
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Immediately following the completion of the Capitalization Issue and the Share Offer, two of our Controlling Shareholders, Mr. Lu (through his interest in GDZ and Amber International) and Mr. Chai (through his interest in DUOU and Amber International), will, together, own 75% of the enlarged issued share capital of the Company (assuming the Over-allocation Option is not exercised). As at the Latest Practicable Date, the Controlling Shareholders also held interests outside the Group in Shanghai Pu-Xing. Shanghai Pu-Xing is a PRC incorporated company principally engaged in the investment, construction and operation of wind power plants in the PRC. As at the Latest Practicable Date, Shanghai Pu-Xing has obtained project approval for one wind power project located in Zhejiang province which is still under construction. As such, commercial operation has not commenced and no revenue has ever been generated. Shanghai Pu-Xing is also exploring other potential wind power project opportunities.

The Directors consider that there is clear business delineation and that there is no direct competition between Shanghai Pu-Xing and the Group. Power generation is a highly regulated industry in China where the establishment of power plants, the choice of location for new plants, the choice of technology and fuel type, and the power grid to which a power plant sells its power are all highly regulated by the PRC government. Typically, new power plants are approved by the government based on their estimation of future power demand of the subject region and the mix of power plants providing power to the power grid covering that particular region. The choice of fuel type and technology for a new plant in application is based on the country's overall strategic direction, the availability and supply of the relevant type of fuels, and the specific features of different types of power plants, with the view of maintaining a steady and efficient power system. As this happens, certain locations may be more appropriate for gas-fired power plants as opposed to wind power or plants using other technology or fuel type. Therefore, the Directors are of the view that competition for new projects exist only between power operators using the same technology or fuel source. Considering the Non-Competition Deed, the Directors are of the view that there should not be any direct competition between Shanghai Pu-Xing and the Group for new power projects in the future. Following the above, because the customer (the power grid to which a power plant sells its power) of a power plant is decided when the establishment of a plant is approved, the Directors are of the view that there should not be any direct competition between Shanghai Pu-Xing and the Group on customers. Also, the planned utilization hours allocated to and final volume of power to be dispatched by each power plant in the PRC is also determined by the PRC government, in consideration of a number of factors, inter alia, the nation's energy-related policies and initiatives and the expected supply and demand situation. Our Power Plants, categorized as gas-fired power generation units, were granted 3,500 planned utilization hours each year during the Track Record Period. Considering the way utilization hours of Our Power Plants are determined and the existence of an explicit guidance on the planned utilization hours issued by the PRC government, the Directors are of the view that there is no direct competition between Shanghai Pu-Xing and the Group on the sale of power.

Furthermore, the Group's business strategy is to develop natural gas based power generation business, including Our Power Plants and more technologically-advanced and environmentally-friendly gas-based power generation businesses such as cogeneration, tri-generation or CCHP power plants. The wind power project (which has not commenced operation) of Shanghai Pu-Xing, on the other hand, will not be gas-based and operate under a different power generation technology from the combined cycle gas combustion process used by Our Power Plants. The core equipment and fuel used in wind power plants are totally different from gas-fired power plants. As such, the Directors are of the view that there is no direct competition between Shanghai Pu-Xing and the Group over technology, equipment and fuel source. The Directors consider that it is appropriate for the Group to concentrate its

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

resources and efforts on developing its existing and future businesses of various power generation methods using natural gas as the primary fuel source.

The board of Shanghai Pu-Xing composes of Mr. Chai, Mr. Ding Guang Ping, a non-executive Director and another individual who has no management role in and is not an employee of the Group. Save for the aforesaid, Our Board and the senior management team do not serve any executive or management roles in Shanghai Pu-Xing. Mr. Chai and Mr. Ding Guang Ping are not involved in the daily management of Shanghai Pu-Xing. Mr. Chai will spend the majority of his time and attention to supervise the overall business operation and formulate the overall business strategy of the Group. In the event that any transaction poses direct conflicts between the Group's operation and the operation of Shanghai Pu-Xing in future, Mr. Chai and Mr. Ding Guang-Ping will abstain from voting in the relevant resolution in the meeting of the Board.

DEED OF NON-COMPETITION UNDERTAKINGS

Mr. Lu, Mr. Chai, Amber International, DUOU and GDZ (collectively the “**Covenantors**”), have entered into a deed of non-competition undertakings (“**Non-Competition Deed**”) in favor of our Company. Pursuant to the Non-Competition Deed, each of the Covenantors has unconditionally and irrevocably undertaken to our Company (for itself and as trustees of members of the Group) that, as long as (i) the Shares are listed and traded on the Stock Exchange and (ii) the Covenantors and their associates are the controlling shareholder of the Company,

- (a) he/it will not, and will procure that his/its associates (except any members of the Group) would not, directly or indirectly, either on his/its own or in conjunction with or on behalf of any third party, among other things, invest, carry on, participate or hold interests in or engaged in and/or acquire (in each case whether as a shareholder, partner, agent or otherwise) any business which is involved in the business of the Company as set out in this prospectus and other natural gas power generation business of the Company from time to time (the “**Restricted Business**”); and
- (b) as long as he/it and his/its associates are beneficially interested in more than 50% of the equity interest in Shanghai Pu-Xing, he/it shall, and shall use his/its best endeavours to procure his/its associates shall, procure that Shanghai Pu-Xing shall not engage in gas-fired power generation business.

Such non-competition undertakings shall not restrict each of the Covenantors (or any of their respective associates other than the Group), either by itself or through any other person, from:

- (a) holding interests in the shares of a company which is listed on a recognized stock exchange provided that:
 - (i) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
 - (ii) the total number of the shares held by any of the Covenantors and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Covenantors and/or their respective associates are not entitled to appoint a majority of the directors of that company and/or at any time, there should exist at least another shareholder of the company which together with

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

his/its associates hold more shares in the Company than the Covenantors and their respective associates; or

- (b) holding directly or indirectly the interests in the Company.

Each of the Covenantors further undertakes that if he or it and/or his or its associates identify or receive any business investment or other business opportunities in relation to Restricted Business (the “**New Opportunities**”), he or it shall refer such New Opportunities to us first or procure that such New Opportunities be referred to us first on a timely basis and within seven days and shall give written notice to the Company of the New Opportunities identifying the target company (if relevant) and the nature of the New Opportunities and detailing all information reasonably necessary for us to consider whether to pursue the New Opportunities (including financial and operating information, details of any investment or acquisition costs and the contact details of the third party offering, proposing or presenting the New Opportunities to him or it).

The Company shall seek approval from the Directors, including independent non-executive Directors, who do not have a material interest in the New Opportunities (the “**Independent Board Committee**”), as to whether to pursue or decline the New Opportunities and will inform the relevant Covenantor and his/its associates accordingly within 30 days of our receipt of the written notice referring to us the New Opportunities. The Independent Board Committee will consider whether it is in our interest and that of our Shareholders as a whole to pursue the New Opportunities being offered, taking into account the valuation of such New Opportunities as may be determined by an independent third-party valuer appointed by us where necessary. In deciding whether or not to pursue the New Opportunities offered, the Independent Board Committee will take into account, (a) the financial impact of pursuing the New Opportunities to our Group; (b) whether the nature of the New Opportunities are consistent with our Group’s strategies and development plans; (c) the general market conditions in the power generation industry; and (d) any advice from our independent financial advisor, should the appointment of which be deemed necessary by the Independent Board Committee. The Independent Board Committee will, on behalf of the Company, notify the relevant Covenantor of its decision reached in writing within the said 30-day period.

If we decline the New Opportunities referred, the relevant Covenantor shall be entitled to but shall not be obliged to pursue the New Opportunities, save and except where there is a material change in the terms and conditions of the New Opportunities pursued by such Covenantor, he or it shall offer the New Opportunities as so revised to us.

The obligations of the Covenantors under the Non-Competition Deed will cease on the earlier of the date on which (i) the Shares shall cease to be listed and traded on the Stock Exchange (except for temporary suspension of trading of the Shares for any reason); or (ii) when they (or their associates) jointly entitled to exercise or control the exercise of less than 30% (or such other percentage of shareholdings as stipulated in the Listing Rules to constitute a controlling shareholder) of the voting power at general meetings of the Company.

The Company will implement the following measures to ensure that the Non-Competition Deed is being observed:

- a. The Group will organize semi-annual working meetings with Mr. Lu and Mr. Chai to review their business portfolios and to enable the Company to consider whether there is any opportunity to operate Restricted Business which shall be offered to the Company.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- b. The independent non-executive Directors will review, at least annually, the Covenantors' compliance with the non-competition undertakings and the Company will disclose findings of such review in the annual report of the Company or by way of announcement.
- c. The Independent Board Committee may appoint an independent financial adviser to provide advice in the exercise/non-exercise of the first rights of refusal under the Non-Competition Deed.

The Covenantors have unconditionally and irrevocably undertaken with the Company that they will:

- (i) use reasonable endeavours to procure their associates and their employees to comply with the restrictions and undertakings of the Non-Competition Deed;
- (ii) provide all necessary information for the annual review by the independent non-executive Directors and the enforcement of the Non-Competition Deed;
- (iii) allow, subject to confidentiality restrictions imposed by any third party, our representatives and those of our auditors to have access to their financial and corporate records as may be necessary for us to determine whether the non-competition undertakings have been complied with by the Covenantors and their associates; and
- (iv) make an annual declaration on compliance with the Non-Competition Deed for inclusion in the Company's annual report whether they and their associates have complied with the Non-Competition Deed.

The undertakings contained in the Non-Competition Deed are conditional upon (a) the Stock Exchange granting approval for the listing of and permission to deal in our Shares; and (b) all the conditions under the Underwriting Agreements have been fulfilled (or waived) and the Underwriters' obligations thereunder become unconditional.

The Directors and the Controlling Shareholders have confirmed that they do not have any interest in business apart from the Group's business (if any) which competes or is likely to compete, directly or indirectly with the Group's business.

INDEPENDENCE OF THE GROUP

The Directors are satisfied that the Group is capable of carrying on its business independently from the Controlling Shareholders after Listing. This conclusion is based on, among others, the following:

Operational independence

We conduct our business independently from our Controlling Shareholders. Our Group has the personnel and capabilities to handle all operational functions including power generation, procurement, safety control, finance and accounting, human resources and information technology.

There is no sharing of property, plant and equipment between the Group and the Controlling Shareholders. We do not share any of our employees with the Controlling Shareholders or their affiliates.

Our Power Plants are wholly fuelled by natural gas and we sourced the gas from Zhejiang Gas Company, an Independent Third Party from the Controlling Shareholders or their affiliates.

Management independence

Our Board and the senior management team, except Mr. Chai and Mr. Ding Guang Ping who are directors of Shanghai Pu-Xing, do not serve any executive or management roles in Shanghai Pu-Xing. Starting from 30 June 2008, Mr. Chai is primarily responsible for attending directors' meetings, approving annual budgets and plans and participating in strategic decision of Shanghai Pu-Xing. Mr. Chai is not involved in the daily management of Shanghai Pu-Xing. Mr. Chai will spend the majority of his time and attention to supervise the overall business operation and formulate the overall business strategy of the Group. Mr. Ding Guang-Ping was appointed the chairman of the board of Shanghai Pu-Xing in December 2008. Mr. Ding is not involved in the daily management of Shanghai Pu-Xing. Further, all major decisions will be made by our Board of Directors as a whole, including the independent non-executive Directors. Our daily operations will be managed by the senior management team, in which all members are independent from Shanghai Pu-Xing.

The Directors are of the view that there is no potential competition between the Group and Shanghai Pu-Xing. In the event that any transaction poses direct conflicts between the Group's operation and the operation of Shanghai Pu-Xing, Mr. Chai and Mr. Ding Guang-Ping will abstain from voting in the relevant resolution in the meeting of the Board. In light of the above, we are of the view that we will be able to operate independently of Shanghai Pu-Xing.

Financial independence

The Group has an independent financial system and makes financial decisions according to the Group's own business needs.

During the Track Record Period, the Controlling Shareholders, through entities either controlled or partly-owned by them, had provided loans to the Group and guarantees to secure bank loans of the Group. As at 31 December 2008, all such guarantees had been fully released. The Directors confirmed that all such loans will be fully settled before Listing.

We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations. The Group has its own finance department and has established its own financial reporting system independent of the Controlling Shareholders. The Group has its own bank account, makes its own tax registrations and has employed a sufficient number of dedicated financial accounting personnel.