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

RULE 18.35

Under Rule 18.35 of the GEM Listing Rules, where a listed issuer has caused any property assets to be valued (in accordance with Rule 8.01 of the GEM Listing Rules) and included such a valuation in the prospectus relating to the initial public offer of shares in the listed issuer, the property assets shall be stated in the issuer's financial statements at such valuation (or subsequent valuation) less the aggregate amount provided or written off for depreciation and diminution in value.

In addition, listed issuers are required to state, by way of a note in the financial statements, the additional depreciation charged against the profit and loss account as a consequence of complying with Rule 18.35 of the GEM Listing Rules.

The property assets of the Group were revalued as at 30th November, 2001, by the Company's property valuer, Vigers Hong Kong Limited, for the purpose of inclusion in this prospectus. According to the valuation as at 30th November, 2001 from the valuation report of Vigers Hong Kong Limited, the texts of which are set out in Appendix II to this prospectus, the valuation of the properties of the Group set out in paragraph headed "Group I - Properties owned by the Group in the PRC" was stated at RMB32,700,000. On the basis of the net book value of such property at RMB29,180,000 as included in the unaudited combined balance sheet of the Group as at 30th November, 2001, there is a revaluation surplus of approximately RMB3,520,000 (equivalent to HK\$3,321,000) arising on a revaluation of such properties which represents approximately 2% of the adjusted net tangible assets value of the Group (based on 1,200,000,000 Shares in issue or to be issued and assuming the Over-allotment Option is not exercised) as set out in the section headed "Financial information" in this prospectus.

The Company has applied to, and obtained from, the Stock Exchange a waiver from strict compliance with Rule 18.35 of the GEM Listing Rules so that the revaluation surplus will not be incorporated in the Group's financial statements for the year ended 31st December, 2001.

ACCOUNTANTS' REPORT FOR THE TWO FINANCIAL YEARS PRECEDING THE DATE OF THE PROSPECTUS

Paragraph 27 of the Third Schedule to the Companies Ordinance requires, inter alia, a statement to be included in the prospectus as to the gross trading income or sales turnover (as may be appropriate) of the Company during the two preceding years including an explanation of the method used for the computation of such income or turnover.

Paragraph 31 of the Third Schedule to the Companies Ordinance requires the report by the auditors of the Company set out in the prospectus to include financial information of the Company for two financial years immediately preceding the issue of the prospectus.

Rules 7.03(1) and 11.10 of the GEM Listing Rules requires the consolidated results of the Company and its subsidiaries covering at least the two financial years immediately preceding the issue of the listing document or such shorter period as may be acceptable to the Stock Exchange.

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The accountants' report for the period from 1st January, 1999 to 31st December, 2000 and the six months ended 30th June, 2001 has been prepared and is set out in Appendix I to this prospectus. However, as this prospectus is issued shortly after 31st December, 2001, the accountants' report has not been prepared for the full year ended 31st December, 2001 as it would be unduly burdensome for the Company to do so.

An application has been made to the Stock Exchange for a waiver from strict compliance with Rules 7.03(1) and 11.10 of the GEM Listing Rules and to the Securities and Futures Commission for a certificate of exemption from strict compliance with paragraphs 27 and 31 of the Third Schedule to the Companies Ordinance in relation to the inclusion of the accountants report for the full year ended 31st December, 2001 in the prospectus. A waiver has been granted by the Stock Exchange and a certificate of exemption has been granted by the Securities and Futures Commission.

The Company confirmed that they have performed sufficient due diligence on the Group to ensure that, up to the date of this prospectus and save as disclosed in this prospectus, there has been no material adverse change in the financial or trading position of the Group since 30th June, 2001 and there is no event which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.

THE LATEST FINANCIAL PERIOD REPORTED ON BY THE REPORTING ACCOUNTANTS REQUIRED UNDER RULE 11.11 OF THE GEM LISTING RULES

Pursuant to Rule 11.11 of the GEM Listing Rules, the latest financial period reported on by the reporting accountants must not have ended more than six months before the date of the prospectus. As the latest financial period currently reported in the accountants' report set out in Appendix I to the prospectus is for the six months ended 30th June, 2001, the prospectus must be dated on or before 31st December, 2001 in order to comply with the six-month period as set out in Rule 11.11 of the GEM Listing Rules. Given that the prospectus is dated 30th January, 2002, the proposed date of the prospectus will be 30 days beyond the six-month period as set out in Rule 11.11 of the GEM Listing Rules.

The Company has sought and obtained from the Stock Exchange a waiver from strict compliance with the requirement of Rule 11.11 of the GEM Listing Rules on the basis of the Directors' confirmation that they have performed sufficient due diligence on the Group to ensure that, up to the date of this prospectus and save as disclosed in this prospectus, there has been no material adverse change in the financial or trading position of the Group since 30th June, 2001 and there is no event which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.