

WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES

CONTINUING CONNECTED TRANSACTION

Upon the listing of the Shares on GEM, the Connected Transaction will constitute a non-exempt continuing connected transaction (as defined under the GEM Listing Rules) for the Company, and the Connected Transaction will continue in the future.

The Directors are of the view that the Connected Transaction has been entered into in the ordinary and usual course of the Company's business on normal commercial terms, and are fair and reasonable and in the interest of the Shareholders as a whole.

As the Connected Transaction constitutes a non-exempt continuing transaction under Rule 20.26 of the GEM Listing Rules, it is therefore subject to the reporting requirement set out in Rule 20.34, the announcement requirement set out in Rule 20.35 and the shareholders' approval requirement set out in Rule 20.36 of the GEM Listing Rules. The Directors consider that such announcement and/or approval to be impractical and unduly onerous. As such, the Company has applied to the Stock Exchange for a waiver from strict compliance with the GEM Listing Rules.

The Stock Exchange has indicated that the waiver as requested would be granted to the Company on the conditions stated below for the Waiver Period:

- (a) the Connected Transaction shall be entered into:
 - (i) in the ordinary and usual course of business of the relevant members of the Group;
 - (ii) either on normal commercial terms or if there are not sufficient comparable transactions to judge whether it is on normal commercial terms or terms no less favourable than terms available to or from (as appropriate) independent third parties; and
 - (iii) in accordance with the terms of the agreement governing such transaction on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the independent non-executive Directors will review annually the Connected Transaction and confirm in the Company's annual report that such transaction is conducted in the manner as stated in paragraph (a);
- (c) each year the auditors of the Company shall review the Connected Transaction and shall provide the board of Directors (with a copy to the Stock Exchange) with a letter in respect of each relevant financial year, during which the Connected Transaction is conducted, stating that:
 - (i) such transaction has been approved by the board of Directors;
 - (ii) is in accordance with the pricing policies of the Company if the transaction involves provision of goods and services by the Company;
 - (iii) such transaction has been entered into in accordance with the terms of the agreement governing such transaction; and

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- (iv) the consideration paid or received have not exceeded the cap of HK\$2.4 million (the “Cap”);
- (d) details of the Connected Transaction will be disclosed in the Company’s annual report in accordance with Rule 20.34 (1) to (5) of the GEM Listing Rules;
- (e) the Company shall promptly notify the GEM Listing Division of the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and the auditors will not be able to confirm the matters set out in Rule 20.27 and Rule 20.28, as required under Rule 20.29 of the GEM Listing Rules, in which case the Company may have to re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the GEM Listing Division of the Stock Exchange considers appropriate in respect of the Connected Transaction;
- (f) in the event that the Cap as stated in paragraph (c) (iv) above should be greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Company in any year, the Connected Transaction and the Cap are subject to review and re-approval by independent Shareholders at the annual general meeting of the Company following the initial approval and at each subsequent annual general meeting so long as the Connected Transaction continues. The independent non-executive Directors will be required to opine in the annual report of the Company as to whether or not the Company should continue with the agreement for the Connected Transaction as required under Rule 20.30 of the GEM Listing Rules;
- (g) the Company and the counterparties to the Connected Transaction shall undertake to the Stock Exchange to provide the Company’s auditors with full access to its relevant records for the purpose of the auditors’ review of the Connected Transaction as referred to in paragraph (c) above; and
- (h) in addition, if the Connected Transaction shall continue after the expiry of the term of the waiver granted by the Stock Exchange, the Company will re-comply with the provisions of Chapter 20 of the GEM Listing Rules in relation to such Connected Transaction unless the Company has obtained another waiver from the Stock Exchange in relation thereto.

In the event that the Cap is exceeded or if the Company enters into any new transactions or agreements with any connected persons (within the meaning of the GEM Listing Rules) in the future, the Company will comply with the provisions of Chapter 20 of the GEM Listing Rules dealing with connected transactions unless it applies for, and obtains a separate waiver from the Stock Exchange.

Save as disclosed in this prospectus, there are no other continuing connected transactions in which the Company is involved which have been entered into and/or will continue after the listing of the Shares on GEM.

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WAIVER FROM STRICT COMPLIANCE WITH RULE 11.11 OF THE GEM LISTING RULES

According to Rule 11.11 of the GEM Listing Rules, the Company, as a new applicant, is required to include its financial results in the accountants' report appended to this prospectus covering a financial period ended not more than six months before the date of issue of this prospectus.

As this prospectus includes the results of the Company covering only the period from 1 July 1998 to 30 June 2001, which ended more than six months before the date of issue of this prospectus, the Company has therefore applied for a waiver from strict compliance with Rule 11.11 of the GEM Listing Rules from the Stock Exchange. The Stock Exchange has granted a waiver from strict compliance with Rule 11.11 of the GEM Listing Rules such that the accountants' report appended to this prospectus covers only the period from 1 July 1998 to 30 June 2001.

The Directors confirm that they have performed sufficient due diligence on the Group to ensure that since 1 July 2001 and up to the date of issue of this prospectus, there has been no material adverse change in the financial position of the Group save as disclosed in this prospectus, and there is no event which would materially affect the information shown in the accountants' report set out in Appendix I to this prospectus.