

WAIVER FROM STRICT COMPLIANCE WITH THE GEM LISTING RULES

The Company has applied for waiver from the announcement and Shareholders' approval requirements as required under Rule 20.35 of the GEM Listing Rules for certain continuing connected transactions.

WAIVER APPLICATION

The Group will continue to enter into or carry out the transactions set out in the section headed "Connected transactions – Continuing connected transactions" in this prospectus following the Listing and these transactions will constitute continuing connected transactions (collectively, the "Continuing Connected Transactions") under the GEM Listing Rules upon the Listing. According to the GEM Listing Rules, such transactions may, depending on the nature and value of the transactions, require full disclosure and prior approval by the independent Shareholders.

The Directors (including the independent non-executive Directors) are of the opinion that the Continuing Connected Transactions have been conducted, and will be carried out, in the ordinary course of business of the Group, on normal commercial terms, are fair and reasonable, and in the interests of the Shareholders as a whole.

As it is estimated that the aggregate amount receivable by the Company under each of the product sales agreement with Xinao Gas as purchaser and the product sales and finance lease agreement with Hebei Finance Leasing Company Limited as purchaser (collectively, the "Non-Exempt Continuing Connected Transactions") is expected to exceed 2.5% of the total turnover or 2.5% of the total assets of the Group for each of the three years ending 31 December 2007 or 2.5% of the total market capitalisation of the Group as at the Listing Date, these transactions will be subject to the reporting, announcement and independent Shareholders' approval requirements under Rule 20.35 of the GEM Listing Rules upon the Listing.

As the Non-Exempt Continuing Connected Transactions are important to the Group's overall strategy and are expected to continue on a recurring basis, the Directors consider that full compliance with the disclosure and the independent Shareholders' approval requirements would be impractical and unduly burdensome to the Company. Accordingly, in respect of such Non-Exempt Continuing Connected Transactions, the Company has applied for an one-off waiver from strict compliance with the announcement and independent Shareholders' approval requirements for the Non-Exempt Continuing Connected Transactions under Rule 20.42 of the GEM Listing Rules. The Company will comply with Rules 20.35 to 20.40 of the GEM Listing Rules in respect of the Non-Exempt Continuing Connected Transactions.

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For the Non-Exempt Continuing Connected Transactions the relevant amount of the transactions for the three financial years ending 31 December 2007 shall not exceed the respective caps below:

Type of transactions	Annual cap		
	2005	2006	2007
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Product sales agreement with Xinao Gas as purchaser (representing itself and as trustee of its subsidiaries)	111	185	271
Product sales and finance lease agreement with Hebei Finance Leasing Company Limited as purchaser	14	23	31

The Directors (including the independent non-executive Directors) are of the view that (i) the Non-Exempt Continuing Connected Transactions are entered into on normal commercial terms, in the usual and ordinary course of the Group's business and that they are fair and reasonable and in the interests of the Shareholders taken as a whole are concerned; and (ii) the annual caps set out above are fair and reasonable as far as the Shareholders taken as a whole are concerned.

The Sponsor is of the view that (i) the Non-Exempt Continuing Connected Transactions for which a waiver is sought are in the ordinary and usual course of the Group's business, and are entered into on normal commercial terms, and are fair and reasonable and in the interests of the Shareholders as a whole; and (ii) the annual caps set out in the above are fair and reasonable so far as the Shareholders taken as a whole are concerned.