus.