

## WAIVER FROM COMPLIANCE WITH THE GEM LISTING RULES

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

### **Stock borrowing arrangement**

The stock borrowing arrangement to be entered into between Easywin and ICEA is to facilitate settlement of over-allocations in connection with the Placing pending exercise of the Over-allotment Option or the acquisition of a sufficient number of Shares from other sources but would result in non-compliance by Easywin with Rule 13.16 of the GEM Listing Rules.

The granting of the Over-allotment Option together with the accompanying stock borrowing arrangement is a practice adopted by ICEA to facilitate the distribution of the Shares under the Placing. Rothschild, on behalf of the Company and the Initial Management Shareholders, has requested the Stock Exchange to grant a waiver and the Stock Exchange has granted the waiver to Easywin from strict compliance with the requirement set out under Rule 13.16 of the GEM Listing Rules in connection only with the stock borrowing arrangements on condition that:

- (i) such stock borrowing arrangement from Easywin will only be effected by ICEA for settlement of over-allocations in connection with the Placing;
- (ii) the maximum number of Shares borrowed from Easywin will be limited to 27,000,000 Shares, being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- (iii) the same number of Shares will be returned to Easywin no later than three business days following the earlier of:
  - (a) the last day on which the Over-allotment Option may be exercised in full; and
  - (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;
- (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 Easywin by ICEA in relation to such stock borrowing arrangement.

### **Share lock-up period**

Pursuant to Rule 13.16 of the GEM Listing Rules, the Company shall procure that every Initial Management Shareholder (i) places in escrow, with an escrow agent acceptable to the Stock Exchange, the Relevant Shares for a period of two years from the Listing Date, on terms acceptable to the Stock Exchange; and (ii) undertakes to the Company and the Stock Exchange that, for a period of two years from the Listing Date, the Initial Management Shareholders will not dispose of (or enter into agreements to dispose of) or permit the registered holder to dispose of (or enter into agreements to dispose of) any of their direct or indirect interest in the Relevant Shares.

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Immediately after the Placing, Easywin, Mr. Wang and Ms. Zhao will be interested in 70% of the issued share capital of the Company (assuming the Over-allotment Option is not exercised).

Rothschild, on behalf of the Company and the Initial Management Shareholders, has applied to the Stock Exchange for a waiver from strict compliance with the share lock-up requirements under Rule 13.16 of the GEM Listing Rules. The Stock Exchange has granted a waiver to shorten the two-year moratorium provisions imposed on the Initial Management Shareholders provided that none of the Initial Management Shareholders is allowed to dispose of (or enter into agreements to dispose of) any relevant securities (as defined in the GEM Listing Rules) in the second six-month period after listing if such disposal would result in the Initial Management Shareholders together ceasing to have control over 35% of the voting rights at general meeting of the Company.

### Share Option Scheme

Under Rule 23.03(2) of the GEM Listing Rules, the total number of Shares subject to the Share Option Scheme and any other schemes must not, in aggregate exceed 10% of the issued share capital of the Company from time to time (the “Option Scheme General Mandate Limit”).

Pursuant to an application made by Rothschild, on behalf of the Company, the Stock Exchange has granted a waiver from strict compliance with Rule 23.03(2) of the GEM Listing Rules such that the total number of Shares subject to the Share Option Scheme and any other schemes to be increased from 10% to 30% of the issued share capital of the Company from time to time on the following conditions:

- (i) the total number of Shares which may be issued upon the exercise of the options granted under the Share Option Scheme and any other schemes, must not, in aggregate, exceed 30% of the issued share capital of the Company from time to time;
- (ii) subject to (i) above, the Shareholders may authorise the Directors to grant options under the Share Option Scheme and any other schemes entitling participants to subscribe Shares pursuant to the exercise of options representing up to the Option Scheme General Mandate Limit which may be renewed, if approved, by Shareholders in general meeting from time to time;
- (iii) subject to (i) above, the Company may seek a separate approval from Shareholders in general meeting prior to the granting of options beyond the Option Scheme General Mandate Limit to participants specified by the Company;
- (iv) any grant of options to a connected person (as defined in the GEM Listing Rules) must be approved by all independent non-executive Directors;
- (v) 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 months’ period, would entitle him to receive more than 0.1% of the total number of issued Shares and the value of which is in excess of HK\$5 million, the granting of such option will be subject to independent Shareholders’ approval in 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 intends to vote against the proposed grant). A

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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; and

- (vi) details of the options granted to each Director and all other participants and a summary of the major terms of each option scheme adopted and approved by Shareholders 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,

### Connected transactions

Certain agreements and arrangements referred to in the paragraph headed “The Group’s business – Transactions with connected persons” in this prospectus will, or will be deemed to, constitute non-exempt continuing connected transactions under Rule 20.26 of the GEM Listing Rules and are subject to the announcement requirements set out in Rule 20.35 of the GEM Listing Rules and the shareholders approval requirement set out in Rule 20.36 of the GEM Listing Rules, which have been considered by the Directors to be impractical and of little or no benefit to the Shareholders as these transactions will be conducted on a regular basis. The Directors (including the independent non-executive Directors) and the Sponsor are of the view that each of the transactions has been entered into on normal commercial terms, in the usual and ordinary course of business of the relevant members of the Group and that they are fair and reasonable and in the best interests of the Shareholders taken as a whole. As such, the Company has instructed Rothschild to apply on its behalf to the Stock Exchange for a waiver from strict compliance with Rules 20.35 and 20.36 of the GEM Listing Rules in respect of the agreements and arrangements with members of the XGCL Group and the agreements and arrangements with Langfang Xinao both for a period of three years commencing from the Listing Date. The Stock Exchange has granted such waiver subject to the following conditions:

- (i) the consideration in respect of the sale and purchase of CNG between Langfang Xinao and each of Beijing Xinao, Jinggu Xinao and Jingchang Xinao does not exceed RMB6.5 million, RMB4.5 million and RMB14.0 million, respectively, for each of the three financial years ending 31 December 2003;
- (ii) the consideration in respect of the transactions with Langfang Xinao and 廊坊新城房地產開發有限公司 (Langfang Xincheng Property Development Company Limited) does not exceed RMB12.0 million for each of the three financial years ending 31 December 2003;
- (iii) the transactions have been entered into:
  - (a) in the ordinary and usual course of business of the Group;
  - (b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms not less favourable than those available to or from independent third parties; and
  - (c) in accordance with the relevant agreement governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

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- (iv) the independent non-executive Directors shall review the transactions annually and confirm in the Company's annual report and accounts for the year in question that the transactions are conducted in the manner as stated in (iii) above;
- (v) the Company's auditors shall review the transactions annually and confirm in a letter (the "Letter") to the board of Directors (a copy of which shall be provided to the Stock Exchange) confirming that the transactions:
  - (a) have received the approval of the board of Directors;
  - (b) are in accordance with the pricing policies of the Company if the transactions involve provision of goods and services by the Company;
  - (c) have been entered into in accordance with the relevant agreements governing the transactions; and
  - (d) the consideration in respect of each of the transactions has not exceeded the respective cap,

where, for whatever reasons, the auditors of the Company decline to accept the engagement or are unable to provide the Letter, the board of Directors should contact the Stock Exchange immediately;

- (vi) details of the transactions shall be disclosed in the Company's annual report as described in Rules 20.34(1) to (5) of the GEM Listing Rules;
- (vii) the Company will promptly notify the Stock Exchange if it knows or has reason to believe that the independent non-executive Directors and/or the auditors will not be able to confirm the matters set out in Rules 20.27 and/or 20.28 of the GEM Listing Rules as required under Rule 20.29 of the GEM Listing Rules and will re-comply with Rules 20.26(3) and (4) of the GEM Listing Rules and any other conditions the Stock Exchange considers appropriate;
- (viii) the Company and the counter-parties to the transactions shall provide to the Stock Exchange an undertaking to provide the Company's auditors with full access to the relevant records for the purpose of the auditors' review of the transactions referred to in paragraph (v) above; and
- (ix) where the cap in any year is to be greater than the higher of HK\$10,000,000 or 3% of the net tangible assets of the Group, the transaction(s) and the cap are subject to review and re-approval by independent Shareholders in the annual general meeting following the initial approval and in each subsequent annual general meeting so long as the transaction(s) continue(s). The independent non-executive Directors will be required to opine in the annual report whether or not the Group should continue with the agreement(s) for the transaction(s).

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If the relevant cap amounts are exceeded for the transactions at any time or if any terms of the transactions as mentioned above are altered or if the Company enters into any new agreements with any connected persons (within the meaning of the GEM Listing Rules) in the future, the Company must comply with the provisions of Chapter 20 of the GEM Listing Rules governing connected transactions unless it applies for and obtains a separate waiver from the Stock Exchange.

The Company shall comply with the requirements of Chapter 20 of the GEM Listing Rules in respect of the transactions after 31 December 2003, if the transactions continue, unless the Company obtains another waiver from the Stock Exchange in relation thereto.