



China Tian Lun Gas Holdings Limited 中國天倫燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1600

GLOBAL OFFERING



Sole Global Coordinator, Sole Bookrunner, Sole Sponsor and Sole Lead Manager



IMPORTANT

If you are in any doubt about this Prospectus, you should seek independent professional advice.



China Tian Lun Gas Holdings Limited 中國天倫燃氣控股有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	: 199,500,000 Shares (subject to Over-allotment Option)
Number of Hong Kong Offer Shares	: 19,950,000 Shares (subject to adjustment)
Number of International Placing Shares	: 179,550,000 Shares (subject to adjustment and the Over-allotment Option)
Maximum Offer Price	: HK\$2.05 per Hong Kong Offer Share, plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	: HK\$0.01 per Share
Stock code	: 1600

Sole Global Coordinator, Sole Bookrunner, Sole Sponsor and Sole Lead Manager



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this Prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus attached with the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix VII to this Prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this Prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Sole Global Coordinator (on behalf of the Underwriters) and us on Tuesday, 2 November 2010 or such later date as may be agreed by the Sole Global Coordinator and us, but in any event not later than Monday, 8 November 2010. The Offer Price will not be more than HK\$2.05 per Offer Share and is currently expected to be not less than HK\$1.52 per Offer Share unless otherwise announced. Investors applying for the Hong Kong Offer Shares must pay, on application, the maximum offer price of HK\$2.05 for each Offer Share together with a brokerage of 1.0%, a SFC transaction levy of 0.003% and a Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK\$2.05.

The Sole Global Coordinator (on behalf of the Underwriters), with our consent, may reduce the indicative Offer Price range stated in this Prospectus and/or the number of Offer Shares being offered pursuant to the Global Offering at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction of the indicative Offer Price range will be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and our Company at www.tianlungas.com as soon as practicable but in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer.

If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us on or before Monday, 8 November 2010, the Global Offering will not proceed and will lapse.

The Offer Shares have not been and will not be registered under the US Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this Prospectus, including the risk factors set out in the section headed "Risk Factors" in this Prospectus.

Pursuant to the certain provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator (on behalf of the Underwriters) has the right in certain circumstances, subject to the opinion of the Sole Global Coordinator, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 am (Hong Kong time) on the day on which dealings in the Shares first commence on The Stock Exchange of Hong Kong Limited. Further details of the terms of such provisions are set out in the section headed "Underwriting" in this Prospectus. It is important that you refer to that section for further details.

The Hong Kong Offer Shares are being offered and sold outside of the United States in offshore transactions in accordance with Regulation S under the US Securities Act. There will not and is not currently intended to be any public offering of securities in the United States.

27 October 2010

EXPECTED TIMETABLE

The Company will issue an announcement in Hong Kong to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable⁽¹⁾ of the Hong Kong Public Offer.

Latest time to complete electronic applications under White Form eIPO service through the designated website at www.eipo.com.hk ⁽⁴⁾	11:30 a.m. on Monday, 1 November 2010
Application lists of the Hong Kong Public Offer open ⁽²⁾	11:45 a.m. on Monday, 1 November 2010
Latest time for lodging WHITE and YELLOW Application Forms and giving electronic application Instructions to HKSCC ⁽³⁾	12:00 noon on Monday, 1 November 2010
Latest time to complete payment for White Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Monday, 1 November 2010
Application lists of the Hong Kong Public Offer close	12:00 noon on Monday, 1 November 2010
Expected Price Determination Date ⁽⁵⁾	Tuesday, 2 November 2010
Announcement of the Offer Price, the indication of the levels of interest in the International Placing, the results of applications in the Hong Kong Public Offer and the basis of allotment under the Hong Kong Public Offer to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on or before	Tuesday, 9 November 2010
Results of allocation in the Hong Kong Public Offer (with successful applicants' identification document numbers, or Hong Kong business registration numbers where appropriate) to be available through a variety of channels (see "How to apply for Hong Kong Offer Shares")	Tuesday, 9 November 2010
Results of allocation in the Hong Kong Public Offer will be available at www.iporesults.com.hk with a "search by ID function"	Tuesday, 9 November 2010
Dispatch of share certificates and refund cheques in respect of wholly or partially successful application expected on or before	Tuesday, 9 November 2010
Dispatch of White Form e-Refund payment instructions/refund cheques (if applicable) in respect of wholly successful (where applicable) or wholly or partially unsuccessful applications on or before ⁽⁶⁾	Tuesday, 9 November 2010
Dealings in Shares on the Stock Exchange expected to commence at 9:30 a.m. on	Wednesday, 10 November 2010

Notes:

(1) All times refer to Hong Kong local time. Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering" in this Prospectus.

EXPECTED TIMETABLE

- (2) If there is a “black” rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 1 November 2010, the application lists will not open and close on that day. Further information is set out in the paragraph headed “How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists”. If the application lists do not open and close on Monday, 1 November 2010, the dates mentioned in this section headed “Expected Timetable” may be affected. A press announcement will be made by us in such event.
- (3) Applicants who apply by giving electronic application instructions to HKSCC should refer to the paragraph headed “How to Apply for Hong Kong Offer Shares — Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
- (4) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (5) We expect to determine the Offer Price by agreement with the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date. The Price Determination Date is expected to be on Tuesday, 2 November 2010 and, in any event, not later than Monday, 8 November 2010. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (on behalf of the Underwriters) and us on Monday, 8 November 2010, the Hong Kong Public Offer and the International Placing will not proceed.
- (6) **Share certificates for the Hong Kong Offer Shares will only become valid certificates of title provided that (i) the Global Offering has become unconditional and (ii) neither of the Underwriting Agreements has not been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details before the receipt of share certificates or before the share certificates becoming valid certificates of title do so entirely at their own risk.** e-Refund payment instruction/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications if the Offer Price is less than the price payable on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before cashing the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may lead to delay in encashment of, or may invalidate, the refund cheque.

Further information in relation to the Hong Kong Public Offer is set out in the section headed “How to Apply for Hong Kong Offer Shares”.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This Prospectus is issued by China Tian Lun Gas Holdings Limited solely in connection with the Hong Kong Public Offer and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this Prospectus pursuant to the Hong Kong Public Offer. This Prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this Prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this Prospectus and the application forms to make your investment decision. Our Company has not authorized anyone to provide you with information that is different from what is contained in this Prospectus. Any information or representation not made in this Prospectus must not be relied on by you as having been authorized by our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Lead Manager, any of the Underwriters, any of their respective directors, or any other person involved in the Global Offering.

	<u>Page</u>
Expected Timetable	i
Summary	1
Definitions	17
Glossary	27
Forward-looking Statements	28
Risk Factors	29
Waivers from Compliance with the Listing Rules	48
Information about this Prospectus and the Global Offering	50
Directors and Parties Involved in the Global Offering	55
Corporate Information	58
Industry Overview	60
Regulations	73
History and Corporate Structure	85
Business	103
Overview	103
Competitive Strengths	106
Business Strategies	108
Expansion Plan	111

CONTENTS

	<u>Page</u>
Areas of Operations and the Concessions	112
Key Performance Indicators	115
Transportation and Sales of Pipelined Gas Operation	117
Gas Pipeline Connections Operation	129
Key Customers and Suppliers	133
Safety Maintenance and Quality Control	136
Compliance with Laws, Rules and Regulations in the PRC	137
Other Rules and Regulations of the PRC Related to Our Business	140
Properties	141
Intellectual Property	142
Competition	142
Insurance	143
Legal Compliance and Proceedings	143
Relationship with Our Controlling Shareholders and Their Associates	146
Connected Transactions	157
Directors, Senior Management and Staff	161
Share Capital	171
Substantial Shareholders	174
Financial Information	176
Future Plans and Use of Proceeds	224
Underwriting	226
Structure of the Global Offering	235
How to Apply for Hong Kong Offer Shares	244

CONTENTS

	<u>Page</u>
Appendices	
Appendix I: Accountant's Report	I-1
Appendix II: Unaudited Pro Forma Financial Information	II-1
Appendix III: Profit Forecast	III-1
Appendix IV: Property Valuation	IV-1
Appendix V: Summary of the Constitution of Our Company and Cayman Islands Companies Law	V-1
Appendix VI: Statutory and General Information	VI-1
Appendix VII: Documents Delivered to the Registrar of Companies and Available for Inspection	VII-1

SUMMARY

This summary aims to give you an overview of the information contained in this Prospectus. Since it is a summary, it does not contain all the information that may be important to you. You should read the Prospectus in its entirety before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” of this Prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are principally engaged in the gas pipeline connections operation and the transportation and sales of pipelined gas operation in Henan Province. We conduct gas pipeline connections operation by providing property developers and commercial and industrial users with laying and installation. Our new users generally engage us to provide gas pipeline connections prior to our transportation and distribution of natural gas or coal gas to them. We transport, distribute and sell pipelined natural gas or coal gas in three major urban areas of Henan Province, or our Operating Cities, pursuant to Concessions of 30 years or longer. We entered into Concession Agreements with the local governments of our Operating Cities by which they granted us the exclusive right to provide pipelined gas transportation and distribution in our Operating Cities. We also distribute and sell compressed natural gas as vehicular fuel, or CNG, through the CNG filling stations operated by us in two of our Operating Cities.

During the Track Record Period, we placed significant reliance on the substantial revenue and gross profit generated from our gas pipeline connections operation. The revenue generated from our gas pipeline connections operation accounted for approximately 57.3%, 52.9%, 50.6% and 51.1% of our total revenue for the three years ended 31 December 2009 and the six months ended 30 June 2010, respectively, and the revenue generated from our transportation and sales of pipelined gas operation accounted for approximately 39.8%, 45.2%, 47.4% and 44.0%, respectively, of our total revenue during the same periods. The gross profit generated from our gas pipeline connections operation accounted for approximately 94.4%, 89.1%, 81.9% and 80.7% of our total gross profit for the three years ended 31 December 2009 and the six months ended 30 June 2010, respectively, and the gross profit generated from our transportation and sales of pipelined gas operation accounted for approximately 1.8%, 10.2%, 15.2% and 12.1% of our total gross profit during the same periods.

Gas Pipeline Connections Operation

We conduct gas pipeline connections operation by providing property developers and commercial and industrial users with laying and installation in our Operating Cities. Our new users generally engage us to provide gas pipeline connections prior to our transportation and distribution of natural gas or coal gas to them. During the Track Record Period, we placed significant reliance on the substantial revenue and gross profit generated from this business. Our gas pipeline connections operation generated substantial revenue, received from one-off connection fees, representing 57.3%, 52.9%, 50.6% and 51.1%, respectively, of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our gross profit generated from our gas pipeline connections operation was RMB27.1 million, RMB44.6 million, RMB64.6 million and RMB41.9 million, respectively, representing approximately 94.4%, 89.1%, 81.9% and 80.7% of our total gross profit during the same periods. Our gross profit margin of our gas pipeline connections operation was 71.7%, 66.0%, 71.3% and 71.4%, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

SUMMARY

For the years ended 31 December 2007, 2008 and 2009, we successfully connected approximately 17,000, 22,000 and 42,000 units of new users, respectively, representing a CAGR of approximately 55.8%. The number of new gas pipeline connections grew from approximately 12,000 units of new users for the six months ended 30 June 2009 to approximately 27,000 units of new users for the six months ended 30 June 2010, representing a growth rate of approximately 119.4%. Our total gas pipeline connections grew from approximately 28,000 units of users as at 1 January 2007 to 137,000 units of users as at 30 June 2010.

Transportation and Sales of Pipelined Gas Operation

We are one of the principal pipelined gas transporters and distributors in Henan Province, pursuant to Concessions of 30 years or longer. We transport, distribute and sell pipelined natural gas or coal gas in our Operating Cities. Our Operating Cities are located in Henan Province, the most populous province in China, and are currently home to many industries with strong growth potential. Henan Province sits at the gateway to the West-East Natural Gas Transmission Projects and therefore, combined with its dense population, the steady demand for and supply of natural gas is ensured. Our revenue generated from our transportation and sales of pipelined gas operation accounted for approximately 39.8%, 45.2%, 47.4% and 44.0% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our gross profit generated from our transportation and sales of pipelined gas operation amounted to approximately RMB0.5 million, RMB5.1 million, RMB12.0 million and RMB6.3 million, respectively, representing approximately 1.8%, 10.2%, 15.2% and 12.1% of our total gross profit during the same periods. Our gross profit margin of our transportation and sales of pipelined gas operation was 1.9%, 8.8%, 14.1% and 12.4%, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

As at 30 June 2010, our pipelined gas networks connected 136,645 units of users, comprising a broad range of residential, commercial, industrial and other users, such as public services users, through the operation of an extensive pipeline system consisting of approximately 837 kilometers of installed pipelines. Our sales volume of natural gas and coal gas to end-users grew from 11.2 million m³ and 7.5 million m³, respectively, for the year ended 31 December 2007 to 24.2 million m³ and 24.6 million m³, respectively, for the year ended 31 December 2009. In addition, our sales volume of natural gas and coal gas to end-users was 11.4 million m³ and 14.8 million m³, respectively, for the six months ended 30 June 2009 and 15.4 million m³ and 10.1 million m³, respectively, for the six months ended 30 June 2010.

We also distribute and sell compressed natural gas as vehicular fuel, or CNG, through the CNG filling stations operated by us in two of our Operating Cities. We commenced our distribution and sales of CNG in April 2008. CNG sold from our CNG filling stations is compressed by our own facilities from the pipelined natural gas supplied to us by our suppliers. As at 30 June 2010, we owned and operated one CNG filling station in Hebi City and another in Xuchang City. In the third quarter of 2010, our second CNG filling station in Hebi City commenced operation and brought the total number of CNG filling stations we owned and operated to three. For the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, our CNG sales volume was 0.8 million m³, 3.9 million m³ and 3.2 million m³, respectively.

Taking into account our current strategic expansion plan and our business model, we do not expect that our product mix, and therefore revenue mix, to change significantly in the foreseeable future. Please refer to the paragraph headed “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Prospectus for a breakdown of the revenue during the Track Record Period by our major product category and by Operating City.

SUMMARY

Purchase and Supply

During the Track Record Period, we had arrangements for the supply of natural gas or coal gas with three suppliers for our transportation and sales of pipelined gas operation and various suppliers of raw materials for our gas pipeline connections operation. For further information on our suppliers, please refer to “Business — Transportation and Sales of Pipelined Gas Operation — Purchase and supply” and “Business — Gas Pipeline Connections Operation — Purchase and supply” in this Prospectus.

The *National Development and Reform Commission*, or the NDRC, regulates the ex-factory price of natural gas. The *Henan Development and Reform Commission* regulates the purchase price of coal gas. The *Commodity Price Bureau* or the local *Development and Reform Commission* places a ceiling on the retail price of natural gas and coal gas. The purchase and selling price of CNG is determined by the market and varies according to region. As a result, the purchase price and selling price of our natural gas and coal gas increased due to relevant price adjustments by such government authorities and the selling price of CNG moved in accordance with market prices during the Track Record Period. The volume of natural gas purchased and sold by us was based on the benchmark volume allocated to us and to our suppliers by the *Henan Development and Reform Commission*, which was only indicative of the actual volume that we purchased or sold. We purchased our natural gas based on actual sales volume and we generally do not have excess natural gas which requires storage. On the other hand, the purchase and sales volume of coal gas and the sales volume of CNG is determined by market supply and demand.

Financial Performance

We experienced high profitability and increasing growth in revenue and earnings during the Track Record Period. Our total revenue increased from RMB65.9 million in 2007 to RMB127.7 million in 2008 and to RMB179.2 million in 2009, representing a CAGR of 64.9% for the two-year period, and from RMB81.9 million for the six months ended 30 June 2009 to RMB115.0 million for the six months ended 30 June 2010, representing a growth rate of 40.4%. Our total gross profit grew from RMB28.7 million in 2007 to RMB50.0 million in 2008 and to RMB78.8 million in 2009, representing a CAGR of 65.7% for the two-year period, and from RMB35.5 million for the six months ended 30 June 2009 to RMB52.0 million for the six months ended 30 June 2010, representing a growth rate of 46.4%.

Our net profit increased from RMB8.3 million in 2007 to RMB25.6 million in 2008, and to RMB47.6 million in 2009, representing a CAGR of 139.5% for the two-year period, and from RMB20.8 million for the six months ended 30 June 2009 to RMB32.9 million for the six months ended 30 June 2010, representing a growth rate of 58.1%. The ceiling of our gas selling price and our increased cost of sales contributed to the fluctuation in our gross profit margin, which was 43.6%, 39.2%, 44.0% and 45.2% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Our net profit margin was 12.6%, 20.0%, 26.5% and 28.6%, respectively, for the same periods; the increase was mainly due to increases in revenue and our control on expenses. Please refer to the paragraph headed “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Description of components of results of operations — Gross profit” in this Prospectus for a breakdown of the gross profit during the Track Record Period by our major product category and by Operating City.

SUMMARY

COMPETITIVE STRENGTHS

We believe the following strengths distinguish us from our competitors, enabling us to capture opportunities in the relevant markets in which we operate our business and compete effectively in the markets:

- We operate our core business in our Operating Cities based on the Concessions.
- We are very cost-effective while providing high-quality products.
- We are located in Henan Province, the most populous province in China and the gateway to China's major long-distance natural gas pipelines.
- We possess extensive industry experience and a strong track record.
- Our visionary and dedicated management team as well as experienced professionals possess extensive industry experience.

BUSINESS STRATEGIES

In order to achieve our long-term goal of becoming a leading operator in the urban clean energy industry in China, we intend to focus on the following principal strategies:

- Expand and enhance our business operations in our Operating Cities
- Pursue selective strategic alliances and acquisitions in cities with gas pipeline networks
- Expand the market coverage to cities currently without gas pipeline networks in China
- Actively participate in the development of urban clean energy sector

EXPANSION PLAN

The following table sets forth, among others, the details of our expansion plan, estimated total investment and source of funding that we have planned or are considering as at the Latest Practicable Date:

Type of expansion	Details of the expansion	Status of the expansion	Date of expected completion	Estimated total investment (RMB)	Total investment for the six months ended 30 June 2010 (RMB)	Source of funding
Pipeline network expansion	Expand and enhance (for the year 2010) our current urban branch pipeline networks and extend to uncovered urban and suburban areas in our Operating Cities by constructing 71.6 km of new urban branch pipeline networks	Constructions commenced in January 2010	On or before 31 December 2010	25.0 million	7.0 million	Working capital

SUMMARY

Type of expansion	Details of the expansion	Status of the expansion	Date of expected completion	Estimated total investment (RMB)	Total investment for the six months ended 30 June 2010 (RMB)	Source of funding
Gas processing facility	Construct one additional processing facility in Hebi City with a projected production capacity of 20,000 m ³ /hour	Construction to commence	Not applicable	2.0 million	Nil	Working capital
Expansion of service coverage ⁽¹⁾	To enter into strategic alliances and acquisitions in cities with gas pipeline networks To expand into cities currently without gas pipeline networks	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Develop and explore LNG opportunities ⁽¹⁾	Establish a LNG processing factory in Shaanxi with daily processing capacity of 100,000 m ³	Negotiating with third parties to jointly invest in the project ⁽²⁾	Not applicable	51.0 million for factory construction 25.0 million for construction of auxiliary pipelines to transport natural gas from gas fields to the factory	Nil	(i) Working capital; and (ii) Net proceeds from the Global Offering
Develop and explore biofuel opportunities ⁽¹⁾	Purchase equipment and machinery to process maize straw into biofuel with annual production capacity of 1.46 million m ³	Feasibility studies to commence Experimental development phase to begin in January 2011	Not applicable	8.0 million	Nil	Net proceeds from the Global Offering

Note:

(1) Such plans are our long-term plans and, as at the Latest Practicable Date, we have not entered into any written agreement or memorandum of understanding with any party.

(2) We have not entered into any written agreement or memorandum of understanding with such third parties.

As at the Latest Practicable Date, we have identified three gas projects in Henan Province as our potential acquisition targets, and we were still at the stage of negotiation and have not entered into any written agreement or memorandum of understanding with these companies. Our acquisition targets were carefully selected based on high criteria, such as, the target company must: (i) have already secured pipelined gas supplies or be located within 30 km from our urban branch pipeline networks; (ii) have the ability to secure gas supplies for the next three years; and (iii) have a customer base of at least 100,000 residential users or industrial and commercial users that we consider ideal. We will also consider any other target companies that have sufficient scale of operation in Henan Province.

SUMMARY

SUMMARY HISTORICAL FINANCIAL INFORMATION

The selected summary information of our combined statements of comprehensive income and combined statements of cash flows for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 and the selected summary information of our combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010, which were extracted from our combined financial information included in the Accountant's Report set out in Appendix I to this Prospectus. You should read the entire financial information, including the notes thereto, included in Appendix I to this Prospectus for more details.

Combined Statements of Comprehensive Income

The table below sets forth the summary information of our combined statements of comprehensive income for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	65,888	127,657	179,223	81,869	114,950
Cost of sales	(37,185)	(77,623)	(100,393)	(46,366)	(62,976)
Gross profit	28,703	50,034	78,830	35,503	51,974
Distribution cost	(1,978)	(1,553)	(2,236)	(715)	(1,402)
Administrative expenses	(5,489)	(8,318)	(9,723)	(4,580)	(5,490)
Other gains, net	824	5	671	195	32
Operating profit	22,060	40,168	67,542	30,403	45,114
Finance income	1,893	1,874	1,066	527	589
Finance costs	(11,465)	(9,625)	(7,063)	(3,913)	(2,805)
Finance costs, net	(9,572)	(7,751)	(5,997)	(3,386)	(2,216)
Profit before income tax	12,488	32,417	61,545	27,017	42,898
Income tax expense	(4,198)	(6,866)	(13,992)	(6,235)	(10,048)
Profit for the year/period	8,290	25,551	47,553	20,782	32,850
Other comprehensive income for the year/period, net of tax	—	—	—	—	—
Total comprehensive income for the year/ period	<u>8,290</u>	<u>25,551</u>	<u>47,553</u>	<u>20,782</u>	<u>32,850</u>
Profit and total comprehensive income attributable to:					
Equity holders of the Company	7,540	23,538	44,299	19,228	32,443
Minority interest	750	2,013	3,254	1,554	407
	<u>8,290</u>	<u>25,551</u>	<u>47,553</u>	<u>20,782</u>	<u>32,850</u>
Dividends	—	—	—	—	33,087

SUMMARY

Combined Balance Sheets

The table below sets forth the summary information of our combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Assets				
Non-current assets	169,392	173,236	167,691	172,226
Current assets	74,188	76,251	103,312	110,128
Total assets	<u>243,580</u>	<u>249,487</u>	<u>271,003</u>	<u>282,354</u>
Equity and Liabilities				
Total equity	27,519	63,070	110,623	117,927
Non-current liabilities	85,472	60,258	35,827	35,397
Current liabilities	130,589	126,159	124,553	129,030
Total equity and liabilities	<u>243,580</u>	<u>249,487</u>	<u>271,003</u>	<u>282,354</u>
Net current liabilities	<u>(56,401)</u>	<u>(49,908)</u>	<u>(21,241)</u>	<u>(18,902)</u>
Total assets less current liabilities	<u>112,991</u>	<u>123,328</u>	<u>146,450</u>	<u>153,324</u>

Combined Statements of Cash Flows

The table below sets forth the summary information of our combined statements of cash flows for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Cash and cash equivalents at beginning of the year/period	4,045	7,716	11,371	11,371	14,860
Net cash generated from operating activities	15,342	45,228	51,019	26,144	35,459
Net cash generated from/(used in) investing activities	12,446	(8,778)	(34,606)	(30,800)	41,725
Net cash (used in)/generated from financing activities	<u>(24,117)</u>	<u>(32,795)</u>	<u>(12,924)</u>	<u>9,651</u>	<u>(9,182)</u>
Cash and cash equivalents at end of the year/period	<u>7,716</u>	<u>11,371</u>	<u>14,860</u>	<u>16,366</u>	<u>82,862</u>

SUMMARY

SELECTED HISTORICAL OPERATING DATA

Concessions Information

Details of our Concessions are set forth below:

Operating Cities	Concession start/end year	Concession grantor	Concession grantee	Consideration and method of payment	Payment made under the Concession Agreements during the Track Record Period	Balance to be paid
Hebi (鶴壁市)	2002-2032 ⁽¹⁾	Hebi Construction Committee (鶴壁市建設委員會)	Henan Tian Lun Engineering Investment (assumed by Hebi Tian Lun)	RMB1,100,000 annual fee	RMB2,200,000 ⁽³⁾	RMB24,200,000 ⁽⁴⁾
Xuchang (許昌市)	2003-2053	Xuchang Development and Planning Committee (許昌市發展與計劃委員會)	Henan Tian Lun Engineering Investment (assumed by Xuchang Tian Lun)	Assumption of an interest bearing foreign currency debt of principal amount of US\$3,850,000 ⁽²⁾	RMB4,959,000	RMB13,087,000 ⁽⁵⁾
Shangjie District of Zhengzhou City (鄭州市上街區)	2007-2037 ⁽¹⁾	Shangjie District of Zhengzhou City Construction Bureau (鄭州市上街區建設局)	Shangjie Tian Lun	Cash purchase of RMB9,500,000 for State-owned assets and assumption of debt of RMB16,260,000	RMB25,760,000	Nil

Notes:

- (1) Subject to renewal after expiration of the relevant Concession period.
- (2) Equivalent to approximately RMB31,866,000 based on the exchange rate as at 30 September 2003, which is the date the Concession Agreement of Xuchang City was entered into. The assumption of the said debt included the assumption of the interest accrued and unpaid up to 31 December 2003 of approximately US\$1.12 million.
- (3) The local government agreed to waive the Concession fee in 2007 as an incentive for us to operate our gas business in Hebi City.
- (4) Concession fee for 2010 has not yet been paid as at 30 June 2010. We typically pay the annual fee in the fourth quarter of each year and expect to fully settle the outstanding balance within the Concession period.
- (5) We expect to fully settle the outstanding balance before May 2036 when it is due under the debt assignment.

SUMMARY

Operating Information

Key operating data

The following table sets forth the breakdown of our revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Revenue (RMB million)					
Transportation and Sales of Pipelined Gas Operation	26.2	57.7	84.9	39.5	50.6
Gas Pipeline Connections Operation	37.8	67.6	90.6	41.3	58.7
Others	1.9	2.4	3.7	1.1	5.7
Total revenue	65.9	127.7	179.2	81.9	115.0

The following tables set forth the breakdown of revenue of our transportation and sales of pipelined gas operation by user category and by Operating City, the breakdown of our volume of pipelined gas sold and the breakdown of our users' connections for our transportation and sales of pipelined gas operation for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Breakdown by user category (RMB million)					
Residential	8.1	12.4	17.6	8.8	12.4
Commercial	9.6	13.5	22.4	9.6	15.2
Industrial	5.4	19.4	22.4	10.5	10.9
CNG	—	2.4	11.5	4.0	8.8
Others ⁽¹⁾	3.1	10.0	11.0	6.6	3.3
Total revenue	26.2	57.7	84.9	39.5	50.6
Breakdown by Operating City (RMB million)					
Hebi City	11.4	17.1	27.5	12.2	17.0
Xuchang City	7.8	15.9	29.1	11.7	21.6
Shangjie District, Zhengzhou City	7.0	24.7	28.3	15.6	12.0
Total revenue	26.2	57.7	84.9	39.5	50.6

Note:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
Volume of pipelined gas sold (m³)					
Natural gas	11,166,918	17,535,939	24,236,111	11,403,565	15,447,183
Coal gas	7,479,835	26,996,077	24,647,173	14,831,616	10,094,113
CNG	— ⁽²⁾	781,405	3,877,685	1,294,599	3,232,765
Total sales volume	18,646,753	45,313,421	52,760,969	27,529,780	28,774,061

SUMMARY

	As at 31 December			As at 30 June
	2007	2008	2009	2010
Users' connections for our transportation and sales of pipelined gas operation (units)				
Residential users	45,053	66,852	108,929	135,825
Commercial users	287	405	541	620
Industrial users	16	30	51	60
Other users ⁽¹⁾	77	96	121	140
Total connections	45,433	67,383	109,642	136,645
Constructed pipelines (kilometers)	488.8	612.7	750.6	837.1
CNG filling station (units)	0⁽²⁾	1	2	2⁽³⁾

Notes:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

(2) We commenced our distribution and sales of CNG in April 2008.

(3) The second CNG filling station in Hebi City commenced operation in the third quarter of 2010, which has not been included in this figure.

The following table sets forth the breakdown of our revenue of our gas pipeline connections operation by user category for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Revenue (RMB million)					
Residential users	35.5	60.2	78.1	36.6	52.4
Commercial users ⁽¹⁾	1.8	4.7	8.7	3.7	5.8
Industrial users	0.5	2.7	3.8	1.0	0.5
Total revenue	37.8	67.6	90.6	41.3	58.7

Note:

(1) Include other users.

Gross Profit

The following table sets forth the breakdown of gross profit by each business segment for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Gross profit (RMB'000)					
Transportation and sales of pipelined gas operation	506	5,090	11,987	3,961	6,286
Gas pipeline connections operation	27,096	44,601	64,596	31,270	41,920
Others	1,101	343	2,247	272	3,768
Total gross profit	28,703	50,034	78,830	35,503	51,974

SUMMARY

The following table sets forth the breakdown of gross profit by each Operating City for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Gross profit (RMB'000)					
Hebi City	5,663	11,465	23,583	9,157	19,044
Xuchang City	22,066	33,856	38,776	22,575	26,274
Shangjie District, Zhengzhou City	974	4,713	16,471	3,771	6,656
Total gross profit	<u>28,703</u>	<u>50,034</u>	<u>78,830</u>	<u>35,503</u>	<u>51,974</u>

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

On the bases and assumptions as set forth in Appendix III to this Prospectus, and in the absence of unforeseen circumstances, we forecast that our consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 will be not less than RMB66.1 million.

The profit forecast has been prepared by our Directors based on our audited combined results for the six months ended 30 June 2010 as well as unaudited management accounts for the two months ended 31 August 2010 and the forecast of the consolidated results for the remaining four months ending 31 December 2010. The profit forecast is presented on a basis consistent in all material respects with the accounting policies currently adopted by us as set out in the Accountant's Report, dated the date of this Prospectus, and the text of which is set out in Appendix I to this Prospectus.

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering.

The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- the Hong Kong Public Offer of 19,950,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below under "Structure of the Global Offering — The Hong Kong Public Offer"; and
- the International Placing of an aggregate of 179,550,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in other jurisdictions outside the United States.

CCBI is the Sole Global Coordinator, Sole Bookrunner, Sole Sponsor and Sole Lead Manager of the Global Offering.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for Shares under the International Placing, but may not do both. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the Offer Shares to institutional and professional investors and other investors expected to have a sizeable demand for the Offer Shares in Hong Kong and other jurisdictions outside the United States.

SUMMARY

The International Underwriters are soliciting from prospective investors indications of interest in acquiring the Offer Shares in the International Placing. Prospective investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price.

The number of Offer Shares to be offered under the Hong Kong Public Offer and the International Placing, respectively may be subject to reallocation as described in “Structure of the Global Offering — Pricing and Allocation” in this Prospectus.

OFFER STATISTICS

	Based on an Offer Price of HK\$1.52 per Share	Based on an Offer Price of HK\$2.05 per Share
Market capitalization of our Shares ⁽¹⁾	HK\$1,213.0 million	HK\$1,635.9 million
Unaudited pro forma adjusted net tangible asset value per Share as at 30 June 2010 ⁽³⁾	HK\$0.46	HK\$0.58

Notes:

(1) The calculation of the market capitalization of the Shares is based on 798,000,000 Shares in issue immediately after completion of the Capitalization Issue and the Global Offering but does not take into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options granted or to be granted under the Share Option Scheme.

(2) The unaudited pro forma adjusted net tangible asset value per Share has been arrived at after the adjustments referred to in “Appendix II — Unaudited Pro Forma Financial Information” to this Prospectus and on the basis of 798,000,000 Shares expected to be issued and outstanding immediately following completion of the Capitalization Issue and the Global Offering but without taking into account any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or any options that granted or to may be granted under the Share Option Scheme.

DIVIDEND POLICY

After completion of the Global Offering, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend will require the approval of our Board of Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders’ approval. Our Board of Directors will review our Company’s dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results;
- shareholders’ interests;
- general business conditions, strategies and future expansion needs;
- our Company’s capital requirements;
- the payment of cash dividends by our Company’s subsidiaries to our Company;
- possible effects on liquidity and financial position of our Company; and
- other factors the Board of Directors may deem relevant.

No dividend has been paid or declared by our Company since its incorporation. Dividends disclosed for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 represent dividends declared or proposed by our relevant subsidiaries out of their

SUMMARY

retained earnings to the then equity holders of the respective companies, after eliminating intra-group dividends.

On 26 March 2010, in accordance with the resolutions of the owners of Xuchang Tian Lun, Xuchang Tian Lun Vehicle, and Hebi Tian Lun Vehicle, and the board of directors of Hebi Tian Lun, retained earnings of approximately RMB29,330,000, RMB158,000, RMB1,110,000 and RMB13,158,000, respectively, were appropriated to the then equity holders of the respective companies. Among such dividends, approximately RMB33,087,000 in total were appropriated to Henan Tian Lun Engineering Investment, and the remaining were appropriated to our Company's relevant subsidiaries. The dividends appropriated to Henan Tian Lun Engineering Investment were accounted for as an appropriation of retained earnings in our combined financial information for the six months ended 30 June 2010. As at 30 September 2010, the dividends of RMB33,087,000 appropriated to Henan Tian Lun Engineering Investment has been paid.

In July 2010, in accordance with resolutions of shareholders of Shangjie Tian Lun, retained earnings of approximately RMB7,339,000 and RMB816,000 were appropriated to Hebi Tian Lun and the minority shareholder of Shangjie Tian Lun, respectively. Such dividend was paid in August 2010.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by us, are estimated to be approximately HK\$317.9 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.785 per Share, being the mid-point of the proposed Offer Price range of HK\$1.52 to HK\$2.05 per Share. We intend to use the net proceeds as follows:

- approximately HK\$56.0 million, or 17.6%, to construct gas processing stations, gas pipeline networks and other gas supply facilities in our Operating Cities to expand our geographic coverage and increase gas pipeline connections;
- approximately HK\$160.5 million, or 50.5%, to acquire or develop new urban gas projects. We have selected three gas projects in Henan Province as our potential acquisition targets and we are still at the stage of negotiation with these companies and have not entered into any written agreement or memorandum of understanding;
- approximately HK\$19.1 million, or 6.0%, to invest in construction of a new gas filling station;
- approximately HK\$50.5 million, or 15.9%, to invest in LNG and biofuel business opportunities; and
- approximately HK\$31.8 million, or 10.0%, to be used for working capital and other general corporate purposes.

Our Directors do not plan to use any proceeds from the Global Offering for the acquisition of Puyang Tian Lun due to the uncertainty whether we will proceed with the acquisition, further details of which are disclosed in the paragraph headed "Relationship with Our Controlling Shareholders and Their Associates — Relationship with Our Controlling Shareholders and Their Associates — Puyang Tian Lun" and "Relationship with Our Controlling Shareholders and Their Associates — Deed of Non-Competition" in this Prospectus.

SUMMARY

If the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$48.7 million and HK\$49.2 million, respectively, from the mid-point of the indicative Offer Price range of HK\$1.785. In this event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$369.1 million, assuming an Offer Price of HK\$1.785 per Share, being the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK\$56.0 million and HK\$56.6 million, respectively, from the mid-point of the indicative Offer Price range of HK\$1.785. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions.

RISK FACTORS

Risks Relating to Our Business

- We rely on Concessions for the operation of our business, which will expire or may be terminated before expiration.
- We place significant reliance on revenue generated from our gas pipeline connections operation.
- We may be unable to obtain natural gas at prices similar to the prices from our pipelined natural gas suppliers.
- Our transportation and sales of pipelined gas operation relies on limited suppliers.
- Our gas pipeline connections operation relies on property developers and a specific regional market.
- We engage subcontractors for certain services in relation to our gas pipeline connections operation.
- We may be unable to generate sufficient cash flow to meet our current liabilities.
- Our revenue and results of operations are subject to fluctuations in the supply or disruptions to transportation of natural gas.
- The price of our products is subject to government price control.
- Our future growth strategies may not succeed.
- The revenue and results of our transportation and sales of pipelined gas operation are seasonal.

SUMMARY

- We may be subject to unreasonable price competition from our competitors in our distribution and sales of CNG.
- Changes in favorable taxation treatment could reduce our profits.
- Accidents or occurrences of public safety concerns may occur; we lack adequate insurance coverage.
- Operations of our business rely on key management and employees.
- We may need to raise capital to fund our operations, and our failure to obtain funding when needed may force us to delay, reduce or eliminate acquisitions and business development plans.
- We have not obtained building ownership certificates for some of the buildings we occupy or use.
- We may not be able to register our trademark in Hong Kong.

Risks Relating to the Industry

- There may be alternative energy sources other than natural gas.
- Changes in government policies could affect our business.

Risks Relating to Conducting Business in the PRC

- China's economic policies could affect our business.
- Adverse changes in China's economic, political, and social conditions as well as government policies could have a material adverse effect on China's overall economic growth, which could in turn adversely affect our financial condition and results of operations.
- Restrictions by the PRC Government on foreign exchange may limit the liquidity of our Company and movement in exchange rate of the RMB may adversely affect our financial condition and results of operations.
- We are a holding company that relies heavily on dividend payments from our subsidiaries for funding.
- We may be deemed as a Chinese resident enterprise under the CIT Law and be subject to the Chinese taxation on our worldwide income.
- Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to Chinese income taxes.
- The legal protections available to potential investors may be limited in China's legal system.
- It may be difficult to enforce any judgments obtained from non-Chinese courts against our Company or our Directors or senior executive officers residing in China.

SUMMARY

- Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose vehicles by our beneficial owners may materially and adversely affect our business operations.
- As a foreign company, our acquisitions of Chinese domestic companies may take a longer time and be subject to higher levels of scrutiny by the PRC Government.
- Concerns over China's high growth and measures taken by the PRC Government may lead to a significant increase in interest rates and a slowdown in economic growth.
- An outbreak of severe acute respiratory syndrome ("SARS"), avian influenza A ("H5N1"), influenza A virus subtype H1N1 ("H1N1") or other epidemics if uncontrolled could impact our operations.
- We may be directly or indirectly adversely affected by acts of God, war or terrorism.

Risks Relating to the Global Offering and Our Shares

- There has been no prior public market for our Shares.
- The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders.
- Prior dividends distributions are not an indication of our future dividend policy.
- Potential investors will experience immediate and substantial dilution as a result of the Global Offering.
- Sales of substantial amounts of our Shares in the public market after the Global Offering could adversely affect the prevailing market price of our Offer Shares.
- Shareholders' interests may be diluted as a result of additional equity fund-raising.
- The costs of share options to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of the options granted may result in dilution to our Shareholders.
- Forward-looking information included in this Prospectus may prove inaccurate.
- We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the Chinese economy and the pipelined gas industry as contained in this Prospectus.
- Investors should read the entire Prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media relating to us and/or the Global Offering.

DEFINITIONS

In this Prospectus, unless the context otherwise requires, the following expressions have the following meanings:

“affiliate(s)”	any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Application Form(s)”	white application form(s), yellow application form(s) and green application form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offer
“Articles of Association” or “Articles”	the articles of association of our Company adopted on 13 October 2010 and as amended from time to time, a summary of which is set out in Appendix V to this Prospectus
“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board” or “Board of Directors”	the board of Directors
“BP”	BP p.l.c., a global oil and gas company headquartered in London, United Kingdom
“Business Day”	a day on which banks in Hong Kong are generally open for business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“BVI”	the British Virgin Islands
“CAGR”	acronym for compound annual growth rate
“Capitalization Issue”	the issue of 597,500,000 Shares upon capitalization of certain sums standing to the credit of the share premium account of our Company referred to in the paragraph headed “Written resolutions of our Shareholders passed on 13 October 2010” under the section headed “Further Information about our Company” in Appendix VI to this Prospectus
“Cayman Companies Law”	the Companies Law (2010 Revision) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant

DEFINITIONS

“CCBI”	CCB International Capital Limited
“CEPL”	Circular Economy Promotion Law of the PRC (中華人民共和國循環經濟法)
“Chequers Development”	Chequers Development Limited (捷嘉發展有限公司), a company incorporated in the BVI with limited liability on 8 January 2010 and the entire issued share capital of which is owned by Mr. Zhang
“China” or “PRC” or “State”	the People’s Republic of China excluding, for the purpose of this Prospectus, Hong Kong, Macau and Taiwan
“CIT Law”	the Corporate Income Tax Law of the PRC (中華人民共和國企業所得稅法)
“CNPC”	China National Petroleum Corporation, China’s largest oil and gas producer and supplier, as well as one of the world’s major oil field service providers and global contractor in engineering construction
“Commodity Price Bureau”	the commodity price bureau (物價局) of each Operating City
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our Company”	China Tian Lun Gas Holdings Limited (中國天倫燃氣控股有限公司), an exempted company established with limited liability under the laws of the Cayman Islands on 20 May 2010
“Concession(s)” or “Concession Agreement(s)”	concession agreement(s) between us and the local government for us to act as the sole pipelined gas transporter and distributor in our Operating Cities for a period ranging from 30 to 50 years, and subject to renewal approval upon expiration
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Controlling Shareholders”	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to Mr. Zhang, Gold Shine Development, Tian Lun Group and Chequers Development
“Corporate Reorganization”	the corporate reorganization of our Group conducted in preparation for the Listing, details of which are set out in the section headed “History and Corporate Structure” in this Prospectus
“CPC”	Communist Party of China
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會), a regulatory body responsible for the supervision and regulation of the securities markets in the PRC

DEFINITIONS

“Deed of Non-competition”	a deed of non-competition dated 20 October 2010 entered into, among others, by the Controlling Shareholders in favor of our Company, details of which are disclosed in the section headed “Relationship with Our Controlling Shareholders and Their Associates” in this Prospectus
“Director(s)”	the directors of our Company
“EIA”	US Energy Information Administration
“First West-East Natural Gas Transmission Pipeline”	the first and main pipeline of the West-East Natural Gas Transmission Projects (西氣東輸一期) that targets the Yangtze River Delta Area, details of which are set out in the paragraph headed “The natural gas industry” under the section headed “Industry Overview” in this Prospectus
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“Global Offering”	the Hong Kong Public Offer and the International Placing
“Gold Shine Development”	Gold Shine Development Limited (金輝發展有限公司), a company incorporated in the BVI with limited liability on 6 April 2010 and is owned as to 60% by Mr. Zhang, 20% by Mr. Zhang DY and 20% by Ms. Sun, and one of our Controlling Shareholders
“Grandall Legal Group”	Grandall Legal Group (Shanghai) (國浩律師集團(上海)事務所), the PRC legal advisor to our Company
“Group”, “our”, “we” or “us”	our Company and our Company’s subsidiaries or, where the context so requires in respect of the period before our Company became the holding company of our present subsidiaries, the present subsidiaries of our Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“Hebi” or “Hebi City”	Hebi City of Henan Province (河南省鶴壁市) and in relation to the Concession, meaning the urban areas of Hebi excluding Qi County (淇縣) and Xun County (浚縣)
“Hebi New Energy”	Hebi Tian Lun New Energy Limited* (鶴壁市天倫新能源有限公司), a company established in the PRC with limited liability on 13 May 2010 and an indirect wholly-owned subsidiary of our Company
“Hebi Tian Lun”	Hebi Tian Lun Gas Limited* (鶴壁市天倫燃氣有限公司), a company established in the PRC with limited liability on 1 November 2002 and an indirect wholly-owned subsidiary of our Company
“Hebi Tian Lun Vehicle”	Hebi Tian Lun Vehicle-use Gas Limited* (鶴壁市天倫車用燃氣有限公司), a company established in the PRC with limited liability on 29 October 2007 and an indirect wholly-owned subsidiary of our Company

DEFINITIONS

“Henan” or “Henan Province”	Henan Province, the PRC (中國河南省)
“Henan Development and Reform Commission”	the development and reform commission of Henan Province (河南省發展和改革委員會)
“Henan Oil Field”	an oil and gas field located in Nanyang Basin in the southwest of Henan Province
“Henan Tian Lun Engineering Investment”	Henan Tian Lun Gas Engineering Investment Limited* (河南省天倫燃氣工程投資有限公司), a company established in the PRC with limited liability on 10 May 2002, the registered capital of which is owned as to 80% by Henan Tian Lun Holdings and 20% by Henan Tian Lun Real Estate, and a former shareholder of Hebi New Energy, Hebi Tian Lun, Hebi Tian Lun Vehicle, Shangjie Tian Lun, Xuchang Tian Lun and Xuchang Tian Lun Vehicle
“Henan Tian Lun Holdings”	Henan Tian Lun Investment Holdings Limited* (河南省天倫投資控股有限公司), a company established in the PRC with limited liability on 21 August 2009, the registered capital of which is owned as to 50% by Mr. Zhang, 25% by Mr. Zhang DY and 25% by Ms. Sun
“Henan Tian Lun Real Estate”	Henan Tian Lun Real Estate Limited* (河南省天倫房地產有限公司), a company established in the PRC with limited liability on 15 May 1997, the registered capital of which is owned as to 80% by Henan Tian Lun Holdings and 20% by Henan Tian Lun Engineering Investment
“Hexiang Engineering”	Hebi Hexiang Engineering Limited* (鶴壁市鶴翔工程有限公司), a company established in the PRC with limited liability on 23 December 2005, the registered capital of which is owned as to 80% by Henan Tian Lun Holdings and 20% by Henan Tian Lun Engineering Investment
“Hexiang Engineering Construction Agreement”	the agreement dated 13 October 2010 entered into among Hebi Tian Lun, Hebi New Energy, Shangjie Tian Lun, Xuchang Tian Lun and Hexiang Engineering for the engagement of Hexiang Engineering to carry out construction and installation of pipelines for our Group for a term ending on 31 December 2012
“HK\$”, “Hong Kong dollars” and “cents”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“HKFRS”	Hong Kong Financial Reporting Standards (including HKAS and Interpretations) issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC

DEFINITIONS

“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 19,950,000 Shares being initially offered by our Company for subscription under the Hong Kong Public Offer at the Offer Price (subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus)
“Hong Kong Public Offer”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash at the Offer Price, on and subject to the terms and conditions described in this Prospectus and in the Application Forms relating thereto
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offer listed in the paragraph headed “Hong Kong Underwriters” under the section headed “Underwriting” to this Prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement relating to the Hong Kong Public Offer dated 26 October 2010 between, among others, our Company, the Sole Global Coordinator and the Hong Kong Underwriters
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholder (within the meaning of the Listing Rules) of our Company, its subsidiaries or any of their respective associates
“International Placing”	the conditional placing of the International Placing Shares outside the United States, including to professional investors in Hong Kong, as further described in the section headed “Structure of the Global Offering” to this Prospectus
“International Placing Shares”	the 179,550,000 Shares being initially offered for subscription under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment as described in the section headed “Structure of the Global Offering” in this Prospectus
“International Underwriters”	the underwriters of the International Placing
“International Underwriting Agreement”	the underwriting agreement relating to the International Placing expected to be entered into between, among others, our Company, the Sole Global Coordinator and the International Underwriters on or around the Price Determination Date
“km”	kilometer(s)
“Latest Practicable Date”	20 October 2010, being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus prior to its publication

DEFINITIONS

“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing committee of the Stock Exchange
“Listing Date”	the date, expected to be on or about Wednesday, 10 November 2010, on which dealings in the Shares first commence on the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
“m ³ ”	cubic meter
“Main Board”	the stock exchange operated by the Stock Exchange before the establishment of the Growth Enterprise Market of the Stock Exchange (excluding the option market) and which continues to be operated by the Stock Exchange in parallel with the Growth Enterprise Market of the Stock Exchange
“Memorandum of Association” or “Memorandum”	the memorandum of association of our Company adopted on 13 October 2010
“Ministry of Commerce” or “MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“Mr. Feng”	Mr. Feng Yi (馮毅先生), an executive Director
“Mr. Sun”	Mr. Sun Heng (孫恒先生), an executive Director
“Mr. Xian”	Mr. Xian Zhenyuan (冼振源先生), an executive Director
“Mr. Zhang”	Mr. Zhang Yingcen (張瀛岑先生) (formerly known as 張贏岑), an executive Director, the chairman of the Board and one of our Controlling Shareholders
“Mr. Zhang DY”	Mr. Zhang Daoyuan (張道遠先生), a non-executive Director and the son of Mr. Zhang
“Ms. Sun”	Ms. Sun Yanxi (孫燕熙女士) (formerly known as Sun Yan (孫燕)), the spouse of Mr. Zhang
“NDRC”	National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	the final offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) which will be not more than HK\$2.05 and is expected to be not less than HK\$1.52, such price to be determined on 2 November 2010 or such later date before 8 November 2010 as may be agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters)
“Offer Shares”	the Hong Kong Offer Shares and the International Placing Shares

DEFINITIONS

“Offshore Gas Pipelines”	gas pipelines that transport offshore natural gas to developed coastal regions in China (海氣登陸)
“Operating Cities”	the urban areas of Hebi (excluding Qi County (淇縣) and Xun County (浚縣)), the urban areas of Xuchang and the administrative areas of Shangjie
“Over-allotment Option”	the option to be granted by our Company to the International Underwriters exercisable by the Sole Global Coordinator on behalf of the International Underwriters, pursuant to which our Company may be required to allot and issue up to 29,925,000 additional new Shares, representing 15% of the Shares initially available under the Global Offering at the Offer Price, to, among other things, cover over-allocations of the International Placing (if any) as further described in the section headed “Structure of the Global Offering”
“PBOC”	People’s Bank of China (中國人民銀行), the central bank of China
“Pleasant New”	Pleasant New Limited (怡新有限公司), a company incorporated in the BVI with limited liability on 18 March 2009 and is beneficially owned as to 10% by Mr. Feng, 10% by Mr. Sun and 80% by Mr. Xian
“PRC CIT”	the enterprise or corporate income tax of the PRC, determined in accordance with the CIT Law
“PRC Government” or “State”	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof
“Price Determination Date”	the date, expected to be on 2 November 2010 but before 8 November 2010, on which the Offer Price is fixed for the purpose of the Global Offering
“Project Companies”	consist of Hebi Tian Lun, Xuchang Tian Lung and Shangjie Tian Lun
“provinces”	include provinces, autonomous regions and municipalities under the direct administration of the central government of the PRC
“Puyang” or “Puyang City”	Puyang City of Henan Province (河南省濮陽市)
“Puyang Tian Lun”	Puyang Tian Lun Gas Limited* (濮陽市天倫燃氣有限公司) (formerly known as Puyang Tian Lun Gas and Thermal Limited* (濮陽市天倫燃氣熱力有限公司)), a company established in the PRC with limited liability on 9 November 2009 and the registered capital of which is owned as to 90% by Henan Tian Lun Engineering Investment and 10% by Mr. Zhang
“Regulation S”	Regulation S under the US Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“Second West-East Natural Gas Transmission Pipeline”	the second pipeline of the West-East Natural Gas Transmission Projects (西氣東輸二期) that targets the Zhujiang Delta Area, details of which are set out in the paragraph headed “The natural gas industry” under the section headed “Industry Overview” in this Prospectus
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shangjie” or “Shangjie District”	Shangjie District of Zhengzhou City of Henan Province (河南省鄭州市上街區) and in relation to the Concession, meaning the administrative areas of Shangjie, which is an area established and approved by the relevant government body in the PRC for administrative purposes
“Shangjie Tian Lun”	Zhengzhou Shangjie Tian Lun Gas Limited* (鄭州市上街區天倫燃氣有限公司), a company established in the PRC with limited liability on 18 July 2007 and an indirect non wholly-owned subsidiary of our Company
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company pursuant to a resolution passed by the Shareholders on 13 October 2010, the principal terms of which are summarized under the paragraph headed “Share Option Scheme” in Appendix VI to this Prospectus
“Shareholder(s)”	holder(s) of the Share(s)
“Sinopec”	China Petroleum & Chemical Corporation, is an integrated energy and chemical company in oil and gas exploration and production, extraction and pipeline transmission business
“Sole Global Coordinator” or “Sole Sponsor” or “Sole Bookrunner” or “Sole Lead Manager” or “Stabilizing Manager”	CCBI
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between CCBI and Tian Lun Group on the Price Determination Date, pursuant to which CCBI may borrow up to 29,925,000 Shares from Tian Lun Group to cover any over-allocation under the International Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“subsidiary(ies)”	has the meaning ascribed thereto in section two of the Companies Ordinance
“Tarim Basin”	one of the largest gas fields and oil fields in China, located in the Taklamakan Desert in Tibet autonomous region in western China
“Tian Lun Group”	Tian Lun Group Limited (formerly known as Fortune Hill Group Limited), a company incorporated in the BVI with limited liability on 8 July 2003, a direct wholly-owned subsidiary of Gold Shine Development, and one of our Controlling Shareholders
“Tian Lun New Energy”	Tian Lun New Energy Limited (天倫新能源有限公司), a company incorporated in Hong Kong with limited liability on 10 May 2010 and an indirect wholly-owned subsidiary of our Company
“Track Record Period”	the three years ended 31 December 2009 and the six months ended 30 June 2010
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“Underwriting Shareholder Warrantors”	the Controlling Shareholders, Pleasant New, Mr. Zhang DY, Ms. Sun, Mr. Xian, Mr. Feng and Mr. Sun
“Underwriting Warrantors”	the Company, the Controlling Shareholders, Mr. Zhang DY, Ms. Sun, Mr. Xian, Mr. Feng and Mr. Sun
“United States” or “US”	the United States of America within the meaning of Regulation S
“Upsky Holdings”	Upsky Holdings Limited, a company incorporated in the BVI with limited liability on 8 July 2003 and a direct wholly-owned subsidiary of our Company
“US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“US Securities Act”	the United States Securities Act of 1933, as amended from time to time
“VAT”	value added tax in the PRC
“West-East Natural Gas Transmission Projects”	a gas transmission project that transmits natural gas through pipelines from the Tarim Basin and Changxing to Shanghai, and other locations in the PRC, including Henan Province
“WFOE”	wholly foreign-owned enterprise
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name through the designated website of White Form eIPO www.eipo.com.hk

DEFINITIONS

“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Xuchang” or “Xuchang City”	Xuchang City of Henan Province (河南省許昌市) and in relation to the Concession, meaning the urban areas of Xuchang
“Xuchang Shuang Li”	Xuchang Shuang Li Gas Limited* (許昌雙利燃氣有限公司), a company established in the PRC with limited liability on 5 March 1998 and a former shareholder of Xuchang Tian Lun
“Xuchang Tian Lun”	Xuchang Tian Lun Gas Limited* (許昌市天倫燃氣有限公司), a company established in the PRC with limited liability on 29 September 2003 and an indirect wholly-owned subsidiary of our Company
“Xuchang Tian Lun Vehicle”	Xuchang Tian Lun Vehicle-use Gas Limited* (許昌市天倫車用燃氣有限公司), a company established in the PRC with limited liability on 12 September 2008 and an indirect wholly-owned subsidiary of our Company
“Zhengzhou” or “Zhengzhou City”	Zhengzhou City of Henan Province (河南省鄭州市)
“Zhengzhou Chengxin”	Zhengzhou Chengxin Assets Management Limited* (鄭州誠信資產經營有限公司), a State-owned enterprise established in the PRC on 22 November 2004 and a minority shareholder holding 10% equity interests in Shangjie Tian Lun
“Zhongyuan Oil Field”	an important oil and natural gas production site in eastern China and located on the boundary of Henan and Shandong Provinces with Puyang City as its center
“%”	per cent

Certain amounts and percentage figures included in this Prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

If there is any inconsistency between the Chinese names of entities or enterprises established in China and their English translations, the Chinese names shall prevail. The English translation of company or entity names in Chinese or another language which are marked with “” and the Chinese translation of company names in English which are marked with “*” is for identification purpose only.*

Unless otherwise specified, all relevant information in this Prospectus assumes no exercise of the Over-allotment Option.

GLOSSARY

This glossary contains certain technical terms used in this Prospectus in connection with our Company. Such terms and their meanings may not correspond to standard industry definitions or usage.

“biogas”	is a renewable fuel produced by the biological breakdown of organic matter through the process of fermentation
“coal gas”	refers to a flammable gaseous fuel made from coal
“CBM”	coalbed methane or coalbed gas, refers to natural gas that is extracted from coal beds
“CNG”	compressed natural gas, refers to natural gas compressed to less than 1% of its volume at standard atmospheric pressure and is used as a clean alternative for vehicular fuel
“end-user pipeline networks”	low-pressure gas distribution pipelines connecting our urban branch pipeline networks to our end-users
“LNG”	liquefied natural gas, refers to natural gas that has been converted to liquid form
“LPG”	liquefied petroleum gas, refers to a flammable mixture of hydrocarbon gases extracted from petroleum
“mu”	unit of an area used to measure land, equal to one fifteenth of a hectare
“natural gas”	refers to gas consisting primarily of methane found in coal beds with or without other fossil fuels
“SCE”	standard coal equivalent, refers to a unit of measurement for energy that is commonly used in China
“urban branch pipeline networks”	consist of high- and mid-pressure gas distribution pipelines between the long-distance transportation pipelines operated by our upstream pipelined gas suppliers and the end-user pipeline networks in our Operating Cities

FORWARD-LOOKING STATEMENTS

We have included in this Prospectus forward-looking statements. Statements that are not historical facts, including statements about our intentions, beliefs, expectations or predictions for the future, are forward-looking statements.

These forward-looking statements include, without limitation, statements relating to:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions of the industry we conduct business;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the market in which we operate;
- our ability to reduce costs;
- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- certain statements in “Financial Information” with respect to trends in prices, volumes, operations, margins, overall market trends, risk management and exchange rates; and
- other statements in this Prospectus that are not historical fact.

In some cases, we use the words “aim,” “anticipate,” “believe,” “continue,” “could,” “estimate,” “expect,” “going forward,” “intend,” “ought to,” “may,” “plan,” “potential,” “predict,” “project,” “seek,” “should,” “will,” “would” and similar expressions to identify forward-looking statements.

These forward-looking statements are based on current plans and estimates, and speak only as at the date they are made. We undertake no obligation to update or revise any forward-looking statement in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

Due to these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or at all. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements contained in this Prospectus are qualified by reference to this cautionary statement.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this Prospectus and, in particular, should consider the following risks and special considerations associated with an investment in our Company before making any investment decision in relation to our Company.

RISKS RELATING TO OUR BUSINESS

We rely on Concessions for the operation of our business, which will expire or may be terminated before expiration.

We conduct our core business based on Concessions granted by local governments. Each of our Project Companies has, since its inception, been the sole distributor of natural gas and coal gas, among other fuel gases, in Hebi City, Xuchang City and Shangjie District of Zhengzhou City, or our Operating Cities. Although the Concessions are valid for 30 years or longer, they are subject to renewal approval upon each of its expiration. In particular, the relevant Concession Agreements for two of our Project Companies, one in Hebi City and the other in Shangjie District of Zhengzhou City, stipulate that, subject to governmental approval, these Project Companies are entitled to renew the relevant Concessions upon: (i) their expiration using the tender process; (ii) meeting the tender requirements as set out by the relevant authority; and (iii) winning the bid. As to our Concession in Xuchang, Xuchang Tian Lun may renew the Concession subject to the *Measures on the Administration of the Franchising of Municipal Public Utilities* (市政公用事業特許經營管理辦法). In addition, the Concession grantor of Shangjie has the right to early termination of the Concession in Shangjie under certain circumstances, which include: (i) the occurrence of *force majeure* events; (ii) by mutual agreement of the parties; and (iii) cancellation of the Concession by the grantor. Circumstances which may give rise to cancellation of the Concession in Shangjie by the grantor include the following actions by us during the period of Concession: (i) unauthorized transfer or lease of the Concession by us to any third party; (ii) unauthorized dealing in or pledge of our operating assets; (iii) serious quality or production safety incidents due to poor management; (iv) unauthorized suspension of business and gases sold by us that causes serious public interest and safety concerns; and (v) engagement in any unlawful conduct. If our Concessions are terminated due to such circumstances before expiration, or we are not able to renew them, our business will be materially adversely impacted.

We place significant reliance on revenue generated from our gas pipeline connections operation.

During the Track Record Period, we placed significant reliance on the substantial revenue and gross profit generated from our gas pipeline connections operation. Our gas pipeline connections operation generated substantial revenue, received from one-off connection fees, representing 57.3%, 52.9%, 50.6% and 51.1% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively; and we will depend on it for a significant portion of our operating revenue and cash flows. We operated significant gross profit margins from our gas pipeline connections operation of 71.7%, 66.0%, 71.3% and 71.4% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively, as compared to gross profit margins from our transportation and sales of pipelined gas of 1.9%, 8.8%, 14.1% and 12.4% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The gross profit from our gas pipeline connections operation amounted to RMB27.1 million, RMB44.6 million, RMB64.6 million and RMB41.9 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively, representing approximately 94.4%, 89.1%, 81.9% and 80.7% of our total gross profit during the

RISK FACTORS

same periods. During the Track Record Period, our gross profit margin for our gas pipeline connections operation did not fluctuate significantly although our gross profit margin for our transportation and sales of pipelined gas operation has increased. We cannot assure that such trend will continue in the future. Fluctuations in our gross profit margins in the future may adversely affect our financial condition and results of operations. In addition, if we fail to generate sufficient revenue from our gas pipeline connections operation in the near term, and revenue generated from our transportation and sales of pipelined gas operation is insufficient to cover our expenses, our financial condition and results of operations could be materially and adversely affected.

We may be unable to obtain natural gas at prices similar to the prices from our pipelined natural gas suppliers.

Our supply of natural gas from our pipelined natural gas suppliers are based on the benchmark volume allocated to us by the *Henan Development and Reform Commission*. When we anticipate shortfall in the supply of natural gas, we will approach the relevant pipelined natural gas supplier to demand additional quantities of natural gas. In the event where the relevant pipelined natural gas supplier could not supply us with additional quantities of natural gas, we would have to purchase natural gas from alternative suppliers to temporarily satisfy the shortfall.

During one of the months in the Track Record Period, as the relevant pipelined gas supplier could not provide the additional quantities of natural gas required by us, Hebi Tian Lun made small purchases of natural gas from an alternative supplier at a higher price as compared to the prices offered by our pipelined natural gas suppliers. As such, we cannot assure that we will be able to source natural gas from the alternative suppliers at prices similar to the prices from our pipelined natural gas suppliers.

If we are unable to source sufficient pipelined natural gas or to purchase natural gas from alternative suppliers at prices similar to the prices offered by our pipelined natural gas suppliers, our business and our profitability may be adversely affected.

Our transportation and sales of pipelined gas operation relies on limited suppliers.

Our purchased pipelined gases, including natural gas and coal gas, account for approximately 79.4%, 74.7%, 79.1% and 77.9% of total raw materials and consumables used for each of the three financial years ended 31 December 2009 and the six months ended 30 June 2010, respectively. As at the Latest Practicable Date, we purchased natural gas and coal gas primarily from three oil and gas transporters or distributors in China, namely, Henan Lantian Gas Co., Ltd* (河南藍天燃氣股份有限公司), Henan Ancai Energy Co., Ltd* (河南安彩能源股份有限公司) and Henan Gas (Group) Limited Pipeline Branch* (河南省煤氣(集團)有限責任公司管道輸氣分公司).

We renew our purchase arrangement of coal gas with Henan Gas (Group) Limited Pipeline Branch* on an annual basis. As our natural gas supply is based on an allocated benchmark volume issued by *Henan Development and Reform Commission*, we do not enter into any formal agreements with our other two suppliers. There can be no assurance that we will be able to obtain natural gas and coal gas from these suppliers on similar terms or without material interruption. In these circumstances, we may seek alternative suppliers for natural gas. We do not have any alternative suppliers for coal gas and if we are unable to obtain timely supply of coal gas from our coal gas supplier, our supply of coal gas to our users may be affected. In 2007, Hebi Tian Lun made a one-off exigent purchase for natural gas from a non-pipelined gas supplier at a higher price in order to maintain its supply of natural gas. There can be no assurance that we will be able to carry out similar contingency plan again for our Operating Cities for natural gas, or devise any contingency plan for

RISK FACTORS

coal gas, or that it be made promptly, on acceptable terms, or at all. Failures to secure supply from other pipelined gas suppliers on time will materially and adversely affect our results of operation, financial condition, as well as reputation.

Our gas pipeline connections operation relies on property developers and a specific regional market.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, approximately 57.3%, 52.9%, 50.6% and 51.1%, respectively, of our revenue was derived from connection fees from our gas pipeline connections operation, with gross profit margin of 71.7%, 66.0%, 71.3% and 71.4% respectively, for the same periods. The majority of such revenue was derived from our gas pipeline connections operation in new residential areas. As a result, our gas pipeline connections operation may depend on the performance of property markets. The timing and cost of completion of the gas pipeline networks in these residential areas will depend on a number of factors, including the costs and availability of financing to property developers of the residential areas, condition of the property market and local general economic conditions. The completion of these residential estate projects may also be adversely affected by factors generally associated with construction and expansion projects, including shortage or fluctuations in prices of construction equipment or materials, adverse weather conditions and other unforeseeable circumstances, such as structural damage to pipelines caused by earthquakes. Should all or any of these factors occur, it may result in delays in the completion of such residential estate projects, thus delaying the timing of construction of gas pipeline networks. Accordingly, such delay may increase our construction costs and may have an adverse impact on the profitability of our business.

Our pipelined gas users are all located within our Operating Cities as at the Latest Practicable Date. Our business expansion will, to a large extent, depend on the economic development of such cities. Due to our reliance on the urban market, there may be adverse effects on our sales and profit in the event that urban demand for natural gas and coal gas reduces significantly.

We engage subcontractors for certain services in relation to our gas pipeline connections operation.

We engage subcontractors, on an as-needed basis to provide certain services, pursuant to service contracts, that we are unable to or do not generally provide, such as gas pipeline construction. As a result, our operations and our financial results will be affected by factors such as the performance, the pricing and the ability of subcontractors to complete the projects. We may not be able to control the quality, safety and environmental standards of the work done by subcontractors to the same extent as when the work is performed by our own employees. Any failure by these subcontractors to meet our quality, safety and environmental standards may result in our liabilities to third parties and have a material adverse effect on our business, reputation, financial condition and results of operations. Any failure by these subcontractors could also affect our compliance with government rules and regulations, such as those relating to pipeline construction and workers' safety. During the Track Record Period, we have not experienced any of the said quality, safety and environmental standards issues with our subcontractors. However, we cannot assure that these issues will not arise in the future, which may have material adverse effects on our business and results of operations.

Any failure by us to retain any of our subcontractors or obtain replacements on favorable terms, or at all, may have material adverse effects on our business and results of operations.

RISK FACTORS

We may be unable to generate sufficient cash flow to meet our current liabilities.

We recorded net current liabilities of RMB56.4 million, RMB49.9 million, RMB21.2 million and RMB18.9 million, as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, which were mainly due to our reliance on short-term financing in respect of our capital investment prior to 2007 which was funded by bank borrowings and carried forward to the Track Record Period. As at 31 December 2007, 2008, 2009 and 30 June 2010, majority of our current liabilities were advances from customers primarily relating to our gas pipeline connections operation of RMB45.7 million, RMB48.7 million, RMB43.0 million and RMB35.9 million, due to the time gap between when we received payments and when we recognized revenue. Generally, it takes up to approximately six months after we receive advances from our customers before construction will commence. It can take approximately two to four months from the commencement of the construction to the completion of the construction. Hence, the time between when we receive advances from our customers and when we recognize such advances as revenue is generally within a year. Our gearing ratios as at 31 December 2007, 2008 and 2009 and 30 June 2010 were 0.81, 0.55, 0.35 and 0.04, respectively. In addition, our total borrowings as at 31 December 2007, 2008 and 2009 and 30 June 2010 amounted to RMB123.8 million, RMB88.5 million, RMB75.6 million and RMB87.9 million, respectively. As at 30 September 2010, the amount of borrowings was RMB31.3 million.

If we are unable to complete gas pipeline connections and recognize the advances as revenue, our business and cash flow may be adversely affected.

Our revenue and results of operations are subject to fluctuations in the supply or disruptions to transportation of natural gas.

Our natural gas is produced from gas fields in the Tarim Basin and transported through the suppliers' long-distance high-pressure pipeline system, owned and operated by CNPC, to Henan Province. If natural gas supply from the Tarim Basin or our suppliers' transportation of natural gas is substantially impaired, our transportation and sales of pipelined gas operation will be interrupted and there will be an adverse effect on our results of operations and financial condition.

The price of our products is subject to government price control.

Natural gas and coal gas prices charged by us are subject to the approval of the *Commodity Price Bureau* (物價局) of each Operating City, or the *Commodity Price Bureau*. According to *The Chinese Pricing Act* (《中華人民共和國價格法》), we are entitled to determine the price of natural gas and coal gas, subject to a ceiling price imposed by the local governments. The local governments may introduce policies to adjust the ceiling price. To operate in line with the local government's policies, we may re-adjust our selling price in accordance with the new ceiling price introduced from time to time. To do this, we must submit applications for price adjustment to the *Commodity Price Bureau* of the relevant Operating City. The *Commodity Price Bureau* will then convene a series of hearings to form an informed conclusion of the price. The price concluded by the *Commodity Price Bureau* will be reported to the local *Development and Reform Commission* (發展和改革委員會) of our Operating Cities for confirmation. Our Directors confirm that, from our past experience, the time required for obtaining the approval for price adjustments for our commercial and industrial users is approximately one month and that for our residential users is approximately six months. Should we fail to obtain price adjustment approval, or fail to secure such approval in a timely manner from the *Commodity Price Bureaus* or the local *Development and Reform Commission* of our Operating Cities, our profitability may be adversely affected.

RISK FACTORS

During the Track Record Period, the approved retail prices, inclusive of VAT, of natural gas and coal gas sold to different categories of users remained stable or experienced different levels of increase. Generally, as changes in our selling price of our natural gas and coal gas were driven by the purchase price of the respective gas, and changes in our selling price of CNG was driven by the purchase price of our natural gas and market demand of CNG, such changes have not materially affected our overall track record results during the Track Record Period. For more information on our average selling prices, see “Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Number of new connections completed” and “Financial Information — Factors Affecting Our Results of Operations and Financial Condition — Sales volume and price of pipelined gas” in this Prospectus. Should the nationwide prices of natural gas and coal gas and connection fees fall, causing us to make downward adjustments to such prices, our gross profit margin and our profitability may be adversely affected.

Our future growth strategies may not succeed.

As part of our growth strategy, we may pursue acquisitions or enter into strategic alliance or joint venture arrangements that we believe would benefit us. Our ability to grow through acquisitions depend upon our ability to, among others, procure and allocate resources to fund our future expansion. Due to the nature of our business, we are required to make a substantial initial investment in the construction of gas pipeline infrastructure for each gas project. The initial investments are usually financed by our internal resources, bank loans or equity fund raising. There can be no assurance that we can secure the necessary resources to implement our future expansion plan, for example, if we fail to obtain the necessary initial capital to fund our future projects, our future expansion plan may be readjusted or some of our future expansion plan may not be achieved. Even if we successfully implement our future expansion plan we may still face challenges in, but not limited to, the following areas:

- difficulties in integrating any acquired companies, technologies, personnel or products into our existing business;
- difficulties in implementing management and internal control mechanisms that timely and adequately respond to our expanded scope of operations; and
- costs of integration that exceed our anticipation.

Any difficulties in securing the necessary financial resources or the integration of acquired business, companies or technologies, our results of operations and financial condition may be adversely affected.

The revenue and results of our transportation and sales of pipelined gas operation are seasonal.

A substantial portion of our revenue is derived from transportation and sales of pipelined gas operation. The demand for natural gas and coal gas sales to residential, commercial and industrial users is seasonal. Our revenue and results of operations are therefore subject to seasonality. In 2009, approximately 68% of the total sales volume of our natural gas and coal gas occurred in the first and fourth quarters. These patterns reflect the higher demand for natural gas and coal gas for heating purposes during those periods, which may result in shortages of gas supply.

We may be subject to unreasonable price competition from our competitors in our distribution and sales of CNG.

We enjoy steady profits from our distribution and sales of CNG as at the Latest Practicable Date. Unlike natural gas and coal gas, our distribution and sales of CNG does not require

RISK FACTORS

concessions. We own one of the three CNG filling stations currently operating in Xuchang City, where we encounter competition. There can be no assurance that we will not face hostile price competition from competitors in the future in our Operating Cities, such as through cost cutting and pricing CNG below our current price. Other than providing guidance on the selling price of CNG in 2010, the PRC Government has not placed any regulatory control on the selling price of CNG during the Track Record Period. In the event that we face aggressive price competition, our current market share, results of operations and financial condition may be materially and adversely affected.

Changes in favorable taxation treatment could reduce our profits.

According to the current rules and regulations of the PRC on taxation, sino-foreign equity joint venture enterprises or WFOEs with an operational period of over ten years may, after obtaining approval from the relevant PRC taxation authorities, recoup prior years' retained losses from the first profit-making year (such recoupment not to exceed five consecutive years). Thereafter, such companies are exempt from profit tax for the first two years after becoming profitable and will also be provided with a 50% reduction in the rate of profit tax for the following three years. Hebi Tian Lun currently enjoys the reduced tax rate pursuant to such regulations and the preferential taxation treatment will expire at the end of 2011. In addition, there can be no assurance that the preferential taxation treatment will not be changed in the future. In the event of any such change, our profits may be materially and adversely affected.

Accidents or occurrences of public safety concerns may occur; we lack adequate insurance coverage.

We conduct a highly hazardous business due to the flammable and explosive nature of natural gas and coal gas. There can be no assurance that accidents or occurrences of public safety concerns or any industry-related accidents will not occur during our operations in the future. For example, an earthquake in any of our Operating City may cause destruction of, or damage to, our pipelines and a leak of natural gas. Significant operational hazards and natural disasters may cause interruptions in our operations that could have a material adverse impact on our business and financial condition, as well as our reputation.

We do not currently maintain fire, casualty or other property insurance policies covering our facilities, properties or equipment, other than with respect to vehicles. In addition, we do not maintain any business interruption insurance or any third-party liability insurance to cover claims in respect of personal injury, property or environmental damage arising from accidents on its properties or relating to its operations, other than third-party liability insurance with respect to vehicles and insurance as required under the *Labor Law of the PRC*. Any uninsured losses and liabilities incurred by us or a successful claim made against us that is not covered by any insurance policies could have a material adverse effect on our results of operations and financial condition. Our directors believe that we have adequate insurance coverage as we have maintained policies which are mandatory under the relevant PRC laws and regulations and in accordance with the industry practice.

Operations of our business rely on key management and employees.

The success of our operations is, to a significant extent, built upon the technical expertise, operational ability and in-depth industry knowledge and experience possessed by our senior management and certain technical personnel in construction, sales and internal management. Mr. Zhang and Mr. Xian have substantial industry expertise and company management experience. Each of them has entered into a service agreement with our Company for a fixed term of three years, which allows early termination by giving the other party not less than three month's notice in

RISK FACTORS

writing. Each of the key technical and management personnel has entered into a service agreement with us for a fixed term of three years, such service agreement allows early termination by the employee giving not less than one month's notice in writing. Should any of the key management and/or employees cease to serve our Company or our Project Companies, and we fail to engage capable replacement in time, it may lead to a material adverse impact on the operations of our business.

We may need to raise capital to fund our operations, and our failure to obtain funding when needed may force us to delay, reduce or eliminate acquisitions and business development plans.

If in the future it happens that we are unable to generate sufficient revenue from our operations and our capital resources are insufficient to finance the implementation targets as described in the section headed "Future Plans and Use of Proceeds" in this Prospectus, we may have to internally generate funds and/or raise funds, such as through bank borrowing and equity financing to continue the development, commercialization and marketing of our business.

We cannot be certain that funding will be available. To the extent that we raise additional funds by issuing equity securities, our stockholders may experience significant dilution. Any debt financing, if available, may involve restrictive covenants that impact our ability to conduct our business. If we are unable to raise the required additional capital or on acceptable terms, we may have to delay, scale back, discontinue our planned acquisitions or business development plans or obtain funds by entering into agreements on unattractive terms.

We have not obtained building ownership certificates for some of the buildings we occupy or use.

As at the Latest Practicable Date, we have not obtained the necessary approvals, permits and certificates for a total aggregate floor area of 432 m², mainly as shelters for our staff and facilities built on the parcels of land we owned and/or used. As advised by Grandall Legal Group, pursuant to the confirmations issued in June 2010 by the *Housing and Construction Bureaux* in the cities where those buildings are located, the responsible government authorities, it was confirmed that: (i) we are entitled to use such buildings without obtaining the relevant approvals, permits and/or certificates; and (ii) we will not be penalized for not obtaining the relevant approvals, permits and/or certificates. We intend to apply for the relevant approvals, permits and certificates in respect of a portion of these properties.

No commercial value has been attributed to such buildings which we have not obtained the necessary approvals, permits and certificates in the valuation of properties. In the event that the occupation and use of these buildings, for which we do not hold the necessary approvals, permits and certificates, are interrupted beyond our control, we may be required to relocate our business operations and such relocation may adversely affect our financial condition and results of operations.

We may not be able to register our trademark in Hong Kong.

As at the Latest Practicable Date, we have applied for the trademark registration of our trademark set out in the paragraph headed "Statutory and General Information — Further Information about the Business — Intellectual property rights" set out in Appendix VI to this Prospectus. However, there is no assurance that this application for trademark registration in Hong Kong will eventually be approved or that we would be granted exclusive rights to use this mark as registered trademark in Hong Kong. If the trademark could not be registered, or if the registration process is delayed, our trademark may be infringed, which may materially and adversely affect our business, prospects, results of operations and financial condition. In addition, there is no assurance

RISK FACTORS

that the use of the trademark by us on this Prospectus will not infringe the intellectual property rights of any other third party or in breach of the laws of Hong Kong before the registration process is completed. Any claim in relation to the use of the trademark by us, made or threatened to be made against us, in the future, regardless of merits, could result in litigation and could be detrimental to our business, results of operations and financial conditions.

RISKS RELATING TO THE INDUSTRY

There may be alternative energy sources other than natural gas.

The cost of natural gas in comparison with alternative fuel sources will affect the demand for our transportation and sales of pipelined gas operation. Coal gas, petroleum, LPG and electricity are the main substitutes for natural gas. End-users will consider certain factors such as cost, reliability, convenience and safety when choosing a fuel. Connection fees, gas usage charges and heat content are the major considerations affecting customers' choice of fuel. In most of our Operating Cities there is no assurance that existing natural gas users will not shift to use other forms of energy other than natural gas.

In addition, alternative fuels, such as fuel oil for industries and power plants and LPG for residential users and smaller commercial users, are currently used when and where natural gas supply is unavailable or is interrupted and they are continued to be used as substitutes for natural gas. No assurance can be given that future increases in natural gas prices or reductions in the prices of alternative fuels will not eventually cause these alternative fuels to be more attractive to users and thereby materially and adversely affecting our financial condition, results of operations or prospects for future growth.

Changes in government policies could affect our business.

Our business will be affected by changes in policies, laws and regulations (or the interpretation thereof) in the PRC energy industry. For example, if the PRC Government favors a particular type of energy, other than natural gas and coal gas, due to the energy structure change or cost concern, our financial condition and results of operations will be materially adversely affected. In addition, recent global concerns over carbon emission may cause the PRC Government to introduce policies that may lead to restrictions on the industry, such as the imposition of carbon emissions tax.

The NDRC has promulgated the *Circular on Raising Domestically-produced Onshore Natural Gas Benchmark Prices* (《關於提高國產陸上天然氣出廠基準價格的通知》) on 31 May 2010. It mainly includes the following provisions: (i) to increase natural gas benchmark prices by RMB230 per thousand cubic meters or almost 25% to further reform its natural gas pricing mechanism and to better allocate resources; (ii) the existing “dual-track” natural gas pricing mechanism has been cancelled and price-float range has been expanded to allow producers and buyers to determine specific natural gas prices based on the ex-factory benchmark prices, raising the benchmark prices by the maximum of 10%, meanwhile lowering the ones without limits; (iii) as the prices of domestic natural gas are much lower than that of the prices of alternative energy, CNG shall be priced at or above three quarters of the highest 90 gasoline retail price, which would be applicable to all of the PRC expect areas where the current CNG prices are too low and such areas could adjust the CNG prices to at least 60% of the 90 gasoline retail price during the two-year transition period.

The General Office of the *State Council* has promulgated the *Circular on Facilitate Stable and Sound Development of the Real Estate Market* (《國務院辦公廳關於促進房地產市場平穩健康發展的通知》) on 10 January 2010. The circular listed 11 specific measures targeting the supply of housing in order

RISK FACTORS

to: (i) increase the supply of economic housing for low-income families and common residential households; (ii) encourage reasonable house purchases while restrain purchases for speculative and investment purposes; (iii) strengthen the risk management for real estate project loans and market supervision; (iv) speed up the construction of housing projects for low-income households; and (v) specify the responsibilities of the local governments.

The *Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities* (《關於堅決遏制部分城市房價過快上漲的通知》) was promulgated by the *State Council* on 17 April 2010, which provides for: (i) the measures aimed at restricting speculative property purchase and cool down the property market; (ii) first-home buyers have to pay more than 30 percent of property prices if the property area is above 90 square meters; (iii) increase of the amount of down-payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in China; (iv) the amount of down-payment and the mortgage interest rate for additional properties to be increased significantly as determined by the banks in accordance with their risk management policies; and (v) provincial and municipal governments in areas with soaring prices can turn down or even suspend third-home loans.

The *Notice on Regulating the Identification Criteria on the Second House related to Individual Housing Loan from Commercial Banks* (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》) was promulgated by the *Ministry of Housing and Urban-Rural Development*, the People's Bank of China and the China Banking Regulatory Commission on 26 May 2010, which provides for: (i) the quantities of the houses owned by the home-buyer's family, who are contemplating to buy the new house, shall be calculated and identified according to the quantities of the houses actually owned by the family members, including the borrower, the spouse and their children; (ii) the relevant administration shall make inquiries as to the record of the property right registration related to the borrower's family through the housing registration system and issue the results thereof; and (iii) the commercial bank shall implement tighter loan policies on the borrower's second house and subsequent home purchases.

We cannot assure you that the recent government policies on gas and property industries will not affect our future business and operations. Should the amendments to these policies or the promulgation of new policies be adverse to us, our business, results of operations and financial condition may be materially and adversely affected.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

China's economic policies could affect our business.

Substantially all of our assets are located in China and substantially all of our revenue are derived from our operations in China. Accordingly, our results of operations and prospects are subject, to a significant extent, to the economic, political and legal developments in China.

While China's economy has experienced significant growth in the past twenty years, growth has been irregular, both geographically and among various sectors of the economy. The government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall economy of China, but may also have a negative effect on us. For example, our operating results and financial condition may be adversely affected by the government control over capital investments or changes in tax regulations.

The economy of China has been transitioning from a planned economy to a more market-oriented economy. In recent years the PRC Government has implemented measures emphasizing the

RISK FACTORS

utilization of market forces for economic reform and the reduction of state ownership of productive assets and the establishment of corporate governance in business enterprises; however, a substantial portion of productive assets in China are still owned by the PRC Government. In addition, the PRC Government continues to play a significant role in regulating industry development by imposing industrial policies. It also exercises significant control over China's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Adverse changes in China's economic, political, and social conditions as well as government policies could have a material adverse effect on China's overall economic growth, which could in turn adversely affect our financial condition and results of operations.

For the past three decades, the PRC Government has implemented economic reform measures to emphasize the utilization of market forces in economic development. However, China's economy differs from the economies of most developed countries in many respects, including:

- socialist market economic structure;
- level of government involvement;
- level of development;
- growth rate;
- control of foreign exchange; and
- allocation of resources.

Although China has been one of the world's fastest growing economies in the world as measured by growth in gross domestic product in recent years, its economic growth has been uneven, both geographically and across various sectors of the economy. Concerned that such growth rates and distributions of growth are not sustainable, the PRC Government has in recent years implemented a series of measures, including but not limited to macroeconomic control measures, export policies and elimination or adjustment of VAT refund for exported goods, to curb the rapid growth of the economy in relation to certain industries. The key purposes of the measures are to forestall threatening inflation and to stabilize China's economy. Such measures include tightening control over investments and bank loans in certain sectors, raising the deposit-reserve ratio for financial institutions, raising the proportion of equity investment in certain sectors, strict enforcement of land acquisition and land use regulations and abandoning or delaying of industrial projects which are expected to lead to economic inefficiencies. These measures may benefit the overall economy of China in the long term but may also have a negative effect on us.

An economic downturn in China may result in decreased demand for our products. All of our revenue for the year ended 31 December 2009 and the six months ended 30 June 2010 was generated within China. As such, our future success is, to some extent, dependent on the economic conditions in China, and any significant downturn in market conditions, particularly in China's natural gas and coal gas market, may adversely affect our business prospects, financial condition and results of operations. Moreover, we cannot assure you that the demand for natural gas and coal gas in China will not be adversely affected by further macro-economic measures implemented by the PRC Government and result in a material adverse effect on our business and financial condition.

RISK FACTORS

Restrictions by the PRC Government on foreign exchange may limit the liquidity of our Company and movement in exchange rate of the RMB may adversely affect our financial condition and results of operations.

At present, the RMB is not freely convertible into other foreign currencies, and conversion and remittance of foreign currencies are subject to Chinese foreign exchange regulations. Under current Chinese laws and regulations, payments of current account items, including profit distributions, interest payments and operation-related expenditures, may be made in foreign currencies without prior approval from the SAFE, but are subject to procedural requirements including presenting relevant documentary evidence of such transactions and conducting such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Strict foreign exchange control continues to apply to capital account transactions. These transactions must be approved by or registered with the SAFE, and repayment of loan principal, distribution of return on direct capital investment and investment in negotiable instruments are also subject to restrictions.

Under our current Group structure, our Company's source of funds will primarily consist of dividend payments and repayment of inter-company loans by its subsidiaries in China denominated in RMB. We cannot assure you that we will be able to meet all of our foreign currency obligations or to remit profits out of China. If the subsidiaries are unable to obtain the SAFE approval to repay loans to our Company, or if future changes in relevant regulations were to place restrictions on the ability of the subsidiaries to remit dividend payments to our Company, our Company's liquidity and ability to satisfy its third-party payment obligations, and its ability to distribute dividends in respect of the Shares, could be materially adversely affected.

In addition, any depreciation of the RMB may adversely affect the value of, and dividends payable on, the Shares in foreign currency terms as well as our financial performance since our revenue and profits are denominated in RMB. It is uncertain if the exchange rates of Hong Kong and U.S. dollars against RMB will further fluctuate. Because the proceeds we receive from the Global Offering are dominated in Hong Kong dollars, a continuous appreciation of the RMB will reduce the value when we remit the proceeds to our subsidiaries in China. Our results of operations and financial condition may also be affected by changes in the value of certain currencies, other than RMB, in which the Company's obligations are denominated. In particular, a depreciation of the RMB is likely to increase the Company's cash flow required to satisfy its foreign currency-denominated obligations.

We are a holding company that relies heavily on dividend payments from our subsidiaries for funding.

Our Company is a holding company incorporated in the Cayman Islands and operates our core business through our subsidiaries in China. Therefore, the availability of funds to pay dividends to our Shareholders depends upon dividends received from these subsidiaries. If our subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted. Chinese law requires dividends to be paid only out of the net profit calculated according to China's accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions, including HKFRS and IFRS. Chinese laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Therefore, these

RISK FACTORS

restrictions on the availability and usage of our major source of funding may impact our ability to pay dividends to our Shareholders.

In addition, we are incorporated in the Cayman Islands and hold interests in our subsidiaries in China through Upsky Holdings, a BVI incorporated company, and Tian Lun New Energy, a Hong Kong incorporated company. Under the existing CIT Law, if a foreign entity is deemed to be a “non-resident enterprise” as defined under the CIT Law and its implementation rules, a withholding tax at the rate of 10% will be applicable to any dividends for earnings accumulated since 1 January 2008, payable to the foreign entity, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements. According to the double taxation avoidance arrangement between China and Hong Kong, dividends paid by a China foreign-invested enterprise, such as Hebi Tian Lun, in China to its shareholder(s) incorporated in Hong Kong, such as Tian Lun New Energy, will be subject to withholding tax at a rate of 5% if the Hong Kong company directly holds 25% or more interest in the PRC enterprise. The *State Administration of Taxation* (the “SAT”) issued Circular 601 on 27 October 2009, which addresses the types of entities that are treated as “beneficial owners” under the treaty articles on dividends, interest and royalties. According to Circular 601, the Chinese tax authorities must evaluate whether an applicant (income recipient) qualifies as a “beneficial owner” on a case-by-case basis based on the “substance over form” principle. It is possible, based on these principles, that the Chinese tax authorities may not consider our Hong Kong subsidiary Tian Lun New Energy as the “beneficial owner” of any dividends paid from our subsidiaries in China and would deny the claim for the reduced rate of withholding tax. Under current Chinese tax law, this would result in dividends from our subsidiaries in China to Tian Lun New Energy being subject to PRC withholding tax at a 10% rate instead of a 5% rate. This would negatively impact us and it would impact our ability to pay dividends.

We may be deemed as a Chinese resident enterprise under the CIT Law and be subject to the Chinese taxation on our worldwide income.

Under the CIT Law, enterprises established outside China whose “de facto management bodies” are located in China are considered “resident enterprises” and will generally be subject to the uniform 25% enterprise income tax rate as to their global income. Under the implementation rules for the CIT Law, “de facto management bodies” is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. In April 2009, the SAT promulgated a circular to clarify the criteria to determine whether the “de facto management bodies” are located within China for enterprises incorporated overseas with controlling shareholders being Chinese enterprises.

The CIT Law and its implementation rules are relatively new and ambiguities exist with respect to the interpretation of the provisions relating to resident enterprise issues. As substantially all of our management is currently based in China and may remain in China in the future, we may be treated as a Chinese resident enterprise for Chinese enterprise income tax purposes. If we are deemed as a Chinese resident enterprise, we will be subject to Chinese enterprise income tax at the rate of 25% on our worldwide income. In that case, however, dividend income we receive from our subsidiaries in China may be exempt from Chinese enterprise income tax because the CIT Law and its implementation rules generally provide that dividends received by a Chinese resident enterprise from its directly invested entity that is also a Chinese resident enterprise is exempt from enterprise income tax. However, as there is still uncertainty as to how the CIT Law and its implementation rules will be interpreted and implemented, we cannot provide assurance that we are eligible for such Chinese enterprise income tax exemptions or reductions.

RISK FACTORS

Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to Chinese income taxes.

Under the PRC CIT Law and its implementation rules, our Company may in the future be recognized as a Chinese tax resident enterprise by the Chinese tax authorities. As such, we may be required to withhold Chinese income tax on capital gains realized from sales of our Shares and dividends distributed to Shareholders, as such income may be regarded as income from “sources within China”. In such case, our foreign corporate Shareholders may become subject to a 10% withholding income tax under the Chinese CIT Law, unless any such foreign corporate Shareholder is qualified for a preferential withholding rate under a tax treaty.

If the Chinese tax authorities recognize the Company as a Chinese resident enterprise, Shareholders who are not Chinese tax residents and seek to enjoy preferential tax rates under relevant tax treaties will need to apply to the Chinese tax authorities for recognition of eligibility for such benefits in accordance with Circular 124, issued by the SAT on 24 August 2009. It is likely that eligibility will be based on a substantive analysis of the Shareholder’s tax residency and economic substance. With respect to dividends, the beneficial ownership tests under Circular 601 will also apply. If determined to be ineligible for treaty benefits, such a Shareholder would become subject to higher Chinese tax rates on capital gains realized from sales of our Shares and on dividends on our Shares.

In such circumstances, the value of such foreign Shareholders’ investment in our Offer Shares may be materially and adversely affected.

The legal protections available to potential investors may be limited in China’s legal system.

The legal system in China is based on the civil law system. Unlike the common law system, prior legal decisions and judgments have limited significance for guidance. China is still in the process of developing a comprehensive statutory framework. Since 1979, the PRC Government has established a commercial law system, and has made significant progress in promulgating laws and regulations relating to economic affairs and matters such as corporate organization and governance, foreign investment, commerce, taxation and trade. However, many of these laws and regulations are relatively new, and the implementation and interpretation of these laws and regulations remain uncertain in many areas. In addition, the Chinese legal system is based in part on government policies and administrative rules that may have a retroactive effect. As a result, we may not be aware of our violation of these policies and rules until some time after the violation. Furthermore, the legal protections available to us under these laws, rules and regulations may be limited. Any litigation or regulatory enforcement action in China may be protracted and could result in substantial costs and diversion of resources and management attention.

It may be difficult to enforce any judgments obtained from non-Chinese courts against our Company or our Directors or senior executive officers residing in China.

The legal framework in China that our Directors, senior management members and substantially all our assets are subject to is materially different in certain areas from that of other jurisdictions, including Hong Kong and the United States, particularly with respect to the protection of minority shareholders. In addition, the mechanisms for enforcement of rights under the corporate governance framework in China are also relatively underdeveloped and untested. However, in 2005, the PRC company law was amended to allow shareholders to commence an action against the Directors, supervisors, officers or any third party on behalf of a company under certain limited circumstances.

RISK FACTORS

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with countries such as the United States, the United Kingdom and Japan, and therefore enforcement of court judgments from these jurisdictions in China may be difficult or impossible.

Failure to comply with the SAFE regulations relating to the establishment of offshore special purpose vehicles by our beneficial owners may materially and adversely affect our business operations.

On 21 October 2005, the SAFE issued a public circular which became effective on 1 November 2005. The circular requires PRC residents to register with the local SAFE branch before establishing or controlling any company, referred to in the circular as an “offshore special purpose vehicle”, outside of the PRC for the purpose of capital financing and to register again after completing an investment in or acquisition of any operating subsidiaries in the PRC, which we refer to herein as a round-trip investment. Also, any change of shareholding or any other material capital alteration in such offshore special purpose vehicle shall be filed within 30 days starting from the date of shareholding transfer or capital alteration. Our beneficial owners fall within the definition of PRC residents and thus are required to comply with the relevant requirements in all material respects in connection with our investments and financing activities. As advised by Grandall Legal Group, Mr. Zhang, Ms. Sun, Mr. Zhang DY and Mr. Xian who are Chinese residents have made their SAFE registrations for their foreign investment at the SAFE Henan Branch. However, if such beneficial owners fail to comply with the relevant requirements, such failure may subject the beneficial owners to fines and legal sanctions, which consequently may also materially and adversely affect our business operations.

As a foreign company, our acquisitions of Chinese domestic companies may take a longer time and be subject to higher levels of scrutiny by the PRC Government.

On 8 August 2006, the MOFCOM, the State Administrations for Industry and Commerce (the “SAIC”), the SAT, the SAFE, the State-owned Assets Supervision and Administration Commission (the “SASAC”) and the CSRC jointly promulgated rules governing the approval process by which a PRC domestic entity’s assets or equity interests may be acquired (the “M&A Rules”). These rules became effective on 8 September 2006 and were revised and reissued by the MOFCOM in June 2009. The M&A Rules established additional procedures and requirements, including, but not limited to, the requirement that foreign investors must obtain MOFCOM’s approval when they acquire equity or assets of a Chinese domestic enterprise through a cross-border share swap. It is generally expected that compliance with the regulations will be more time consuming and costly than in the past and will result in a more extensive evaluation by the PRC Government and result in increased control over the terms of the transaction. Therefore, acquisitions in China by non-Chinese entities may face difficulties in completion because the terms of the transaction may not satisfy terms required by regulatory authorities in the approval process. If we decide to acquire a Chinese company, the execution of our acquisition plan may become more time-consuming, complex and uncertain, and as a result, our growth prospects would be adversely affected.

Concerns over China’s high growth and measures taken by the PRC Government may lead to a significant increase in interest rates and a slowdown in economic growth.

In response to concerns regarding China’s high rate of growth in industrial production, bank credit, fixed investment and money supply, the PRC Government has taken measures to slow down economic growth to a more manageable level. Among the measures that the PRC Government has undertaken are restrictions on bank loans in certain sectors and raising interest rates. These measures

RISK FACTORS

and any additional such measures, including additional increases in interest rates, could contribute to a slowdown in the Chinese economy.

An outbreak of severe acute respiratory syndrome (“SARS”), avian influenza A (“H5N1”), influenza A virus subtype H1N1 (“H1N1”) or other epidemics if uncontrolled could impact our operations.

An outbreak in the future of SARS, H5N1, H1N1 or other epidemics, if protracted and uncontrolled, may result in the contraction of such disease amongst our employees or those with whom we conduct business on a regular basis, making it necessary to suspend or close certain parts of our operations to prevent the spread of the disease. In addition, if there is an outbreak of SARS, H5N1, H1N1 or other epidemics, there is no guarantee that the World Health Organization or the PRC Government will not recommend, or even impose, travel restrictions and/or restrictions on the flow of goods to and from areas affected by the virus. An outbreak of SARS, H5N1, H1N1 or other epidemics could cause significant interruption to our business. The wide spread effects of such diseases could have a significant impact upon our revenue and profitability.

We may be directly or indirectly adversely affected by acts of God, war or terrorism.

Our business is subject to the general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people of China. Many major cities in China are under the threat of flood, earthquake, sandstorm, snowstorm or drought and for instance, the unexpected snowstorm in China around the Chinese Lunar New Year in 2008 and the devastating earthquake in Sichuan Province in May 2008 had caused disruptions to economic activities in China.

In late August 2010, we have temporarily suspended the supply of coal gas in Shangjie District due to the suspension of supply of coal gas from our coal gas supplier, Henan Gas (Group) Limited Pipeline Branch*, a state-owned enterprise. The suspension of the supply of coal gas was due to one of the upstream pipelines of Henan Gas (Group) Limited Pipeline Branch* experienced a sudden loss of pressure and for safety reason, the supply of coal gas must be suspended for emergency repair. The said pipeline was laid below a riverbed. Due to the floods in the area, the said pipeline was exposed from the riverbed and suffered damage. As we do not have any alternative suppliers of coal gas, we could not obtain alternative supply of coal gas to supply to our users in Shangjie District during the said suspension period. As a result of the suspension of supply of coal gas from the said supplier, we temporarily suspended the supply of coal gas to our end-users in Shangjie District. The supply of coal gas resumed within one week after Henan Gas (Group) Limited Pipeline Branch* resumed the supply of coal gas to us. Our Directors confirmed that, the impact on our business operations and financial condition as a result of the temporarily suspension of coal gas supply was insignificant. Furthermore, except for the said temporarily suspension, our Directors confirmed that we did not experienced any other suspension of the supply of pipelined gas during the Track Record Period.

Our business, operating results and financial condition may be adversely affected if such natural disasters occur, and in the worst case scenario, the supply of gas to our users could be temporarily suspended. Acts of war and terrorist attacks may cause damage or disruption to us, our employees, our distributors and our markets, any of which could adversely impact our revenue, cost of sales, overall results and financial condition. Potential wars or terrorist attacks may also bring about uncertainty and cause our business to suffer.

RISK FACTORS

RISKS RELATING TO THE GLOBAL OFFERING AND OUR SHARES

There has been no prior public market for our Shares.

Prior to the Global Offering, there has been no public market for our Shares. The initial issue price range for our Shares was the result of negotiations among us and the Global Coordinator on behalf of the Underwriter(s) and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for listing of and permission to deal in our Shares on the Stock Exchange. There is no assurance that the Global Offering will result in the development of an active, liquid public trading market for our Shares. Factors such as variations in our revenue, earnings and cash flows or any other developments of our Company may affect the volume and price at which our Shares will be traded.

The liquidity, trading volume and trading price of our Shares may be volatile, which could result in substantial losses for Shareholders.

The price at which the Shares will trade after the Global Offering will be determined by the marketplace, which may be influenced by many factors some of which are beyond our control, including:

- our financial results;
- changes in securities analysts' estimates, if any, of our financial performance;
- the history of, and the prospects for, us and the industry in which we compete;
- an assessment of our management, our past and present operations, and the prospects for, and timing of, our future revenue and cost structures, such as the views of independent research analysts, if any;
- the present state of our development;
- the valuation of publicly traded companies that are engaged in business activities similar to ours; and
- general market sentiment regarding the natural gas and coal gas industry and companies.

In addition, the Stock Exchange has from time to time experienced significant price and volume fluctuations that have affected the market prices for the securities of companies quoted on the Stock Exchange. As a result, investors in our Shares may experience volatility in the market price of their Shares and a decrease in the value of Shares regardless of our operating performance or prospects.

Prior dividends distributions are not an indication of our future dividend policy.

No dividend has been paid or declared by our Company since its incorporation. Dividends disclosed for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, in this Prospectus represent dividends declared or proposed by relevant subsidiaries of our Group out of their retained earnings to the then equity holders of the respective companies, after eliminating intra-group dividends. In July 2010, in accordance with resolutions of shareholders of Shangjie Tian Lun, retained earnings of approximately RMB7,339,000 and RMB816,000 were appropriated to Hebi Tian Lun and the minority shareholder of Shangjie Tian Lun, respectively. Such dividend was paid in August 2010. Please refer to "Financial Information — Management's

RISK FACTORS

Discussion and Analysis of Financial Condition and Results of Operations — Dividend policy” and the Accountant’s Report attached in Appendix I to this Prospectus for details of our dividend policy.

The foregoing dividend distributions are to the then equity holders of our subsidiaries prior to the Global Offering only. Historical dividend distributions are not indicative of our future distribution policy and we give no assurance that dividends of similar amounts or at similar rates will be paid in the future. Any future dividend declaration and distribution by our Company will be at the discretion of our Directors and will depend on our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our Directors deem relevant. Any declaration and payment as well as the amount of dividends will also be subject to our constitutional documents and the Cayman Companies Law, including (where required) the approval of Shareholders. In addition, our future dividend payments will depend upon the availability of dividends received from our subsidiaries in China, which are subject to restrictions described in “Gains on the sales of our Shares by foreign investors and dividends on our Shares payable to foreign investors may become subject to Chinese income taxes” above. For further details of the dividend policy of our Company, please refer to the section headed “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Dividend Policy” in this Prospectus.

Potential investors will experience immediate and substantial dilution as a result of the Global Offering.

Potential investors will pay a price per Share that substantially exceeds the per Share value of the Company’s tangible assets after subtracting the Company’s total liabilities and will therefore experience immediate dilution when potential investors purchase the Offer Shares in the Global Offering. As a result, if the Company were to distribute its net tangible assets to the Shareholders immediately following the Global Offering, potential investors would receive less than the amount they paid for their Shares.

Sales of substantial amounts of our Shares in the public market after the Global Offering could adversely affect the prevailing market price of our Offer Shares.

Sales of substantial amounts of Shares in the public market after the completion of the Global Offering, or the perception that these sales could occur, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. There will be 798,000,000 Shares outstanding immediately after the Global Offering, assuming the Underwriters do not exercise their Over-allotment Option and no Shares may be issued upon the exercise of any options that may be granted under the Share Option Scheme. Although certain of our Shareholders, subject to certain exceptions, have agreed to a lock-up with the Underwriters until six months after the Listing Date, the Underwriters may release these securities from these restrictions at any time and such Shares will be freely tradable after the expiry of the lock-up period. Shares which are not subject to a lock-up represent approximately 25% of the total issued share capital immediately after the Global Offering (assuming no exercise of the Underwriters’ Over-allotment Option) and will be freely tradable immediately after the Global Offering.

Shareholders’ interests may be diluted as a result of additional equity fund-raising.

We may need to raise additional funds in the future to finance further expansion of our new developments relating to our existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of our Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of such Shareholders in our

RISK FACTORS

Company may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the Shares.

The costs of share options to be granted under the Share Option Scheme will adversely affect our results of operations and any exercise of the options granted may result in dilution to our Shareholders.

We have also adopted the Share Option Scheme pursuant to which we will in the future grant to our employees options to subscribe to Shares. Such options if exercised in full will represent approximately 10% of the issued share capital of our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).

The fair value of the options at the date of which they are granted with reference to the valuer's valuation will be charged as share-based compensation which may have a negative affect on our results of operations. Issuance of Shares for the purpose of satisfying any award made under the Share Option Scheme will also increase the number of Shares in issue after such issuance, and thus may result in the dilution to the percentage of ownership of the Shareholders, the earnings per Share and the net asset value per Share.

Details of the Share Option Scheme are set out in the section headed "Share Option Scheme" in Appendix VI to this Prospectus.

Forward-looking information included in this Prospectus may prove inaccurate.

This Prospectus contains certain forward-looking statements and information relating to us and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this Prospectus, the words "aim," "anticipate," "believe," "continue," "could," "estimate," "expect," "going forward," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "will," "would" and similar expressions, as they relate to us or our management, are intended to identify forward-looking statements. Such statements reflect the current views of our management with respect to future events, operations, liquidity and capital resources, some of which may not materialize or may change. These statements are subject to certain risks, uncertainties and assumptions, including the other risk factors as described in this Prospectus. You are strongly cautioned that reliance on any forward-looking statements involves known and unknown risks and uncertainties. The risks and uncertainties facing us which could affect the accuracy of forward-looking statements include, but are not limited to, the following:

- our business prospects;
- our future debt levels and capital needs;
- future developments, trends and conditions in the markets in which we operate;
- our strategies, plans, objectives and goals;
- general economic conditions;
- changes to regulatory or operating conditions in the markets in which we operate;
- our ability to reduce costs;

RISK FACTORS

- our dividend policy;
- our capital expenditure plans;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors;
- other statements in this Prospectus that are not historical facts.

Subject to the requirements of the Listing Rules, we do not intend to publicly update or otherwise revise the forward-looking statements in this Prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this Prospectus might not occur in the way we expect, or materialize at all. Accordingly, undue reliance should not be placed on any forward-looking information. All forward-looking statements in this Prospectus are qualified by reference to this cautionary statement.

We cannot guarantee the accuracy of facts, forecasts and other statistics with respect to China, the Chinese economy and the pipelined gas industry as contained in this Prospectus.

Facts, forecasts and other statistics in this Prospectus relating to China, the Chinese economy and the pipelined gas industry have been derived from various publicly available official government publications and industry-related sources. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. However, we cannot guarantee the quality or reliability of official publications and sources. In addition, statistics derived from official sources may not be prepared on a comparable basis. While we believe that the sources of the information are appropriate sources and have taken reasonable care in extracting and reproducing such information, they have not been independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Managers, the Underwriters, nor any of their or our affiliates or advisors. We cannot assure that such facts and statistics are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Due to possibly flawed or ineffective collection methods or discrepancies between official publications and market practice and other problems, the statistics herein may be inaccurate or may be incomparable to statistics produced for other economies and should not be unduly relied upon for your investment in our Shares or otherwise.

Investors should read the entire Prospectus carefully and we strongly caution investors not to place any reliance on any information contained in press articles or other media relating to us and/or the Global Offering.

We wish to emphasize to potential investors that we do not accept any responsibility for the accuracy or completeness of the information regarding us and the Global Offering revealed by public press or any other sources without authorization by us (the “Information”). We make no representation as to appropriateness, accuracy, completeness or reliability of any of the Information and the underlying assumptions. To the extent that any of the Information is inconsistent with, or conflicts with, the information contained in this Prospectus, we disclaim it. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this Prospectus only and should not rely on any other information.

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 of the Listing Rules, our Company must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Given that the business and operations of our Group are primarily located, managed and conducted in the PRC and none of our executive Directors are ordinarily resident in Hong Kong, our Company does not and will not, in the foreseeable future, have a management presence in Hong Kong.

Accordingly, our Company has applied to the Stock Exchange for a waiver from compliance with the requirements under Rule 8.12 of the Listing Rules. The Stock Exchange has granted the requested waiver to our Company from strict compliance with the requirements under Rule 8.12 of the Listing Rules on condition that our Company would adopt the following arrangements to maintain regular communication with the Stock Exchange:

- (a) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our Company's principal channel of communication with the Stock Exchange. The two authorized representatives appointed are Mr. Feng Yi, an executive Director and Mr. Hung, Man Yuk Dicson, our company secretary who is ordinarily resident in Hong Kong. Each of the authorized representatives will be available to meet with the Stock Exchange in Hong Kong upon reasonable short notice and will be readily contactable by telephone, facsimile or email. Each of the two authorized representatives is authorized to communicate on behalf of our Company with the Stock Exchange;
- (b) all the authorized representatives have the means to promptly contact all members of the Board (including our independent non-executive Directors) and of the senior management team at all times as and when the Stock Exchange wishes to contact them or any of them for any matters. To enhance the communication between the Stock Exchange, the authorized representatives and our Directors, our Company will implement a number of policies including (i) each executive Director, non-executive Director and independent non-executive Director shall provide his/her mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the authorized representatives; (ii) in the event that an executive Director, non-executive Director or independent non-executive Director expects to travel and be out of office, he/she shall provide the phone number of the place of his/her accommodation to the authorized representatives; and (iii) all our Directors and authorized representatives will provide their respective mobile phone numbers, residential phone numbers, office phone numbers, fax numbers (if available) and email addresses (if available) to the Stock Exchange;
- (c) if the circumstances require, meetings of the Board can be convened and held in such manner as permitted under the Articles of Association at short notice to discuss and address any issue with which the Stock Exchange is concerned in a timely manner;
- (d) a compliance advisor will be appointed by our Company before the Listing pursuant to Rule 3A.19 of the Listing Rules to provide our Company with professional advice on continuing obligations under the Listing Rules, and to act at all times, in addition to the two authorized representatives of our Company, as our Company's additional channel of communication with the Stock Exchange for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Listing Rules in respect of our Company's financial results for the first full financial year commencing after the Listing Date;

WAIVERS FROM COMPLIANCE WITH THE LISTING RULES

- (e) meetings between the Stock Exchange and our Directors can be arranged through the authorized representatives or the compliance advisor, or directly with our Directors within a reasonable time frame. Our Company will inform the Stock Exchange promptly of any change in the authorized representatives or the compliance advisor; and
- (f) all our Directors have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and would be able to come to Hong Kong and meet with the Stock Exchange upon reasonable notice.

We have received from the Stock Exchange a waiver from compliance with Rule 8.12 of the Listing Rules subject to the above arrangements being put in place.

NON-EXEMPT CONNECTED TRANSACTIONS

Our Group has business transactions with a connected person that are expected to continue after the Listing, which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from the strict compliance with the announcement requirement in respect of such non-exempt continuing connected transactions under Chapter 14A of the Listing Rules. The details of such waiver are set out in the section headed “Connected Transactions” in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This Prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the Listing Rules for the purpose of giving information to the public with regard to us. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Our Directors confirm that, having made all reasonable enquiries, to the best of their knowledge and belief the information contained in this Prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this Prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this Prospectus and the Application Forms and on the terms and subject to the conditions set out in the Application Forms and in this Prospectus. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this Prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering. Neither the delivery of this Prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this Prospectus or imply that the information contained in this Prospectus is correct as at any date subsequent to the date of this Prospectus.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed "Structure of the Global Offering", and the procedures for applying for Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" and in the relevant Application Forms.

UNDERWRITING

This Prospectus is published solely in connection with the Hong Kong Public Offer which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this Prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The Listing is sponsored by the Sole Sponsor. The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us, and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Placing is expected to be entered into on or about the Price Determination Date, subject to us and the Sole Global Coordinator (on behalf of the Underwriters) agreeing on the Offer Price. The Global Offering is managed by the Sole Global Coordinator.

If, for any reason, the Offer Price is not agreed among us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed. For full information about the Underwriters and the underwriting arrangements, please refer to the section headed "Underwriting" in this Prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offer will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this Prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this Prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE MAIN BOARD

We have applied to the Listing Committee for the granting of the Listing of, and permission to deal in, our Shares in issue and the Offer Shares to be issued pursuant to the Capitalization Issue and the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option); and any Shares that may be issued pursuant to the exercise of any options that may be granted under our Share Option Scheme.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares are expected to commence on Wednesday, 10 November 2010. The Shares will be traded in board lots of 1,500 Shares each. The stock code of the Shares is 1600.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the Listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing,

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Appleby Trust (Cayman) Ltd., in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong.

All Offer Shares will be registered on the register of members of our Company in Hong Kong. Dealings in our Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty.

OVER-ALLOTMENT AND STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end after a limited period.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes: (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

The Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares, and there is no certainty as to the extent to which and the time period for which it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilizing Manager or any person

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

acting for it and selling in the open market, which may have an adverse impact on the market price of our Shares.

No stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Wednesday, 1 December 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall.

Any stabilizing action taken by the Stabilizing Manager, its affiliates or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 29,925,000 additional Shares, which is 15% of the Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement (as detailed in the section headed “Structure of the Global Offering — Stock Borrowing Agreement” in this Prospectus) or a combination of these means.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section entitled “How to Apply for Hong Kong Offer Shares” in this Prospectus and on the relevant Application Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Hong Kong Public Offer, the International Placing and the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” to this Prospectus.

CURRENCY TRANSLATION

Unless otherwise specified, amounts denominated in Renminbi and US\$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this Prospectus at the following rates:

HK\$1.00: RMB1.1625, being the PBOC rate as at the Latest Practicable Date

No representation is made that any amounts in Renminbi or HK\$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this Prospectus and the Chinese translation of this Prospectus, this Prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities institutions, natural persons, facilities, certificates,

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

titles and the like included in this Prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
<i>Executive Directors</i>		
Mr. Zhang Yingcen (張瀛岑先生) (formerly known as 張贏岑)	No. 40, Block 2 No. 36, You Sheng South Road Jin Shui District Zhengzhou, Henan PRC	Chinese
Mr. Xian Zhenyuan (冼振源先生)	No. 52, Unit 1, Block 1, No. 79, Er Qi Road Jin Shui District Zhengzhou, Henan PRC	Chinese
Mr. Feng Yi (馮毅先生)	No. 20, Block 2 No. 2, Bei Cang Zhong Li Jin Shui District Zhengzhou, Henan PRC	Chinese
Mr. Sun Heng (孫恒先生)	Room 201, Door 1, Block 5 No. 6, Jian Kang West Road Xi Gong District Luoyang, Henan PRC	Chinese
<i>Non-executive Director</i>		
Mr. Zhang Daoyuan (張道遠先生)	No. 40, Block 2 No. 36, You Sheng South Road Jin Shui District Zhengzhou, Henan PRC	Chinese
<i>Independent non-executive Directors</i>		
Mr. Chang Zongxian (常宗賢先生)	No. 5, Unit 1, Block 1 No. 131, Wen Hua Gong Road Zhong Yuan District Zhengzhou, Henan PRC	Chinese
Mr. Li Liuqing (李留慶先生)	No. 32, Block 109 No. 6, Gui Hua West Street Gao Xin Ji Shu Kai Fa District Zhengzhou, Henan PRC	Chinese
Mr. Zhang Jiaming (張家銘先生)	Unit 1, 2/F West, Block 3 He Xie Xiao Qu No. 1, Dong Feng East Road Lot 41, Jin Shui District Zhengzhou, Henan PRC	Chinese
Ms. Zhao Jun (趙軍女士)	Unit 1, 1/F, Block 8 Yuan Tian Xiao Qu No. 3, Yuan Tian Road Jin Shui District Zhengzhou, Henan PRC	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

**Sole Global Coordinator, Sole Bookrunner,
Sole Sponsor and Sole Lead Manager**

CCB International Capital Limited
34th Floor, Two Pacific Place
88 Queensway, Admiralty
Hong Kong

Co-lead manager

First Shanghai Securities Limited
19th Floor, Wing On House
71 Des Voeux Road, Central
Hong Kong

Legal advisors to our Company

As to Hong Kong law:
Loong & Yeung
Suites 2001-2005
20th Floor, Jardine House
1 Connaught Place, Central
Hong Kong

As to PRC law:
Grandall Legal Group
30-31/F, Nan Zheng Building
580 West Nanjing Road
Shanghai, 200041
People's Republic of China

As to Cayman Islands law:
Appleby
8th Floor, Bank of America Tower
12 Harcourt Road, Central
Hong Kong

**Legal advisors to the Sole Sponsor and the
Underwriters**

As to Hong Kong law:
Orrick, Herrington & Sutcliffe
43rd Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law:
Zhongyin Law
16/F, Tower 3, Beijing International Center
No.38 DongSanHuan Bei Lu, Chaoyang,
Beijing, 100026
People's Republic of China

Auditors and reporting accountants

PricewaterhouseCoopers
Certified Public Accountants
22/F Prince's Building, Central
Hong Kong

Property valuer

DTZ Debenham Tie Leung Limited
16/F, Jardine House
Connaught Place, Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Receiving banker

Standard Chartered Bank (Hong Kong) Limited
15th Floor, Standard Chartered Tower
388 Kwun Tong Road
Kowloon
Hong Kong

CORPORATE INFORMATION

Registered office	Appleby Trust (Cayman) Ltd. Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Head office in the PRC	20 th Floor, Guo Ao Building No. 26, You Sheng South Road Jin Shui District Zhengzhou, Henan PRC
Principal place of business in Hong Kong	Suites 2001-2005 20 th Floor, Jardine House 1 Connaught Place, Central Hong Kong
Company's website	www.tianlungas.com (this website address and its contents do not form part of this Prospectus)
Company secretary	Mr. Hung, Man Yuk Dicson (洪旻旭先生) <i>FCCA, HKICPA</i>
Authorized representatives	Mr. Feng Yi (馮毅先生) No. 20, Block 2 No. 2, Bei Cang Zhong Li Jin Shui District Zhengzhou, Henan PRC Mr. Hung, Man Yuk Dicson (洪旻旭先生) Flat B, 8 th floor, Carble Garden 2-3 Seymour Terrance, Mid-levels Hong Kong
Audit committee	Mr. Li Liuqing (李留慶先生) (<i>Chairman</i>) Mr. Chang Zongxian (常宗賢先生) Ms. Zhao Jun (趙軍女士)
Nomination committee	Mr. Zhang Yingcen (張瀛岑先生) (formerly known as 張瀛岑) (<i>Chairman</i>) Mr. Chang Zongxian (常宗賢先生) Ms. Zhao Jun (趙軍女士)
Remuneration committee	Mr. Zhang Yingcen (張瀛岑先生) (formerly known as 張瀛岑) (<i>Chairman</i>) Mr. Zhang Jiaming (張家銘先生) Ms. Zhao Jun (趙軍女士)

CORPORATE INFORMATION

Compliance advisor

CCB International Capital Limited
34th Floor, Two Pacific Place
88 Queensway, Admiralty
Hong Kong

Principal bankers

China Construction Bank Corporation
186 Jiuzhou Road
Qibing District
Hebi City, Henan
PRC

Bank of China
667 Liancheng Avenue
Xuchang City, Henan
PRC

Bank of Xuchang
North East Point
Xinghua Road
Xuchang City, Henan
PRC

Cayman Islands principal share registrar and transfer office

Appleby Trust (Cayman) Ltd.
Clifton House
75 Fort Street
PO Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

INDUSTRY OVERVIEW

We believe that the sources of this information are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The information has not been independently verified by us, the Sole Sponsor, the Underwriters or any other party involved in the Global Offering and no representation is given as to its accuracy.

ENERGY SUMMARY OF CHINA

Overview

China was the largest primary energy generator in the world in 2007, accounting for approximately 14.9% of the world's annual total primary energy production. In 2009, total primary energy production in China reached 2.8 billion tons of SCE an increase of 5.8% from the previous year. China is also the second greatest primary energy consumer (behind the United States), accounting for approximately 19.5% of the world's total annual primary energy consumption. China's energy demand has been increasing rapidly and is expected to grow expediently in the future.

As a result of the make-up of its energy resources, China's energy consumption has concentrated on coal, which in 2008 accounted for approximately 68.7% of the country's total energy consumption, while petroleum and natural gas only accounted for approximately 18.7% and 3.8%, respectively, of total energy consumption in China according to *China Statistical Yearbook 2009*. This energy structure is different from that of the rest of the world, where the average consumption of oil, natural gas and coal accounted for 34.8%, 23.8%, and 29.4% of the total primary energy consumption, respectively, in 2009. The following tables set forth natural gas and other energy sources as a percentage of total energy production and consumption in China:

Year	Total Energy Production (10,000 tons of SCE)	As Percentage of Total Energy Production (%)			
		Coal	Crude Oil	Natural Gas	Hydro-power, Nuclear Power, Wind Power
2000	128,978	72.0	18.1	2.8	7.2
2001	137,445	71.8	17.0	2.9	8.2
2002	143,810	72.3	16.6	3.0	8.1
2003	163,842	75.1	14.8	2.8	7.3
2004	187,941	76.0	13.4	2.9	7.7
2005	205,876	76.5	12.6	3.2	7.7
2006	221,056	76.7	11.9	3.5	7.9
2007	235,415	76.6	11.3	3.9	8.2
2008	260,000	76.7	10.4	3.9	9.0

Year	Total Energy Consumption (10,000 tons of SCE)	As Percentage of Total Energy Consumption (%)			
		Coal	Crude Oil	Natural Gas	Hydro-power, Nuclear Power, Wind Power
2000	138,552	67.8	23.2	2.4	6.7
2001	143,199	66.7	22.9	2.6	7.9
2002	151,797	66.3	23.4	2.6	7.7
2003	174,990	68.4	22.2	2.6	6.8
2004	203,227	68.0	22.3	2.6	7.1
2005	224,682	69.1	21.0	2.8	7.1
2006	246,270	69.4	20.4	3.0	7.2
2007	265,583	69.5	19.7	3.5	7.3
2008	285,000	68.7	18.7	3.8	8.9

Source: *China Statistical Yearbook 2009*

INDUSTRY OVERVIEW

China's consumption bias towards coal has led to certain environmental problems such as acid rain and air pollution in certain regions of the country and has put additional pressures on China's economic development and environmental protection policies.

Petroleum

China's proven oil reserves were estimated to be 14.8 billion barrels as at the end of 2009; these are mostly located in the northeastern part of the country, though most of the onshore exploration takes place in the western part of the country. About 85.0% of China's oil production currently comes from onshore sources. At present, China is the fifth-greatest oil producing country and accounts for approximately 4.9% of the world's total annual crude oil production. China's growing demand for oil has greatly outstripped its domestic production capabilities and in the early 1990s it became a net oil importer; by the year 2030, China may have to import more than 80.0% of the oil it annually consumes. China is already the second-greatest oil-consuming country (behind the United States) and now accounts for approximately 10.4% of the world's total annual oil consumption. The following table sets forth an historical summary of crude oil production and consumption in China for the indicated periods:

	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Production											
(thousand barrels per day)	3,213	3,252	3,306	3,346	3,401	3,481	3,627	3,684	3,743	3,901	3,790
Consumption											
(thousand barrels per day)	4,477	4,772	4,872	5,288	5,803	6,772	6,984	7,410	7,771	8,086	8,625

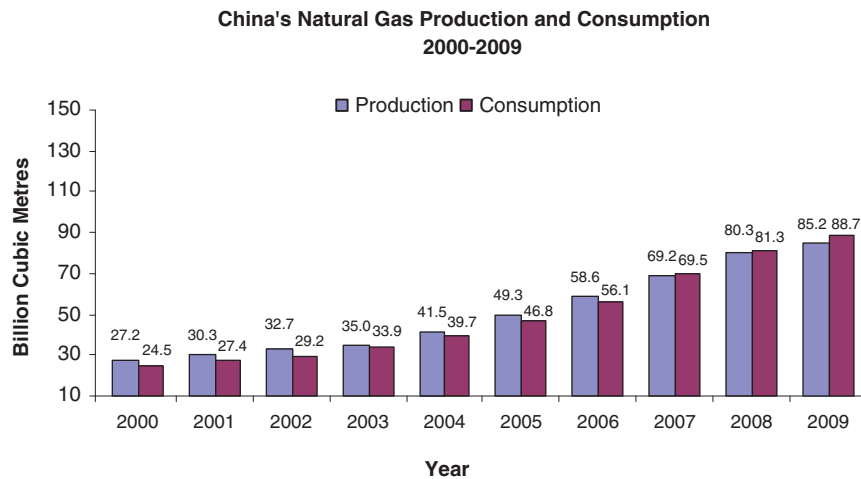
Source: BP Statistical Review of World Energy 2010

Natural Gas

China has proven reserves of natural gas of approximately 2.46 trillion m³ as at the end of 2009. In 2009, it has consumed approximately 88.7 billion m³ of natural gas. Most of China's gas fields are in the northwestern and southwestern parts of the country, though offshore basins are becoming increasingly important. China does not yet heavily rely on natural gas in its energy supply mix, and only obtained around 3.0% of its primary energy supply from natural gas in 2006. China's annual production ranks it in the top ten natural gas producers, and accounted for around 2.8% of the world's total annual gas production. With major new pipelines to bring gas into populous regions in the eastern and southern parts of the country, the production of natural gas in China has leaped from approximately 25.2 billion m³ in 1999 to approximately 85.2 billion m³ in 2009, which represented a growth of 238.0% within the 10-year period. LNG is also expected to play an important role in China's future energy needs, and plans are underway to construct terminals along China's southeastern coast where LNG from Australia can be imported.

INDUSTRY OVERVIEW

Most of the natural gas presently consumed in China is for industrial uses, especially as a chemical feedstock. In 2007, residential use accounted for approximately 19.0% of the natural gas consumption, with another 11.5% used for electric power, gas and water production supply. An historical summary of natural gas production and consumption in China for the indicated periods is set forth below:



Source: BP Statistical Review of World Energy 2010

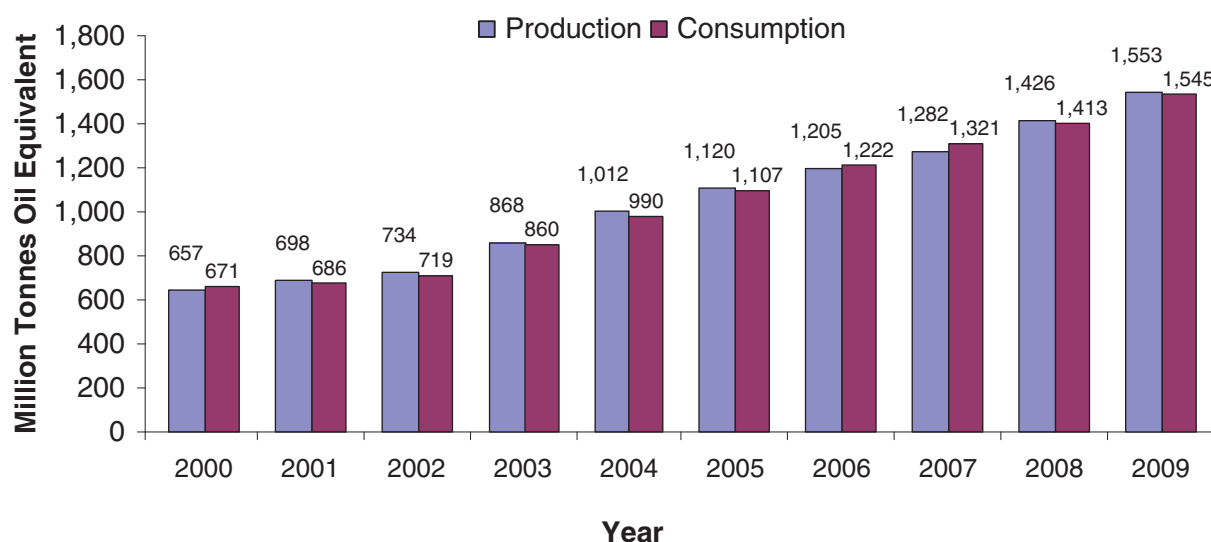
Coal

As at 31 December 2009, China had proven recoverable coal reserves of approximately 114.5 billion tonnes. According to *BP Statistical Review of World Energy 2010*, 54.3% of China's proved coal reserves are composed of hard coal (anthracite and bituminous coal) and 45.7% are composed of brown coal (sub-bituminous coal and lignite). A majority of proved coal reserves in China, that are of good mining conditions, are deposited in northern parts of the country and there are 27 provinces that produce coal in China.

INDUSTRY OVERVIEW

China is presently the world's greatest coal producer and accounts for nearly 45.6% of the world's total annual coal production. China is also the world's greatest coal consumer, accounting for more than 46.9% of the world's total annual coal consumption and a 129.0% increase since 2000. Domestically, coal accounted for approximately 70.0% of China's total primary energy consumption in 2007, where 94.8% of energy was used in industries and 3.1% was for household energy. While coal's share of China's energy consumption will decline in the coming years, the demand for coal is expected to increase as China is becoming increasingly open to foreign investment in the coal sector, particularly in an effort to modernize existing large-scale mines and introduce new technologies into China's coal industry. The following table sets forth the coal production and consumption in China for the period indicated:

**China's Coal Production and Consumption
2000-2009**



Source: BP Statistical Review of World Energy 2010

THE NATURAL GAS INDUSTRY

Overview of Natural Gas

Natural gas is the cleanest of all fuels, as it consists primarily of methane. The main products of combustion of natural gas are carbon dioxide and water vapor, which are the same compounds exhale by humans when breathing. In comparison, coal and oil comprises more complex molecules. A high carbon ratio and higher nitrogen and sulfur contents, therefore a higher level of harmful emissions, including a higher ratio of carbon emissions, nitrogen oxides and sulfur dioxide, will be released during the combustion. In contrast, natural gas is created by methanogenic organisms in marshes, bogs and landfills and it is widely used as fuel source and feedstock for fertilizers.

INDUSTRY OVERVIEW

Fossil Fuel Emission Levels — Pounds per Billion Btu of Energy Input

Pollutant	Natural Gas	Oil	Coal
Carbon Dioxide	117,000	164,000	208,000
Carbon Monoxide	40	33	208
Nitrogen Oxides	92	448	457
Sulfur Dioxide	1	1,122	2,591
Particulates	7	84	2,744
Mercury	0.000	0.007	0.016

Source: EIA — Natural Gas Issues and Trends 1998

Natural gas is a very popular energy source due to its relatively clean nature, which provides numerous benefits. The main benefits of using natural gases are:

- *Environmentally clean.* Natural gas is the cleanest burning fuel as its combustion process is almost perfect where very few byproducts are emitted into the atmosphere as pollutants. No unpleasant soot, ash or odors will be left behind as natural gas burns cleanly. Also, as the transport of natural gas mainly involves pipelines, the need for underground storage tank, which are potential threats for oil spill, soil contamination and costly environmental clean-up, is eliminated. Most importantly, natural gas is non-toxic and the use of natural gas can reduce pollution and maintain a clean and healthy environment by the reduction of smog and acid rain formation as well as improving air quality.
- *Economical and efficient.* As natural gas is supplied directly to the users' facilities through safe, efficient pipeline system, the use of natural gas is considered to be convenient as there will be no disruption of supply during storms or power outages. When the entire cycle of producing, processing, transporting and using energy is considered, natural gas is delivered to each user with a total energy efficiency of approximately 90% and is therefore considered as an efficient fuel.
- *High calorific value and multi-usage.* Calorific value of natural gas is higher than that of coal. High calorific value of natural gas makes it suitable for the manufacturing of certain industrial products such as chinaware and glassware. In addition to being used as energy, natural gas can also be used as feedstock, such as fertilizer.
- *Safe, consistent and reliable.* An odorant is added to natural gas by the producer and when the smell of gas is detected, it signals that a leakage exists and should be fixed. The consistency and reliability characteristics are defined by the fact that the pipeline system that transports natural gas cannot be easily damaged by weather or affected by weather conditions. Also, the worry of supply and delivery arrangement can be eliminated, as natural gas is delivered by a reliable pipeline system and is ever present when users turn on the power.
- *Multipurpose.* Natural gas can have multiple usages. It can provide constant heating to residential households as well as power different types of household electric appliances, new residential uses range from fireplace and air conditioners to microturbines and fuel cells, without being affected by the weather or interruptions to gas delivery schedules.

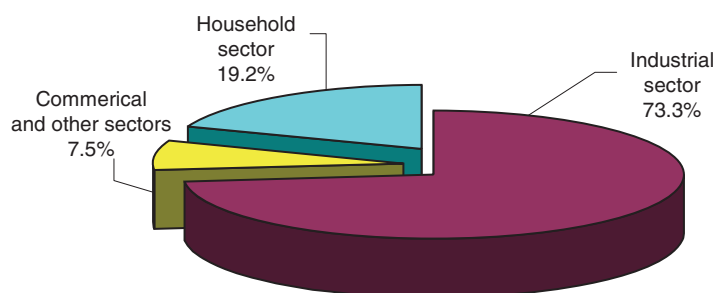
INDUSTRY OVERVIEW

Natural Gas Demand in China

Historically, natural gas was never a dominant fuel in China. However, given China's domestic proved reserves of natural gas, which stood at 2.5 trillion m³ for the year ended 2009, and the environmental benefits of using gas, China has embarked on a major expansion of its gas infrastructure. According to the *BP Statistical Review of World Energy 2010*, Chinese consumption of natural gas in 2009 ranked fifth in the world and grew by 9.4% from 2008. China has maintained a CAGR of over 15% in the ten-year period from 1999 to 2009.

Facing an ever-increasing demand for energy and dwindling supply of new sources of crude oil, China, like other countries, treats exploration, production and consumption of natural gas as an important alternative that can improve the energy consumption composition of the country. Nonetheless, China is behind in these efforts as compared to other countries. In 2009, the total natural gas volume consumption of China amounted to approximately 79.8 million tonnes oil equivalent, where as the total primary energy consumption of China amounted to approximately 2,177 million tonnes oil equivalent. From 2000 to 2010, the percentage of natural gas in the energy consumption composition of China ranged generally from 2.4% to estimated 5.3%, which is significantly below the global and Asian average levels of 25.0% and 8.8%, respectively in 2010. With increasing consumption demands in China for natural gas in power generation, industrial use and urban fuels, the PRC Government anticipates the total natural gas demand will reach approximately 203.7 billion m³, boosting the share of natural gas as part of total energy consumption to 10.0% by 2020.

Natural gas is used in China mainly for electricity generation, industrial and urban consumption, and petrochemical feedstock. According to the *China Statistics Year Book 2009*, the extraction of petroleum and natural gas and the manufacture of raw chemical materials and chemical products account for a major proportion of natural gas consumption in China. In 2007, the volume consumed in these sectors accounted for approximately 45.2% of nationwide natural gas consumption. The following diagram sets out the percentage composition of natural gas consumed by different sectors in 2007:

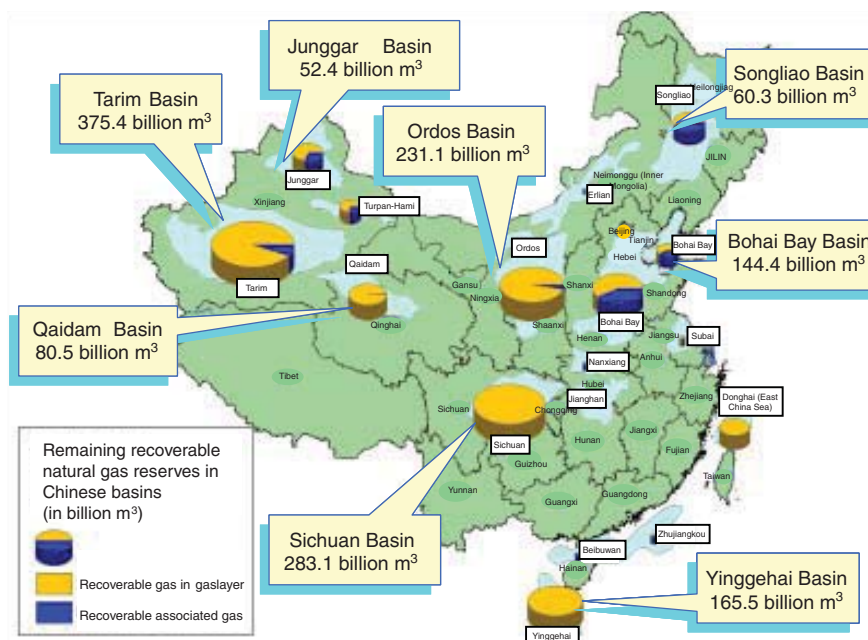


Natural Gas Supply in China

China's production of natural gas has rapidly increased since 1990s. Production totaled 25.2 billion m³ in 1999, 41.5 billion m³ in 2004, and reached 85.2 billion m³ in 2009, with 6.4% growth from the previous year and a growth rate of more than three times during the ten-year period. In 2009, China possessed approximately 2.5 trillion m³ natural gas proved reserves.

INDUSTRY OVERVIEW

Most natural gas reserves exist in the mid-western parts of China, where major gas regions, such as Tarim, Qaidam, Shaanxi, Gansu, Ningxia and Sichuan, are the traditional and largest production areas in China, accounting for almost 87.0% of the nation's total reserves. The following map indicates the major gas fields and their reserves.



Source: Institute of Energy Economics, Japan 2003 (based on 1994 official figures)

The statistics showed that China's apparent consumption of natural gas in 2009 amounted to 88.7 billion m³, surging by 9.4% year-on-year. It is estimated that the domestic shortage of natural gas will reach more than 40 billion cubic meters by the end of 2010. Natural gas consumption saw annual double-digit growth, amounting to 88.7 billion m³ in 2009, which is more than three times that of 2000. China's domestic output was 85.2 billion m³ in 2009, increasing by 6.4% year-on-year. The gap between supply and demand hit nearly 3.5 billion m³ hence China became a net importer of natural gas.

In addition, the PRC Government has undertaken feasibility studies and will continue participating in construction projects for transporting natural gas to China from adjacent countries. Countries such as Kazakhstan, Russia, Turkmenistan and Uzbekistan were endowed with rich natural gas resources with an aggregate amount of 56.0 trillion m³ in proven natural gas reserves in 2009, accounting for 29.9% of the world's total proven natural gas reserves. Russia, in particular, had 44.4 trillion m³ proven natural gas reserves in 2009. It is estimated that over the next 5 years, China will import 40 to 60 billion m³ of natural gas from these countries per annum.

In recent years, the production of natural gas in China has increased rapidly and substantially in response to both the rapid increase in demand for clean energy led by national economic development and an increase in proven reserves of natural gas in China. In 2000, China produced a total of 27.2 billion m³ of natural gas. By the end of 2009, however, China has increased its annual production of natural gas to 85.2 billion m³, representing a CAGR of 13.5% for the eight-year period. With the recent completion of the main and branch pipelines of the Second West-East Natural Gas Transmission Pipeline (西氣東輸二期) and the construction of the Offshore Gas Pipelines (海氣登陸), natural gas production in China is expected to grow continuously. In 2009, all gas fields and oil fields in China produced a total of 85.2 billion m³ of natural gas.

INDUSTRY OVERVIEW

As at May 2009, there are approximately 839 natural gas companies in China on the supply side. Among all, the big three, namely, CNPC (China National Petroleum Corporation), Sinopec (China Petroleum and Chemical Corporation) and CNOOC (China National Offshore Oil Corporation), accounted for more than 90% of the total national production. In particular, CNPC accounted for more than 70% of total national production in 2008.

The country's largest reserves of natural gas are located in the southwestern region of China, necessitating a significant further investment in pipeline infrastructure to carry it to eastern cities. Natural gas has therefore to be transported through long-distance natural gas pipelines to urban areas, where local natural gas transportation and distribution providers sell natural gas to end-users through urban branch pipeline networks. At present, the nationwide onshore gas transportation pipeline networks has been gradually established with the First West-East Natural Gas Transmission Pipelines (from Luntai, Xinjiang to Shanghai), Second West-East Natural Gas Transmission Pipelines (from Turkmenistan, Xinjiang to Guangdong), Zhong-Wu Pipeline (from Zhong County, Chongqing to Wuhan), Se-Ning-Lan Pipeline (from Germu to Xining to Lanzhou), the first Shaan-Jing Pipeline (from Shaanbei to Beijing) and the second Shaan-Jing Pipeline, which is still under construction.

The First West-East Natural Gas Transmission Project

The First West-East Natural Gas Transmission Project, which formally began commercial operation on 31 December 2004, is a key foundation construction project of China. Targeting the Yangtze River Delta Area, the First West-East Natural Gas Transmission Pipeline (西氣東輸一期) is intended to transport natural gas produced from gas fields in the Tarim Basin in Xinjiang Province and Chang Qing Gas Fields (長慶氣田) in the region of Shaanxi, Gansu and Ningxia provinces to central and eastern parts of China where the need for clean energy is imperative. The total length of the First West-East Natural Gas Transmission Pipeline is approximately 4,000 km with a designed annual transportation capacity of 12 billion m³. The project operates by extracting natural gas resources from the Tarim Basin, with the Chang Qing Gas Fields supplementing and regulating gas sources for the gas supply to provinces and cities such as Shanghai, Jiangsu, Zhejiang, Anhui and Henan. It starts from Lunnan in Tarim and transverses from west to east through Xinjiang, Gansu, Ningxia, Shaanxi, Shanxi, Henan, Anhui, Jiangsu to Shanghai.

The Second West-East Natural Gas Transmission Project

The construction of the Second West-East Natural Gas Transmission Project, which began in February 2008 and is yet to be completed, is also a key foundation construction project of China. Targeting the Zhujiang Delta Area, the Second West-East Natural Gas Transmission Pipeline (西氣東輸二期) is intended to transport natural gas produced from gas fields of neighboring countries in Central Asia, such as Turkmenistan, to the central and southern China where clean energy is urgently required. The total length of the Second West-East Natural Gas Transmission Pipeline is approximately 9,100 km with a designed annual transportation capacity of 30 billion m³. The project is based on the natural gas resources of Turkmenistan and Kazakhstan for the gas supply to provinces and cities such as Henan, Anhui, Hubei, Hunan, Guangdong and Guangxi. It joins the Central Asia natural gas pipeline in Khorgos and transverses from west to east through Xinjiang, Gansu, Ningxia, Shaanxi, Henan, Anhui, Hubei, Hunan, Jiangxi, Guangxi and Guangdong.

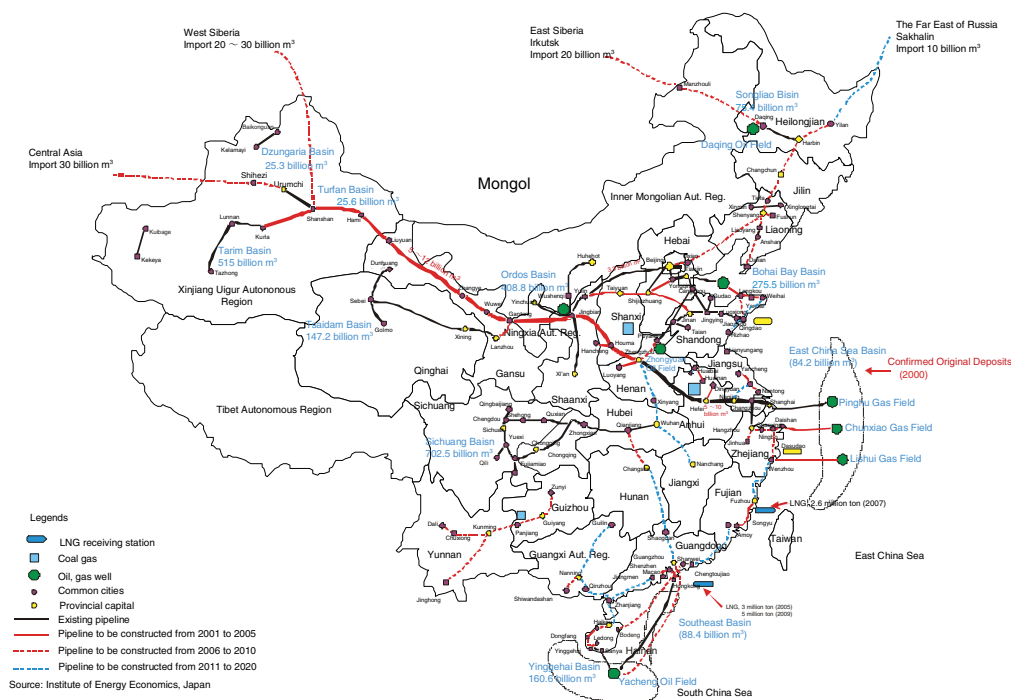
Offshore Gas Pipelines (海氣登陸)

In addition to the onshore natural gas transportation pipelines, the Offshore Gas Pipelines (海氣登陸) can transport the offshore natural gas to the economically well-developed coastal regions.

INDUSTRY OVERVIEW

China National Offshore Oil Corporation is planning to construct a north-south trans-provincial coastal natural gas pipeline network system covering the Bohai Economic Region, Changjiang Delta Area and Zhujiang Delta Area. Upon completion, the Offshore Gas Pipelines can transport natural gas from the offshore gas fields of Liaodong Bay near Jinzhou, Bohai West near Tianjin, Pinghu near Shanghai, Yacheng near Nanhai and Beibu Gulf in Guangxi to the economically well-developed coastal regions.

Existing and Planned Natural Gas Pipelines in China



Cost and Pricing of Natural Gas in China

Natural gas is used as feedstock for petrochemical industries and as fuel for residential, commercial, heating and cooling and other industrial purposes.

In China, the natural gas providers, including us, currently price natural gas supplied to the end-users by the cost-plus pricing method. As such, the selling price chargeable to the end customers of natural gas is mainly the sum of ex-factory price and transportation cost, both of which are regulated by the authorities. China's natural gas reserves are mostly located in the western regions of the country with complicated geological terrains and conditions, which include thin production layers, low gas density, deep gas reserves and unfavorable land surface conditions. These geological complications significantly increase the costs of natural gas exploration and exploitation in China. Additionally, because the natural gas reserves in China are mainly located in the western and central regions, which are far away from the economically well-developed eastern regions that consume most of the natural gas produced, natural gas suppliers have invested significant amount of capital and resources to construct long-distance pipeline networks to transport natural gas from the western regions to the eastern regions of the country. The significant capital investment on the construction of pipelines coupled with costs associated with the operation and maintenance of the natural gas pipelines further increases the cost of selling of natural gas.

INDUSTRY OVERVIEW

The price of natural gas generally consists of two elements: the connection charges and the natural gas fees. For residential customers, natural gas suppliers generally charge a flat connection charge whereas for industrial and commercial users, the determination of connection fees is based on the designed capacity of the gas appliances and equipments installed at the customers' premises.

Natural gas fees are based on actual usage on a per cubic meter basis. The price of natural gas comprises pre-determined ex-factory price and pipeline transportation cost. The pre-determined ex-factory price, an effective base price, is set by the NDRC and is generally adjusted every year. The price of natural gas that a gas supplier may charge is subject to price ceilings imposed by respective local pricing control authorities. Any attempt to adjust the price of natural gas must receive prior approval from the relevant authorities.

During the Track Record Period, the pre-determined ex-factory price of natural gas were generally lower than that of the regulated price of coal gas in Henan Province, although it has almost attained parity with the price of coal gas in 2010 for industrial users.

The following table sets forth the NDRC pre-determined ex-factory price for natural gas as compared to the Henan Development and Reform Commission regulated price for coal gas in Henan Province from 2005 to 2010:

	Natural Gas		Coal Gas
	Other Users ⁽¹⁾	Industrial Users	All Users
2005	0.52	0.52	0.85
2006	0.56	0.56	0.85
2007	0.56	0.56/0.96 ⁽²⁾	0.85
2008	0.56	0.96	0.85/1.00 ⁽²⁾
2009	0.616	0.96	1.00/1.30 ⁽²⁾
2010	0.616/0.869 ⁽²⁾	0.96/1.309 ⁽²⁾	1.30

(Unit: RMB/m³)

Notes:

(1) Include residential and commercial user among others.

(2) Prices were adjusted in their relevant year.

URBAN PIPELINED GAS INDUSTRY

Development of Urban Pipelined Gas Industry

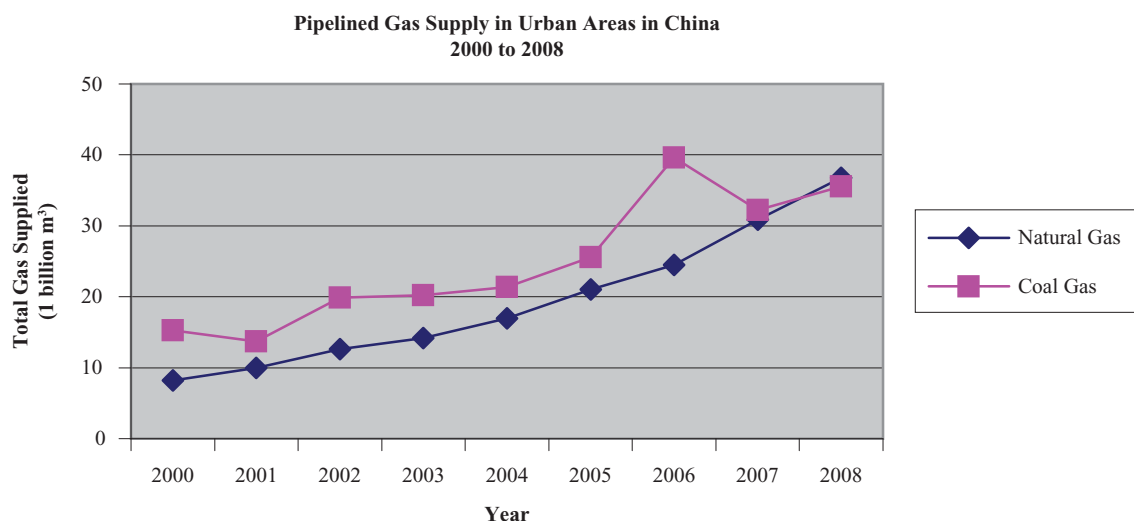
The demand for natural gas and coal gas in large cities has recently grown rapidly. In light of the growing trend, China stipulated a policy to raise the share of natural gas in the country's Eleventh Five-Year Plan (2006-2010).

Historically, the growth in pipelined gas consumption in urban areas throughout China, including Henan Province, has been hindered by the price structure of pipelined gas, the inefficiencies of pipelined gas enterprises and the lack of capital. Natural gas prices rose due to long-distance transport and high production costs. In order to promote and develop urban consumption of natural gas, China plans to reform the existing pipelined gas price structure, enhance the efficiency of state-owned pipelined gas enterprises and attract foreign investments. Pipelined gas enterprises will inevitably face market competition after the monopoly structure and government subsidies are gradually phased-out.

INDUSTRY OVERVIEW

As part of its plan to reduce pollution and to enhance energy utilization rate, the PRC Government has, by implementing policies and constructing infrastructures over the past few years, encouraged the use of natural gas in large and medium-sized cities and the use of LPG in suburban areas where natural gas supply networks are not in place. The statistics published by the *Ministry of Construction of China* indicates that in 2008, the total natural gas supply in urban areas was 36.8 billion m³. The natural gas supply in urban areas maintained a higher growth compared to other gases, an increase of approximately three times from 2000 to 2008, indicating the country's steady progress in replacing other gas energies, such as coal gas with natural gas in urban areas in recent years. According to *China Urban Construction Statistics Yearbook 2008*, from 2000 to 2008, the users with access to natural gas in urban areas of China increased from approximately 25.8 million to 121.7 million, representing a growth rate of over four times within the eight-year period. The total natural gas consumption by residential natural gas users in urban areas of China increased from approximately 2.5 billion m³ in 2000 to approximately 7.8 billion m³ in 2008, representing an increase of over three times.

The following chart illustrates the pipelined gas supply in urban areas in China from 2000 to 2008:



Source: *China Urban Construction Statistics Yearbook 2008*

INDUSTRY OVERVIEW

It was estimated that, in 2010, only 270 out of 662 prefecture-level cities (地級市) and sub-prefecture-level cities (縣級市) in China will be installed with urban natural gas transportation pipelines. The top three provinces in China which have the greatest length of gas supply pipeline are Jiangsu, Sichuan and Shandong, respectively, where the three provinces in China with the least gas pipeline coverage are Gansu, Yunnan and Guizhou, respectively. The following table sets forth the top five and bottom five gas pipeline coverage provinces, as compared to Henan, in China.

Natural Gas Coverage in Provinces of China (Year 2008)

Province	Length of Gas Supply Pipeline (in km)	Total Gas Supply (in 10,000 m ³)	Number of Household with Access to Gas (in unit)
Top Five			
Jiangsu	19,178	299,726	2,884,950
Sichuan	18,064	594,963	4,102,026
Shandong	15,327	257,433	3,000,575
Shanghai	12,877	298,601	3,103,121
Chongqing	10,853	187,936	2,454,315
Bottom Five			
Hainan	1,025	14,947	139,202
Qinghai	764	118,383	76,045
Gansu	648	53,394	524,118
Yunnan	149	743	11,950
Guizhou	85	1,378	18,655
Henan	9,759	101,008	1,661,931

Source: *China Urban Construction Statistics Yearbook 2008*

Gas-related constructions such as the construction of urban gas distribution pipeline networks, introduction of new gas consumption projects and expansion of gas-driven utilities which involve large amount of capital investment will delay the growth of natural gas consumption. As such, the PRC Government will encourage interested parties to raise funds from various channels for the construction of natural gas transportation pipeline and gas consumption projects. The PRC Government will also encourage cooperative modes of operation and foreign investments to participate in the construction of natural gas transportation pipeline or in the downstream gas consumption projects such as in power generation and chemical industries.

Pipelined Gas Supply and Consumption in Henan Province

Henan Province is located in central China with a total population of approximately 99.7 million in 2009. The total quantity of natural gas supplied to Henan Province in 2008 amounted to approximately 1.0 billion m³, which accounted for 2.7% of the nation's total supply of natural gas. Henan Province recorded an annual GDP of RMB1.8 trillion in 2008 according to the *Henan Statistical Yearbook 2009*, ranking the fifth among all provinces and municipalities in China in 2008. As at the end of 2008, there were 17 prefecture-level cities and 21 sub-prefecture-level cities in Henan Province, among which 5.86 million persons had access to natural gas.

Demand for natural gas in Henan Province has increased rapidly from 720 million m³ in 2000 to 1.5 billion m³ in 2005, an average consumption rate of 41.5% per annum. Demand for natural gas in Henan Province is predominately derived from industrial fuel, petrochemical industry and for residential and city gas utilities. Henan local government's *Eleventh Five-Year Plan* (2006-2010) estimated that natural gas demand will reach 14.6 billion m³ in 2010.

INDUSTRY OVERVIEW

Henan Province's two main exploration sites, Zhongyuan Oil Field and Henan Oil Field, have already entered into late stages of its exploration development. Due to geological complexities of Zhongyuan Oil Field, raising production output of natural gas will be difficult within a short period of time, therefore creating a large supply gap in the market. Henan Province in 2007 experienced a gas shortfall of more than 500 million m³. By 2010, shortfall in the supply of natural gas in Henan Province is expected to reach more than 5 billion m³. Demand for natural gas in Henan Province has surpassed its production capacity, therefore the current supply cannot satisfy the consumption level.

Ever since the West-East Natural Gas Transmission Project traversed through Henan Province, not only did it promote the development of the natural gas industry, but it also boosted the usage of other gases, such as man-made coal gas, CBM, biogas and LPG in order to resolve the supply shortage in Henan Province. During the *Eleventh Five-Year Plan* period, Henan Province continued to use natural gas supplied from the First West-East Natural Gas Transmission Pipeline, the Second West-East Natural Gas Pipeline and Ordos pipeline as its main gas pipelines. Coal gas from Yima County, CBM and biogas are used as auxiliary gases to supplement the supply gap of the main pipelines, for the efficient allocation of scarce resources to meet the consumption level of Henan Province.

REGULATIONS

The business operation of our Group is mainly carried out by its PRC affiliates, which shall, when carrying out business, comply with applicable PRC laws and regulations and other regulatory documents, the summary of which are set forth below.

PRC LAWS AND REGULATIONS RELATED TO FOREIGN INVESTMENT

In accordance with the *Law on Sino-foreign Joint Equity Enterprises of the People's Republic of China* (中華人民共和國中外合資經營企業法) passed in the 2nd meeting of the 5th *National People's Congress* (第五屆全國人民代表大會第二次會議) on 1 July 1979, and amended on 15 March 2001, the *Implementing Regulations for the Law on Sino-foreign Joint Equity Enterprises of the People's Republic of China* (中華人民共和國中外合資經營企業法實施條例) issued by the *State Council* (國務院) in 1983 and amended on 22 July 2001, foreign companies, enterprises and other economic organizations and individuals shall be permitted to establish joint venture enterprises within the territory of the People's Republic of China with the companies, enterprises or other economic organizations of China, based on the principles of equality and mutual benefit upon the approval of the Government of the People's Republic of China.

Agreements, contracts and Articles of Association signed by parties to joint ventures shall be submitted to the State competent departments of economy, trade and foreign affairs for examination and approval. The examination and approval authorities shall decide within 3 months whether or not to approve. Upon approval, joint ventures shall register with the State competent industrial and commercial administration department, obtain business license, and commence business. According to the *Law on Sino-foreign Joint Equity Enterprises*, a Sino-foreign joint equity enterprises permitted to be established within the territory of China (hereinafter called "joint venture") is a legal person in China and shall be governed and protected by the law of China. The mode of the joint venture shall be a company with limited liability. The parties to the joint venture may invest by way of cash, physical objects, industrial property rights etc. The ratio of investment of foreign parties shall generally be not less than 25% of the registered capital of the joint venture.

In accordance with the *Law on Wholly Foreign Owned Enterprises of the People's Republic of China* (中華人民共和國外資企業法) promulgated by the *National People's Congress* (全國人民代表大會) on 12 April 1986, and amended on 31 October 2000, The application for the establishment of a Wholly Foreign Owned Enterprise shall be subject to approval of the administrative department under the *State Council* in charge of foreign trade and economic cooperation or any other agency authorized by the *State Council*. The split, merger or other major changes of a Wholly Foreign Owned Enterprise shall be subject to approval of the examination and approval authorities.

Pursuant to the *Rules for the Implementation of the Law of Foreign-invested Enterprises* (中華人民共和國外資企業法實施細則), which was amended on 12 April 2001, any increase or assignment of the registered capital of a foreign-invested enterprise shall be subject to the approval by *Ministry of foreign Trade and Economic Cooperation of PRC* (now the *Ministry of Commerce*) (原中華人民共和國對外貿易經濟合作部，現為商務部) or the people's government at provincial level.

The *Provisions on the Equity Change of Investors of Foreign-Invested Enterprises* (外商投資企業投資者股權變更的若干規定), which was promulgated on 28 May 1997, provides that equity change of investors of foreign-invested enterprises refers to the change of investors of Sino-foreign equity joint ventures, Sino-foreign contractual joint ventures, foreign-invested enterprises within the territory of the RRC or change of their equity investments in the enterprises (including terms of cooperation).

Equity change of investors of foreign-invested enterprises shall comply with relevant PRC laws and regulations, and be subject to approval by the examination and approval authorities and change

REGULATIONS

registration with registration authorities. Equity change without approval of the examination and approval authorities shall be invalid.

The authority that is responsible for examining and approving the equity change of investors of foreign-invested enterprises shall be the examination and approval authority that originally approved the establishment of the foreign invested enterprise. If the equity held by the investor is changed as a result of the increase of the registered capital of the foreign invested enterprise and such change leads to the amount of the total investment of the foreign invested enterprise exceeding the limit of approval of the original examination and approval authority, the equity change shall be subject to the approval of the examination and approval authority at a higher level in accordance with stipulations on the approval limits and related regulations.

The *Interim Provisions on the Domestic Investment of Foreign-Invested Enterprises* (關於外商投資企業境內投資的暫行規定), which was promulgated on 25 July 2000, provides that domestic investment of foreign-invested enterprises refers to an act that a Sino-foreign equity joint venture, a Sino-foreign contractual joint venture or a wholly foreign-funded enterprise lawfully established in China in the form of a limited liability company or a foreign-invested joint stock limited company, in its own name, makes investment to establish an enterprise in China or purchases equities from an investor of another enterprise in China.

For investment by a foreign-invested enterprise in another enterprise (“investee enterprise”) in the Mid-western Region, if the proportion of foreign capital in the registered capital of the investee enterprise is 25% or more, the investee enterprise may enjoy the treatments for foreign-invested enterprises. In the event that the investee enterprise is to enjoy the treatments for foreign-invested enterprises, the investee enterprise shall, in accordance the provisions on procedures for the establishment of foreign-invested enterprises, submit an application to the provincial examination and approval authority of the place where the investee enterprise is located. If the provincial examination and approval authority confirms that the investment by a foreign-invested enterprise conforms to the relevant laws and regulations of the State and the proportion of foreign capital in the registered capital of the investee enterprise is 25% or more, the provincial examination and approval authority will issue to the applicant an approval letter and a Foreign-invested Enterprise Approval Certificate (外商投資企業批准證書) with a note of “Invested by Foreign-invested Enterprise”. (外商投資企業投資) The investee enterprise in the Mid-western Region may enjoy the treatments for foreign-invested enterprises as prescribed by the laws and regulations of the State upon presenting its Foreign-invested Enterprise Approval Certificate and Business License (with a note). If the amount of total investment in an investee enterprise so established in the Mid-western Region exceeds the limit of approval of the approval authority at the provincial level, the application for investment by the foreign invested enterprise shall be submitted to the *Ministry of Foreign Trade and Economic Cooperation* (now the *Ministry of Commerce*) for examination and approval.

At present, all PRC affiliates of our Company currently conducting business in China are located in Henan Province, which falls within the Mid-western Region.

REGULATION ON THE MERGERS AND ACQUISITION OF DOMESTIC ENTERPRISES BY FOREIGN INVESTORS

The *Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (the “M&A Rules”) was jointly promulgated by the *Ministry of Commerce*, *State Assets Supervision and Administration Commission of the State Council* (國務院國有資產監督管理委員會), *State Administration of Taxation* (國家稅務總局), *State Administration for Industry and Commerce*, *China Securities Regulatory Commission* (中國證券監督管理委員會) and *State Administration of Foreign*

REGULATIONS

Exchange (“SAFE”) (國家外匯管理局) on 8 August 2006 and came into force on 8 September 2006, which was then revised on 22 June 2009 and came into force on the same day.

The M&A Rules requires that the acquisition of a domestic enterprise by a foreign investor means that the foreign investor purchases the equity of the shareholders of a domestic non-foreign-invested enterprise (hereinafter referred to as “domestic company”) or subscribes to the increased capital of a domestic company, and thus changes the domestic company into a foreign-invested enterprise (hereinafter referred to as “equity acquisition”); or, a foreign investor establishes a foreign-invested enterprise, and through which it purchases by agreement the assets of a domestic enterprise and operates its assets, or, a foreign investor purchases by agreement the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise and operate the assets (“asset acquisition”).

Where the shareholders of an overseas company purchase the equity of shareholders in a domestic company or the additional equity issued by the domestic company with the equity it holds in the overseas company or the additional equity issued by the overseas company as payment method for purposes of overseas listing of the special purpose vehicle, the overseas listing shall be subject to approval of the securities regulatory institution of the *State Council*.

Based on the understanding of applicable PRC laws, regulations and rules, the PRC counsel for the Company holds the opinion that, as Hebi Tian Lun Gas Limited* (鶴壁市天倫燃氣有限公司) was established as a Sino-foreign equity joint venture on 23 August 2004, the transfer of all equity interest officially held by the domestic and overseas shareholders to Tian Lun New Energy constitutes the transfer of equity interest in a foreign invested enterprise from the legal perspective. Therefore, the acquisition of all equity interest in Hebi Tian Lun by Tian Lun New Energy does not constitute the “acquisition of a domestic enterprise by a foreign investor” as defined in the M&A Rules, and thus no approval of the *PRC Ministry of Commerce* is required. The acquisition of all equity interest in Hebi Tian Lun by Tian Lun New Energy with cash consideration does not constitute the “the acquisition of the equity interest in a domestic company by a special purpose vehicle through equity swap” (特殊目的公司換股收購境內公司股權) as defined in the M&A Rules, and thus no approval of the CSRC is required for the Global Offering and Listing of our Company.

PRC REGULATION OF FOREIGN EXCHANGE IN CERTAIN ONSHORE AND OFFSHORE TRANSACTIONS

On 21 October 2005, the SAFE issued the *Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies* (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知)(“Notice 75”). The Notice 75 became effective as at 1 November 2005. In order to further clarify relevant problems concerning the implementation and application of the Notice 75, the General Affairs Department under the SAFE (國家外匯管理局綜合司) issued the *Notice on Printing and Distributing the Operating Rules for the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies* (關於印發《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》操作規程的通知)(“Notice 106”) on 29 May 2007. The Notice 106 became effective as at 29 May 2007. The Notice 75 provides that:

- domestic residents who plan to establish or control an offshore special purpose vehicle must conduct foreign exchange registration with the local foreign exchange authority;

REGULATIONS

- domestic residents who have contributed their assets or shares of a domestic enterprise into an offshore special purpose vehicle, or have raised funds offshore after such contribution, must conduct foreign exchange registration for the modification of the record concerning the offshore special purpose vehicle with the local foreign exchange authority; and
- domestic residents who are the shareholder of an offshore special purpose vehicle are required to go through registration for the modification of the record with the local foreign exchange authority within 30 days from the date of any major capital change event, such as an increase/decrease of capital, share transfer, share swap, merger or division, long term equity or debt investment or external guarantee where no round-trip investment is involved.

Grandall Legal Group confirms that as at the date of this Prospectus, the individual shareholders of the direct Shareholders of our Company who are PRC residents have completed the registrations and fully complied with the SAFE requirements including Notice 75, Notice 106 and other relevant requirements, in connection with their Shares in our Company.

PRC LAWS AND REGULATIONS RELATED TO COMPANY BUSINESS

Concession Rights

The *Measures on the Administration of the Franchising of Municipal Public Utilities* (市政公用事業特許經營管理辦法) (Order of the *Ministry of Construction* No. 126), or the Concession Measures, was promulgated by the *Ministry of Construction* on 19 March 2004, and came into force on 1 May 2004. The Concession Measures is promulgated for the purpose of speeding up the marketization of municipal public utilities, regulating the franchising activities of municipal public utilities, strengthening market supervision, safeguarding the social public interests and public security, and promoting the healthy development of municipal public utilities.

Franchising of municipal public utilities refers to the system that the government chooses the investors or operators for municipal public utilities through market competition mechanism in accordance with relevant laws and regulations, specifying that they may deal in certain products of municipal public utilities or provide certain services within a certain period of time and scope.

The Concession Measures is applicable to the implementation of franchising of water supply, gas supply, heating supply, public traffic, sewage disposal, garbage treatment and the relevant industries. The investors or operators for franchising shall be chosen through the public bidding process for the best qualified. The term of franchising shall be determined according to such factors as the characteristics, scale, operation method of the industry, etc., with the maximum term not to exceed 30 years.

Our subsidiaries in the PRC, namely, Hebi Tian Lun, Xuchang Tian Lun and Shangjie Tian Lun, have obtained the concession rights for the operations of the distribution and sales of pipelined natural gas or coal gas in our Operating Cities. Upon the expiry of the relevant concession rights, we must follow the public bidding process under the Concession Measures to extend our concession rights in order to operate our distribution and sales of pipelined natural gas and coal gas.

The Administrative Measures on Urban Fuel Gas Utilization (城市燃氣管理辦法)

The *Administrative Measures on Urban Fuel Gas Utilization* (the “Fuel Gas Measures”) was promulgated by the *Ministry of Construction* (建設部) on 23 December 1997 and came into force on

REGULATIONS

1 January 1998. The Fuel Gas Measures is promulgated for the purposes of strengthening the administration of urban gas, protecting the legitimate rights and interests of gas supply enterprises and users, regulating the gas market, safeguarding the social public security, improving the environment quality, promoting the development of gas industry. The Fuel Gas Measures aims to regulate the fuel gas (such as natural gas, coal gas, CNG and LNG) market, to enhance public safety and the environmental issues, and are generally applicable to the planning, construction and operation of the fuel gas supply, the production and sale of fuel gas appliances as well as the utilization and safety management of fuel gas in the PRC. The regulation mainly includes the following provisions:

The planning and construction

The gas development planning shall be prepared by the urban planning administrative department and the urban construction administrative department jointly with other relevant departments according to the overall urban planning, which shall be organized by the people's government at the county level or above. Projects to be newly built or rebuilt or expanded and the layout of business networks shall be in accordance with the gas development planning and shall be implemented after approval by the construction administrative department of local government.

Within the prescriptive scope of safety protection of the fuel gas facilities above or under them, activities jeopardizing fuel gas facilities shall be strictly forbidden, such as constructing buildings and structures, stacking items and making holes for earth-fetching. If it is necessary to modify the fuel facilities, such modification shall be submitted to the urban planning administrative department and the urban construction administrative department of the people's government at the county level or above for approval by the construction unit.

Gas business operation

The development of new urban area and the reconstruction of old city shall be accompanied with the supporting construction of gas facilities or areas for the construction of gas facilities shall be reserved according to the requirement of the relevant planning. The high-rise resident buildings shall be installed with pipelined gas facilities.

The pipelined gas shall be subject to regional uniform operation. The gas supply enterprise shall pass the qualification examination and register with the local administration of industry and commerce before carrying out its business operation.

The setting and adjustment of the gas price shall be proposed by the construction administration department and reviewed and authorized by the price administration department. Such setting and adjustment shall not be carried out before approval.

Gas appliances

The gas appliances maintenance and installing unit shall not deal with the business of maintenance and installing of gas appliances before passing the prescribed qualification examination.

Gas use

Pipelined gas enterprises shall compile files for gas users, and they shall enter into a gas supply contact with gas users to specify the rights and obligations of the parties.

REGULATIONS

No gas user is permitted to connect to the pipeline to use gas or alter the use nature or alter the user's name and address without prior authorization of the gas enterprise.

Gas users shall pay gas fees on time and in full. In case of failure to pay in time, from the date of late payment, late payment penalties will be imposed at the rate of 3‰ to 1% of the payment due each day for gas users. If the circumstances are serious, the gas enterprises may suspend gas supply.

Gas safety

Gas enterprises shall establish such measures as safety checking, fixing and maintenance, first-aid repairing, etc. And it shall report and deal with the malfunction and accidents of the gas facilities in time to ensure normal gas supply.

As advised by Grandall Legal Group, the gas development planning, gas project construction and gas operation of our Group have been in compliance with the Fuel Gas Measures. If our Group violates the provisions of the relevant regulations in the future, our Group may be given a warning, be ordered to rectify the non-compliance within a given period of time, or be ordered to stop the non-compliance activities or be imposed a fine.

Circular on Raising Domestically-produced Onshore Natural Gas Benchmark Price

(關於提高國產陸上天然氣出廠基準價格的通知)

The circular was promulgated by the National Development and Reform Commission (NDRC) on 31 May 2010. The pricing policy about the ex-factory benchmark prices has come into force since 1 June 2010. It mainly includes the following provisions:

To increase natural gas benchmark prices by RMB230 per thousand cubic meters or almost 25 percent for the purpose of further reforming its natural gas pricing mechanism and better allocating resources.

The “dual-track” natural gas pricing mechanism has been cancelled and price-float range has been expanded to allow producers and buyers to fix specific natural gas prices based on the ex-factory benchmark prices, raising the benchmark prices by the maximum of 10%, meanwhile lowering the ones without limits.

As domestic natural gas prices were much lower than that of alternative energy, CNG shall be priced at or above three quarters of the highest retailing price of the number 90 gasoline with equal energy value. Some areas are allowed to make afore-said adjustment in CNG prices within two years, where the CNG prices are too low to obey the circular right now. CNG may be priced at least at 60% of the price of the gasoline in such areas during the transition period of two years.

After raising the domestic natural gas benchmark prices, the purchase cost of natural gas of our Group will increase accordingly. Nevertheless, our natural gas selling price in China can be raised accordingly in conformity to this circular. As a result, the increase of the ex-factory benchmark prices will not substantially affect our business and operations.

REGULATIONS

Regulations on the Administration of Gas within Territory of Henan Province (河南省有關燃氣管理的規定)

Relevant regulations on the administration of gas within territory of Henan Province deal with:

Gas development planning

The gas development planning shall be prepared by the public utilities administrative departments and urban planning administrative departments at the city, county or district level jointly with other relevant departments according to the overall urban planning, and shall be implemented after approval by the people's government at the same level.

The new construction, reconstruction and expansion of gas construction projects shall be in compliance with the overall urban planning, the gas development planning and the fire protection safety requirements, and shall be reported to the relevant departments for approval according to the construction project approval procedures after approval by the public utilities administrative departments.

In case of the new construction, reconstruction and expansion of roads within the gas development planning areas, the location of gas pipeline facilities shall be planned. If gas facilities are constructed simultaneously with the road projects, the gas facilities shall be designed, constructed, and inspected for acceptance together with the road projects.

The high-rise resident buildings within the pipeline water supply areas shall install and use pipelined gas, and the gas project shall be designed, constructed and put into use together with the principal part of the project.

Gas projects construction

The construction of gas facilities shall adhere to the principle of equally emphasizing new construction and renovation and reconstruction. Gas facilities that fail to meet the safety use standards or that have safety threats shall be renovated and reconstructed in time.

The development of new urban area and the reconstruction of old city shall be accompanied with the supporting construction of gas facilities or areas for the construction of gas facilities shall be reserved according to the requirement of the relevant planning. No entity or individual may occupy the reserved areas.

If gas pipelines laid according to the planning need to run through courtyards or need to use existing outdoor gas facilities connection for new user connections according to the planning, the relevant entity or individual shall provide support and no entity or individual may interfere with the normal construction works conducted by the staff of gas enterprises.

Gas operation and management

Any enterprise engaged in business of gas, shall make application with the construction administration department or public utility administration department for obtaining Gas Enterprise Qualification Certificate. Gas enterprises shall make application with the administration of industry and commerce for business license under the condition that Gas Enterprise Qualification Certificate has been obtained in advance.

REGULATIONS

Gas enterprise qualification certificates shall be annually reviewed. Gas enterprise shall be subject to annual inspection and may not continue to engage in gas operation activities without taking part in the annual inspection or without passing the annual inspection.

The pipelined gas shall be subject to regional uniform operation. No new construction or expansion of pipeline liquefied gas is permitted within the pipeline natural gas and pipeline artificial coal gas built-up areas.

The gas enterprise shall apply to the public utilities administrative departments at the city, county and district level for the installment of gas supply station or point, and the gas supply license shall be granted to enterprises meeting the following conditions:

- with up-to-standards fixed facilities;
- with up-to-standard gas fire protection and safety protection facilities which are examined as qualified by the relevant public security and fire protection departments;
- with safety management systems and measures to prevent leakage, fire and explosion;
- with a business system in compliance with relevant regulations; and
- with a certain number of qualified professional management and technical personnel.

In addition to the requirements specified in the preceding paragraph, the establishment of gas supply stations for gas powered motor vehicles shall have up-to-standard equipment to store, fill and measure the gas.

Gas supply station shall be subject to annual inspection and may not continue to engage in gas operation activities without taking the annual inspection or without passing the annual inspection.

The quality and pressure of the gas supplied by gas enterprises shall be in conformity with national standards, and gas enterprise shall ensure the normal and safe supply of gas. Gas enterprises may not supply gas to operators without the gas supply license.

Please refer to the paragraph headed “Business — Compliance with Laws, Rules and Regulations in the PRC — Licenses, permits and certificates for the operation of our business” for details of our compliance.

Use of gas

Any unit or resident who need to use gas shall apply for opening an account and undergo relevant approval procedures.

Gas users shall pay gas fees on time and in full. The calculation of the amount of gas consumption shall be in accordance with the record of gas measuring device which has been admitted by a legally qualified measuring inspection agency.

In case of failure to pay in time, from the date of late payment, late payment penalties will be imposed at the rate of 1% of the payment due each day for production and operation users, and 2‰ of the payment due each day for other users by pipelined gas enterprises. If any user fails to pay gas fees for three times consecutively or in two months and still fails to pay upon request, the gas

REGULATIONS

enterprises may suspend gas supply. The gas user shall pay in full the gas fee due and the late fee when it applies for resumption of gas use.

The quality and pressure of the gas supplied by gas enterprises shall be in conformity with national standards, and gas enterprise shall ensure the normal and safe supply of gas. Gas enterprises shall make notification of such matters as cutting-off of gas supply or depressurization operation due to construction or overhaul of the facilities 24 hours in advance to gas users, which would affect normal use of gas users.

Gas users shall cooperate in the meter reading, fee collection and safety inspection conducted by gas enterprises according to the relevant contract.

If any pipelined gas user moves, converts, reconstructs, damages or removes gas measuring devices, or connects the pipeline and uses gas before the gas measuring devices for the purposes of measuring no gas used or measuring less gas than actually used, it shall be deemed as stealing of gas. The gas enterprises may stop the supply of gas if anyone is found to be engaged in the stealing of gas and the supply of gas may not be resumed until relevant actions have been taken. The one who steals gas shall be responsible for the expenses incurred for the repair of damaged gas measuring devices or facilities.

The administration on gas safety

Gas enterprises shall put emphasis on the maintenance and managements of the gas facilities and arrange regular overhaul for gas facilities to ensure the safety operation of them.

No gas user is permitted to reconstruct or install pipelined gas facilities without authorization. Except for gas enterprises, no entity or individual may supplement or alter pipelined gas facilities which are not providing gas.

The gas pipelines may not be used as the weight-bearing stand or earthing conductor for electrical equipment and lightning protection facilities. It is not permitted to connect other electrical wires to the urban public distribution circuits and facilities for gas use specially.

The gas enterprises will be responsible for any gas safety accident related to the pipelined gas facilities uniformly installed by the gas enterprises which happens under the normal use of the users. The installation or maintenance entities will be responsible for any gas safety accident arising out of the installation or maintenance problems of the gas facilities installation and maintenance entities. The gas users will be responsible for act gas safety accident due to their unauthorized reconstruction or installation of gas facilities or the improper use of gas facilities and appliance.

The administration on gas facilities

The outdoor part of urban gas pipelines are public facilities, which will be managed and arranged for use by gas enterprises regardless of the investor or owner. No entity or individual may interfere with the maintenance and repair work or new user connection.

REGULATIONS

Circular on Facilitating Stable and Sound Development of the Real Estate Market (國務院辦公廳關於促進房地產市場平穩健康發展的通知)

The *Circular on Facilitating Stable and Sound Development of the Real Estate Market* (國務院辦公廳關於促進房地產市場平穩健康發展的通知) was promulgated by the General Office of the *State Council* on 10 January 2010. It mainly includes the following provisions:

- 11 specific measures which should be taken in five aspects — (i) increase the supply of economic housing for low-income families and common residential houses, (ii) encourage reasonable house buying while to restrain purchases for speculation and investment, (iii) strengthen the risk management for real estate project loans and market supervision, (iv) speed up the construction of housing projects for low-income households, and (v) specify the responsibilities of the local governments;
- efforts should be made to increase the construction of smaller-sized low and medium-priced apartments while increasing land supply for residential housing projects;
- governments at all levels should act to urge the property developers to expedite the project development and sales of finished projects;
- cities in China, especially those with high and excessively rising housing prices, should increase efforts to build more affordable or low-rent housing for low and medium income families; and
- local governments should increase efforts on the renovation of “shanty towns” and increase low-rent houses and affordable houses to low-income families.

The purpose of issuing the circular is to restrain the speculative activities in the property market and cooling down the property market with soaring prices in China. As the relevant measures may lead to a decrease of higher priced residential houses and an increase of smaller-sized low and medium-priced houses and low-rent houses, it is expected that the new measures to stabilize house prices will not have any material adverse effect on the operation and development of our Group.

Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities (《關於堅決遏制部分城市房價過快上漲的通知》)

The *Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities* (《關於堅決遏制部分城市房價過快上漲的通知》) was promulgated by the *State Council* on 17 April 2010, which provides for:

- the measures aim to restrict speculative property purchase and cool down the property market;
- first-home buyers have to pay more than 30 percent of property prices if the floor area of the house is above 90 square meters;
- increase in the amount of down-payment to 50% of the property price for the purchase of the second property and the mortgage interest rate to be no less than 1.1 times the benchmark rate in the PRC;
- the amount of down-payment and the mortgage interest rate for additional properties to be increased significantly as determined by the banks in accordance with their risk management policies; and

REGULATIONS

- provincial and municipal governments in areas with soaring prices can turn down or even suspend third-home loans.

Notice on Regulating the Identification Criteria on the Second House Related to Individual Housing Loan from Commercial Banks (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》)

The *Notice on Regulating the Identification Criteria on the Second House related to Individual Housing Loan from Commercial Banks* (關於規範商業性個人住房貸款中第二套住房認定標準的通知) was promulgated by the Ministry of Housing and Urban-Rural Development, the People's Bank of China and the China Banking Regulatory Commission on 26 May 2010, which provides for:

- the quantities of the houses owned by the home-buyer's family which contemplates to buy new house shall be calculated and identified according to the quantities of the houses actually owned by the family members respectively, including the borrower, his or her spouse, and children of minor age in the family;
- the relevant administration shall inquiry about the record of the property right registration related to the borrower's family through the housing registration system and issue the results thereof;
- the commercial bank shall implement more tougher loan policies on the second house and more than two houses for the following borrowers:
 - (i) the borrower who for the first time apply to loan on buying house with a record of owning one or more than one house in the local housing registration system.
 - (ii) the borrower who has bought one house or more than one house through commercial loan and apply for housing mortgage loan again.
 - (iii) the lender has gone through due diligence investigations in the form of credit registries inquiry, interviewing, etc. and assures itself that the borrower's family has owned one house or more than one house.
- for those non-residents who apply for housing loan and are able to provide with local tax payment certificates or social security payments certificates, the borrower shall implement differential housing credit policy according to the third point above.

For those non-residents who apply for housing loan and fail or unable to provide with local tax payment certificates or social security payments certificates, the borrower shall implement differential housing credit about the second house and more than two houses. In those areas with soaring prices commercial banks can stop lending money to third or multiple-home buyers

PRC LAWS AND REGULATIONS RELATED TO ENVIRONMENTAL PROTECTION

The *Environmental Protection Law* (環境保護法) promulgated on 26 December 1989 by the *Standing Committee of the National People's Congress* which became effective on 26 December 1989, establishes the legal framework for environmental protection in the PRC. The environmental protection department of the *State Council* supervises environmental protection work in the PRC, and establishes national standards for the discharge of pollutants. Each of the local environmental protection bureaus is in turn responsible for the environmental protection work within their respective jurisdictions.

REGULATIONS

PRC LAWS AND REGULATIONS RELATED TO LAND ADMINISTRATION

Under the *Interim Regulations of the People's Republic of China on Grant and Assignment of the Use Right of State-owned Urban Land* (城市國有土地使用權出讓和轉讓暫行條例) promulgated by the *State Council* in May 1990, China adopted a system to grant and assign the right to use state-owned land. A land user must pay a land premium to the State as consideration for the grant of the right to use a land site within a specified period of time, and the land user may assign, lease out, mortgage or otherwise commercially exploit the land use rights within the term of use. Under the relevant PRC laws and regulations, the land administration authority at the city or county level may enter into a land grant contract with the land user to provide for the grant of land use rights. The land user must pay the land premium as provided by the land use rights grant contract. After payment in full of the land premium, the land user may register with the land administration authority and obtain a land use rights certificate which evidences the acquisition of land use rights. The relevant PRC laws and regulations provide that land use rights for a site intended for real estate development must be obtained through grant except for land use rights which may be obtained through premium-free allocation by the PRC Government pursuant to the PRC laws or the stipulations of the *State Council*. Government-allocated land (政府劃撥土地) is not allowed to be transferred unless the transfer is approved by the relevant PRC Government authorities and the land premium as determined by the relevant PRC Government authorities has been paid.

When carrying out the feasibility study for a construction project, the construction entity must make a preliminary application for construction on the relevant site to the relevant land administration authority in accordance with the *Measures for Administration of Examination and Approval for Construction Sites* (建設用地審查報批管理辦法) promulgated by the *Ministry of Land and Resources* (國土資源部) in March 1999 and the *Measures for Administration of Preliminary Examination of Construction Project Sites* (建設項目用地預審管理辦法) promulgated by the *Ministry of Land and Resources* in July 2001, as amended in October 2004 and in November 2008. After receiving the preliminary application, the land administration authority will carry out preliminary examinations of various aspects of the construction project in compliance with the overall zoning plans and land supply policy of the government, and will issue a preliminary approval in respect of the project site if its examination proves satisfactory. The land administration authority at the relevant city or county will sign a land use rights grant contract with the land user and issue an approval for the construction site to the construction entity.

Under the *Measures for Control and Administration of Grant and Assignment of Right to Use Urban State-owned Land* (城鎮國有土地使用權出讓轉讓規劃管理辦法) promulgated by the *Ministry of Construction* in December 1992, the grantee under a land grant contract must further apply for a permit for construction site planning from the relevant municipal planning authority. After obtaining such permit, a real estate developer will organize the necessary planning and design work. Planning and design proposals in respect of a real estate development project are again subject to relevant reporting and approval procedures required under the *Law of the People's Republic of China on Urban and Rural Planning* (中華人民共和國城鄉規劃法) promulgated by the *National People's Congress* in October 2007 and local statutes on municipal planning. Upon approval by the authorities, a permit for construction works planning will be issued by the relevant municipal planning authority.

HISTORY AND CORPORATE STRUCTURE

INTRODUCTION

Our history dates back to 2002 when Hebi Tian Lun, one of our major operating subsidiaries, was established in the PRC. Prior to founding of our Group, Mr. Zhang, our Controlling Shareholder, and his family members had been engaging in various businesses such as investment holding and property development. In 2002, the PRC government had relaxed the entry barrier for private enterprises to engage in public utility business in the PRC. Foreseeing the business opportunity involved, Mr. Zhang and his family members set their feet in the pipelined gas industry in 2002 which was marked by the establishment of Hebi Tian Lun.

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 20 May 2010.

We are principally engaged in the gas pipeline connections operation and the transportation and sales of pipelined gas operation in Henan Province. We conduct pipeline connections operation by providing property developers and commercial and industrial users with laying and installation. Our new users generally engage us to provide gas pipeline connections prior to our transportation and distribution of natural gas or coal gas to them. We transport, distribute and sell pipelined natural gas or coal gas in three major urban areas of Henan Province, or our Operating Cities, pursuant to Concessions of 30 years or longer. We entered into Concession Agreements with the local governments of our Operating Cities by which they granted us the exclusive right to provide pipelined gas transportation and distribution in our Operating Cities. We also distribute and sell compressed natural gas as vehicular fuel, or CNG, through the CNG filling stations operated by us in two of our Operating Cities.

Our Company has a number of direct and indirect subsidiaries incorporated or established in the BVI, Hong Kong and the PRC. Upsky Holdings is a subsidiary of our Company incorporated in the BVI and Tian Lun New Energy is a subsidiary of our Company incorporated in Hong Kong. They are both the intermediate holding companies of our Group. Our operating subsidiaries were established in the PRC and their respective corporate history is set out in the paragraph below.

Upsky Holdings

Upsky Holdings was incorporated in the BVI with limited liability on 8 July 2003. Since its incorporation and up to immediately prior to the Corporate Reorganization, Upsky Holdings had been wholly-owned by Tian Lun Group, the entire issued share capital of which was owned by Mr. Zhang and Ms. Sun as to 60% and 40%, respectively. Upon completion of the Corporate Reorganization, Upsky Holdings became a wholly-owned subsidiary of our Company.

HISTORY AND CORPORATE STRUCTURE

Hebi Tian Lun

For the purpose of operating the gas business under the concession agreement detailed below, on 1 November 2002, Hebi Tian Lun was established in Hebi with a registered capital of RMB10 million which was contributed in cash by Henan Tian Lun Engineering Investment, Ms. Sun, Mr. Chen Huafeng (陳華峰先生) and Ms. Liu Jun (劉軍女士) as to RMB5.0 million, RMB2.0 million, RMB1.5 million and RMB1.5 million, respectively. At the time of its establishment, the equity interests in Hebi Tian Lun were owned by:

Name	Equity interests
Henan Tian Lun Engineering Investment	50.00%
Ms. Sun	20.00%
Mr. Chen Huafeng (陳華峰先生)	15.00%
Ms. Liu Jun (劉軍女士)	15.00%
Total	<u>100.00%</u>

On 1 November 2002, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a business license to Hebi Tian Lun. The above capital contribution had been verified by a capital verification report issued by a PRC accounting firm dated 28 October 2002.

Prior to the establishment of Hebi Tian Lun, on 5 September 2002, *Hebi Construction Committee* (鶴壁市建設委員會) and Henan Tian Lun Engineering Investment entered into a concession agreement, pursuant to which, among other matters, Henan Tian Lun Engineering Investment was granted the exclusive rights to construct, develop and operate natural gas facilities in the urban areas of Hebi City for a term of 30 years. Other material terms of such concession agreement include:

- (a) during the term of the concession agreement, Henan Tian Lun Engineering Investment has the ownership rights of the natural gas facilities developed and constructed by it;
- (b) Henan Tian Lun Engineering Investment may apply for extension of the exclusive rights granted under the concession agreement;
- (c) Henan Tian Lun Engineering Investment is entrusted with the management of the assets previously owned by the Gas Company of Hebi* (鶴壁市燃氣總公司), a State-owned enterprise;
- (d) Henan Tian Lun Engineering Investment has to assume the debts of the Gas Company of Hebi* (鶴壁市燃氣總公司);
- (e) Henan Tian Lun Engineering Investment has to repay the local labor department the organization fees in the amount of RMB1 million for the organization of labor insurance which is due from the Gas Company of Hebi* (鶴壁市燃氣總公司);
- (f) an annual fee in the amount of RMB1.1 million is payable to *Hebi Construction Committee* (鶴壁市建設委員會) for the exclusive rights granted under the concession agreement; and
- (g) Henan Tian Lun Engineering Investment is entitled to transfer all its rights and obligations under the concession agreement to Hebi Tian Lun.

HISTORY AND CORPORATE STRUCTURE

Hebi Tian Lun has assumed all rights and obligations of Henan Tian Lun Engineering Investment under such concession agreement since the date of its establishment. Grandall Legal Group has confirmed that Hebi Tian Lun has legally assumed all rights and obligations of Henan Tian Lun Engineering Investment under the concession agreement and has obtained all approvals in this regard.

Further details of Henan Tian Lun Engineering Investment are set out in the paragraph headed “Our Major Corporate Shareholder before the Corporate Reorganization” below.

Mr. Chen Huafeng (陳華峰先生) was a former equity holder of each of Hebi Tian Lun and Henan Tian Lun Engineering Investment, a former chairman and member of the board of directors of Hebi Tian Lun from September 2002 to April 2004, and is a member of the board of directors of Xuchang Tian Lun.

Save as being (i) a former equity holder of each of Hebi Tian Lun and Henan Tian Lun Engineering Investment; (ii) a member of the board of directors of Hebi Tian Lun from September 2002 to April 2004; and (iii) the current chairman of the labor union of Henan Tian Lun Real Estate, Ms. Liu Jun (劉軍女士) has no other relationship with our Company or any of our connected persons.

On 5 September 2003, Ms. Liu Jun (劉軍女士) entered into an equity transfer agreement with Henan Tian Lun Engineering Investment to transfer 1% of the equity interests in Hebi Tian Lun to Henan Tian Lun Engineering Investment for a consideration of RMB100,000, which was determined with reference to her capital contribution made to Hebi Tian Lun.

Upon completion of the equity transfer mentioned above, the equity interests in Hebi Tian Lun were owned by:

Name	Equity interests
Henan Tian Lun Engineering Investment	51.00%
Ms. Sun	20.00%
Mr. Chen Huafeng (陳華峰先生)	15.00%
Ms. Liu Jun (劉軍女士)	14.00%
Total	<u>100.00%</u>

On 26 April 2004, Henan Tian Lun Engineering Investment, Ms. Sun, Mr. Chen Huafeng (陳華峰先生), Ms. Liu Jun (劉軍女士) and Upsky Holdings entered into an equity transfer agreement, pursuant to which (i) Henan Tian Lun Engineering Investment transferred 31% of the equity interests in Hebi Tian Lun to Upsky Holdings for a consideration of RMB1.55 million; (ii) Ms. Sun transferred 20% of the equity interests in Hebi Tian Lun to Upsky Holdings for a consideration of RMB1 million; (iii) Mr. Chen Huafeng (陳華峰先生) transferred 15% of the equity interests in Hebi Tian Lun to Upsky Holdings for a consideration of RMB750,000; and (iv) Ms. Liu Jun (劉軍女士) transferred 14% of the equity interests in Hebi Tian Lun to Upsky Holdings for a consideration of RMB700,000. The considerations under the aforesaid equity transfer agreement were determined with reference to the net asset value of Hebi Tian Lun as at 29 February 2004 which amounted to RMB3,275,439.42 as stated in a valuation report issued by a PRC accounting firm on 12 April 2004. On 24 June 2004, the *Bureau of Commerce of Henan Province* (河南省商務廳) approved the aforesaid equity transfers. On 1 July 2004, the *People's Government of Henan Province* (河南省人民政府) granted an approval certificate to Hebi Tian Lun for its conversion into a sino-foreign equity joint venture enterprise. On 23 August 2004, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a new business license to Hebi Tian Lun.

HISTORY AND CORPORATE STRUCTURE

At the time of the equity transfers mentioned above, Hebi Tian Lun was operating at a loss. In order to realize the investment previously made in Hebi Tian Lun, Mr. Chen Huafeng (陳華峰先生) and Ms. Liu Jun (劉軍女士) entered into the equity transfer agreement with Upsky Holdings to transfer their respective equity interests in Hebi Tian Lun to Upsky Holdings.

Upon completion of the equity transfers mentioned above, the equity interests in Hebi Tian Lun were owned by:

Name	Equity interests
Upsky Holdings	80.00%
Henan Tian Lun Engineering Investment	20.00%
Total	<u>100.00%</u>

Upon completion of the Corporate Reorganization, Hebi Tian Lun became an indirect wholly-owned subsidiary of our Company and an intermediate holding company of all our subsidiaries in the PRC, further details of which are set out in the paragraph headed “Corporate Reorganization” below.

Xuchang Tian Lun

For the purpose of operating the gas business under the concession agreement detailed below, on 29 September 2003, Xuchang Tian Lun was established in Xuchang with a registered capital of RMB25 million which was contributed in cash by Henan Tian Lun Engineering Investment and Xuchang Shuang Li as to RMB20.5 million and RMB4.5 million, respectively. At the time of its establishment, the equity interests in Xuchang Tian Lun were owned by:

Name	Equity interests
Henan Tian Lun Engineering Investment	82.00%
Xuchang Shuang Li	18.00%
Total	<u>100.00%</u>

On 29 September 2003, *Xuchang Administration for Industry and Commerce* (許昌市工商行政管理局) issued a business license to Xuchang Tian Lun. The above capital contribution had been verified by a capital verification report issued by a PRC accounting firm dated 28 September 2003.

Prior to the establishment of Xuchang Tian Lun, on 25 March 2003, *Xuchang Planning and Development Committee* (許昌市發展計劃委員會) and Henan Tian Lun Engineering Investment entered into a concession agreement, pursuant to which, among other matters, Henan Tian Lun Engineering Investment, through a company to be established (i.e. Xuchang Tian Lun), was granted the exclusive rights to operate gas projects in the urban areas of Xuchang for a term of 50 years. In return, Xuchang Tian Lun has to assume debts in the aggregate amount of US\$3.85 million and the related interests and expenses owed by the Gas Company of Xuchang* (許昌市燃氣公司), which is a State-owned enterprise.

Xuchang Tian Lun has assumed all rights and obligations of Henan Tian Lun Engineering Investment under such concession agreement since the date of its establishment. Grandall Legal Group has confirmed that Xuchang Tian Lun has legally assumed all rights and obligations of Henan

HISTORY AND CORPORATE STRUCTURE

Tian Lun Engineering Investment under the concession agreement and has obtained all approvals in this regard.

As advised by Grandall Legal Group, the *Measures on the Administration of the Franchising of Municipal Public Utilities* (市政公用事業特許經營管理辦法), which came into effect on 1 May 2004 and specifies that the term for the rights granted under a concession agreement shall not exceed 30 years, has no retrospective effect on the concession agreement entered into between *Xuchang Planning and Development Committee* (許昌市發展計劃委員會) and Henan Tian Lun Engineering Investment on 25 March 2003. Accordingly, the concession term of 50 years granted under the aforesaid concession agreement is valid and effective.

On 5 March 1998, Xuchang Shuang Li was established as a company with limited liability in the PRC. As confirmed by our Directors after having made all reasonable enquiries, save as being a shareholder of Xuchang Tian Lun since the date of its establishment and up to 31 December 2009, the date on which Xuchang Shuang Li ceased to be an equity holder of Xuchang Tian Lun, Xuchang Shuang Li and its ultimate beneficial owners have no other relationship with our Company or any of our connected persons.

On 31 October 2003, Xuchang Shuang Li entered into an equity transfer agreement with Henan Tian Lun Engineering Investment to transfer 8% of the equity interests in Xuchang Tian Lun to Henan Tian Lun Engineering Investment for a consideration of RMB2 million, which was determined with reference to its capital contribution made to Xuchang Tian Lun.

Upon completion of the equity transfer mentioned above, the equity interests in Xuchang Tian Lun were owned by:

Name	Equity interests
Henan Tian Lun Engineering Investment	90.00%
Xuchang Shuang Li	<u>10.00%</u>
Total	<u><u>100.00%</u></u>

On 7 January 2004, Xuchang Tian Lun entered into a debt assignment with, among others, the Gas Company of Xuchang* (許昌市燃氣公司) and the *Finance Bureau of Xuchang* (許昌市財政局) in accordance with the terms of the concession agreement entered into between *Xuchang Planning and Development Committee* (許昌市發展計劃委員會) and Henan Tian Lun Engineering Investment dated 25 March 2003. Pursuant to the aforesaid debt assignment, Xuchang Tian Lun agreed, among other matters, to assume debts in the aggregate amount of US\$3.85 million owed by the Gas Company of Xuchang* (許昌市燃氣公司), which is a State-owned enterprise.

On 15 December 2008, pursuant to Civil Judgment ((2008) Wei Min Er Chu Zi No. 211) (民事判決書[(2008)魏民二初字第211號]), the People's Court in Weidu District, Xuchang, Henan (河南省許昌市魏都區人民法院) ruled that Xuchang Shuang Li had to repay Henan Tian Lun Engineering Investment a debt amounted to RMB2.5 million plus accrued interest. Xuchang Shuang Li filed an appeal relating to Civil Judgment ((2008) Wei Min Er Chu Zi No. 211) (民事判決書[(2008)魏民二初字第211號]) to the Intermediate People's Court of Xuchang, Henan (河南省許昌市中級人民法院). As Xuchang Shuang Li failed to pay the necessary appeal fees, on 19 May 2009, the Intermediate People's Court of Xuchang, Henan (河南省許昌市中級人民法院) confirmed the dismissal of the appeal of Xuchang Shuang Li. As Xuchang Shuang Li failed to repay the debt to Henan Tian Lun Engineering Investment, on 28 December 2009, the People's Court in Weidu District, Xuchang, Henan (河南省許昌市魏都區人民法院) ruled that Xuchang Shuang Li had to transfer

HISTORY AND CORPORATE STRUCTURE

its 10% of the equity interests in Xuchang Tian Lun, which was valued at RMB2,526,800, to Henan Tian Lun Engineering Investment for the settlement of the debt. On 31 December 2009, the aforesaid equity transfer was completed and *Xuchang Administration for Industry and Commerce* (許昌市工商行政管理局) issued a new business license to Xuchang Tian Lun. Xuchang Tian Lun became a wholly-owned subsidiary of Henan Tian Lun Engineering Investment. As confirmed by Grandall Legal Group, the transfer of equity interest in Xuchang Tian Lun from Xuchang Shuang Li to Henan Tian Lun Engineering Investment as settlement of the debt was final, valid, binding and upon completion of the transfer, Henan Tian Lun Engineering Investment was entitled to all rights under the 10% of the equity interests in Xuchang Tian Lun transferred from Xuchang Shuang Li.

Upon completion of the Corporate Reorganization, Xuchang Tian Lun became an indirect wholly-owned subsidiary of our Company, further details of which are set out in the paragraph headed “Corporate Reorganization” below.

Shangjie Tian Lun

For the purpose of operating the assets acquired under the asset rights transfer agreement detailed below, on 18 July 2007, Shangjie Tian Lun was established in Zhengzhou with a registered capital of RMB15 million which was contributed in cash by Henan Tian Lun Engineering Investment and Zhengzhou Chengxin as to RMB13.5 million and RMB1.5 million, respectively. At the time of its establishment, the equity interests in Shangjie Tian Lun were owned by:

<u>Name</u>	<u>Equity interests</u>
Henan Tian Lun Engineering Investment	90.00%
Zhengzhou Chengxin	<u>10.00%</u>
Total	<u><u>100.00%</u></u>

On 18 July 2007, Shangjie Branch of *Zhengzhou Administration for Industry and Commerce* (鄭州市工商行政管理局上街分局) issued a business license to Shangjie Tian Lun. The above capital contribution had been verified by a capital verification report issued by a PRC accounting firm dated 16 July 2007.

Zhengzhou Chengxin is a State-owned enterprise established in the PRC on 22 November 2004. As confirmed by our Directors after having made all reasonable enquiries, save as being a shareholder of Shangjie Tian Lun, Zhengzhou Chengxin and its ultimate beneficial owners have no other relationship with our Company or any of its connected persons. As at the Latest Practicable Date, our Directors confirm that there is no other agreement or arrangement entered into between our Group and Zhengzhou Chengxin in connection with Shangjie Tian Lun, which is material to our operations or financial position.

Prior to the establishment of Shangjie Tian Lun, on 22 June 2007, the *Finance Bureau of Shangjie, Zhengzhou* (鄭州市上街區財政局) and Henan Tian Lun Engineering Investment entered into an asset rights transfer agreement and a supplemental agreement, pursuant to which, among other matters, Henan Tian Lun Engineering Investment acquired all the State-owned assets owned by Zhengzhou Shangjie Gas Limited* (鄭州市上街區燃氣有限公司), a State-owned enterprise, for a consideration of RMB9.5 million which was determined with reference to the net asset value of Zhengzhou Shangjie Gas Limited* (鄭州市上街區燃氣有限公司) as at 31 March 2007 which amounted to RMB11,603,700 based on a valuation report issued by a PRC valuer on 11 April 2007. Under such asset rights transfer agreement, Henan Tian Lun Engineering Investment also agreed to assume a loan amounted to approximately RMB16 million owed by Zhengzhou Shangjie Gas Limited*

HISTORY AND CORPORATE STRUCTURE

(鄭州市上街區燃氣有限公司) to the State. Subsequent to the entering into of the aforesaid asset rights transfer agreement and the supplemental agreement, on 20 July 2007, Shangjie Tian Lun entered into an asset rights transfer agreement with Henan Tian Lun Engineering Investment to purchase all the State-owned assets acquired from Zhengzhou Shangjie Gas Limited* (鄭州市上街區燃氣有限公司) for a consideration of RMB9.5 million plus a payment of RMB16.26 million to Henan Tian Lun Engineering Investment for settlement of the loan due to the State assumed by Henan Tian Lun Engineering Investment in accordance with the terms of the asset rights transfer agreement entered into between Henan Tian Lun Engineering Investment and the *Finance Bureau of Shangjie, Zhengzhou* (鄭州市上街區財政局) dated 22 June 2007.

As part of the arrangement contemplated under the asset rights transfer agreement and the supplemental agreement entered into between Henan Tian Lun Engineering Investment and the *Finance Bureau of Shangjie, Zhengzhou* (鄭州市上街區財政局) dated 22 June 2007, on 20 July 2007, the *Construction Bureau of Shangjie, Zhengzhou, Henan* (河南省鄭州市上街區建設局) and Shangjie Tian Lun entered into a concession agreement, pursuant to which, among others, Shangjie Tian Lun was granted the exclusive rights to operate and maintain gas facilities in the prescribed areas of Shangjie for a term from 20 May 2007 to 20 May 2037. Shangjie Tian Lun is entitled to apply for extension of the exclusive rights granted under such concession agreement.

Upon completion of the Corporate Reorganization, Shangjie Tian Lun became an indirect non wholly-owned subsidiary of our Company, further details of which are set out in the paragraph headed “Corporate Reorganization” below.

Hebi Tian Lun Vehicle

On 29 October 2007, Hebi Tian Lun Vehicle was established in Hebi with a registered capital of RMB10 million which was contributed in cash by Henan Tian Lun Engineering Investment and Hebi Tian Lun as to RMB9 million and RMB1 million, respectively. On 29 October 2007, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a business license to Hebi Tian Lun Vehicle. As advised by Grandall Legal Group, the capital contribution of Hebi Tian Lun Vehicle was completed in two phases. The first phase of capital contribution in the amount of RMB3 million was contributed by Henan Tian Lun Engineering Investment in cash and the second phase of capital contribution was contributed by Henan Tian Lun Engineering Investment and Hebi Tian Lun as to RMB6 million and RMB1 million in cash, respectively. The above capital contributions had been verified by two capital verification reports issued by a PRC accounting firm dated 25 September 2007 and 23 June 2008, respectively. On 25 June 2008, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a new business license to Hebi Tian Lun Vehicle.

At the time of its establishment, the equity interests in Hebi Tian Lun Vehicle were owned by:

Name	Equity interests
Henan Tian Lun Engineering Investment	90.00%
Hebi Tian Lun	<u>10.00%</u>
Total	<u><u>100.00%</u></u>

Upon completion of the Corporate Reorganization, Hebi Tian Lun Vehicle became an indirect wholly-owned subsidiary of our Company, further details of which are set out in the paragraph headed “Corporate Reorganization” below.

HISTORY AND CORPORATE STRUCTURE

Xuchang Tian Lun Vehicle

On 12 September 2008, Xuchang Tian Lun Vehicle was established in Xuchang with a registered capital of RMB10 million which was contributed in cash by Henan Tian Lun Engineering Investment and Xuchang Tian Lun as to RMB8 million and RMB2 million, respectively. On 12 September 2008, *Xuchang Administration for Industry and Commerce* (許昌市工商行政管理局) issued a business license to Xuchang Tian Lun Vehicle. Pursuant to the articles of Xuchang Tian Lun Vehicle, the capital contribution of Xuchang Tian Lun Vehicle should be completed in two phases. The first phase of capital contribution should be contributed by Henan Tian Lun Engineering Investment and Xuchang Tian Lun as to RMB4 million and RMB1 million in cash, respectively, before 30 September 2008. The second phase should be contributed by Henan Tian Lun Engineering Investment as to RMB4 million and Xuchang Tian Lun as to RMB1 million in cash before 31 August 2010. Following the acquisition of Xuchang Tian Lun Vehicle by Hebi Tian Lun, further details of which are set out in the paragraph headed “Acquisition of equity interests in subsidiaries in the PRC” below, Hebi Tian Lun had contributed RMB5 million for full contribution under the second phase capital contribution as required by the articles of Xuchang Tian Lun Vehicle before 31 August 2010. The above capital contributions had been verified by two capital verification reports issued by a PRC accounting firm dated 4 September 2008 and 30 June 2010, respectively. On 5 July 2010, *Xuchang Administration for Industry and Commerce* (許昌市工商行政管理局) issued a new business license to Xuchang Tian Lun Vehicle.

At the time of its establishment, the equity interests in Xuchang Tian Lun Vehicle were owned by:

Name	Equity interests
Henan Tian Lun Engineering Investment	80.00%
Xuchang Tian Lun	<u>20.00%</u>
Total	<u><u>100.00%</u></u>

Upon completion of the Corporate Reorganization, Xuchang Tian Lun Vehicle became an indirect wholly-owned subsidiary of our Company, further details of which are set out in the paragraph headed “Corporate Reorganization” below.

Hebi New Energy

On 13 May 2010, Hebi New Energy was established in Hebi with a registered capital of RMB15 million which was solely contributed in cash by Henan Tian Lun Engineering Investment. On 13 May 2010, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a business license to Hebi New Energy. The above capital contribution had been verified by a capital verification report issued by a PRC accounting firm dated 6 May 2010.

Upon completion of the Corporate Reorganization, Hebi New Energy became an indirect wholly-owned subsidiary of our Company, further details of which are set out in the paragraph headed “Corporate Reorganization” below.

Our Major Corporate Shareholder before the Corporate Reorganization

Henan Tian Lun Engineering Investment

Henan Tian Lun Engineering Investment was established in the PRC on 10 May 2002 and was a former shareholder of all of our subsidiaries in the PRC.

HISTORY AND CORPORATE STRUCTURE

As at 1 November 2002 (the date of establishment of Hebi Tian Lun and the founding date of our Group), the effective interests of Mr. Zhang and his associates in Henan Tian Lun Engineering Investment was approximately 22.24%. As at 1 January 2007 (the beginning of the Track Record Period), the effective interest of Mr. Zhang and his associates in Henan Tian Lun Engineering Investment was approximately 75%. Since then, the effective interest of Mr. Zhang and his associates in Henan Tian Lun Engineering Investment had increased continuously and reached 100% as at 1 December 2009. On 5 January 2010, following the transfer 25% of equity interest in Henan Tian Lun Holdings to Mr. Zhang DY by Henan Tian Lun Engineering Investment, the effective interest of Mr. Zhang and his associate was reduced to 75% and remained the same up to 30 June 2010 (the end date of the Track Record Period). Please refer to the section headed “Relationship with Our Controlling Shareholders and Their Associates — Henan Tian Lun Engineering Investment and Henan Tian Lun Holdings” in this Prospectus for details.

Corporate Reorganization

Our Company completed the Corporate Reorganization on 11 October 2010 in preparation for the Listing pursuant to which our Company became the ultimate holding company of our Group. The following sets out certain major steps involved in the Corporate Reorganization:

Incorporation of Tian Lun New Energy by Upsky Holdings

On 10 May 2010, Tian Lun New Energy was incorporated as a company with limited liability in Hong Kong. Tian Lun New Energy is a wholly-owned subsidiary of Upsky Holdings. As part of the Corporate Reorganization, Tian Lun New Energy became the direct holding company of Hebi Tian Lun which in turn, is the holding company of all our subsidiaries in the PRC.

Acquisition of Equity Interests in Subsidiaries in the PRC

As part of the Corporate Reorganization, on 15 May 2010, Tian Lun New Energy entered into an equity transfer agreement with Upsky Holdings and Henan Tian Lun Engineering Investment, pursuant to which (i) Upsky Holdings transferred 80% of the equity interests in Hebi Tian Lun to Tian Lun New Energy for a consideration of RMB9.2 million; and (ii) Henan Tian Lun Engineering Investment transferred 20% of the equity interests in Hebi Tian Lun to Tian Lun New Energy for a consideration of RMB2.3 million. The consideration for each of the aforesaid equity transfers was determined with reference to the net asset value of Hebi Tian Lun as at 31 March 2010 which amounted to RMB13,025,300 based on a valuation report issued by a PRC valuer on 27 April 2010. On 22 June 2010, the *Bureau of Commerce of Henan Province* (河南省商務廳) approved the aforesaid equity transfers. On 25 June 2010, the *People’s Government of Henan Province* (河南省人民政府) granted an approval certificate to Hebi Tian Lun for its conversion into a wholly-foreign owned enterprise. On 28 June 2010, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a new business license to Hebi Tian Lun. Hebi Tian Lun became a wholly-owned subsidiary of Tian Lun New Energy.

On 29 June 2010, Hebi Tian Lun entered into an equity transfer agreement with Henan Tian Lun Engineering Investment, pursuant to which Henan Tian Lun Engineering Investment transferred 100% of the equity interests in Xuchang Tian Lun to Hebi Tian Lun for a consideration of RMB29 million, which was determined with reference to the net asset value of Xuchang Tian Lun as at 31 March 2010 which amounted to RMB32,434,400 based on a valuation report issued by a PRC valuer on 19 April 2010. On 29 June 2010, the *Bureau of Commerce of Xuchang* (許昌市商務局) approved the aforesaid equity transfer and the *People’s Government of Henan Province*

HISTORY AND CORPORATE STRUCTURE

(河南省人民政府) granted an approval certificate to Xuchang Tian Lun for its conversion into a domestic enterprise invested by foreign-invested enterprise. On 30 June 2010, *Xuchang Administration for Industry and Commerce* (許昌市工商行政管理局) issued a new business license to Xuchang Tian Lun. Xuchang Tian Lun became a wholly-owned subsidiary of Hebi Tian Lun.

On 29 June 2010, Hebi Tian Lun entered into an equity transfer agreement with Henan Tian Lun Engineering Investment, pursuant to which Henan Tian Lun Engineering Investment transferred 90% of the equity interests in Shangjie Tian Lun to Hebi Tian Lun for a consideration of RMB24.75 million, which was determined with reference to the net asset value of Shangjie Tian Lun as at 31 March 2010 which amounted to RMB29,695,100 based on a valuation report issued by a PRC valuer on 19 April 2010. On 29 June 2010, the *Bureau of Commerce of Zhengzhou* (鄭州市商務局) approved the aforesaid equity transfer and the *People's Government of Henan Province* (河南省人民政府) granted an approval certificate to Shangjie Tian Lun for its conversion into a domestic enterprise invested by foreign-invested enterprise. On 30 June 2010, *Shangjie Branch of Zhengzhou Administration for Industry and Commerce* (鄭州市工商行政管理局上街分局) granted a new business license to Shangjie Tian Lun. Shangjie Tian Lun became a non wholly-owned subsidiary of Hebi Tian Lun.

On 29 June 2010, Hebi Tian Lun entered into an equity transfer agreement with Henan Tian Lun Engineering Investment, pursuant to which Henan Tian Lun Engineering Investment transferred 90% of the equity interests in Hebi Tian Lun Vehicle to Hebi Tian Lun for a consideration of RMB9.18 million, which was determined with reference to the net asset valuation of Hebi Tian Lun Vehicle as at 31 March 2010 which amounted to RMB10,458,200 based on a valuation report issued by a PRC valuer on 19 April 2010. On 29 June 2010, the *Bureau of Commerce of Qi Bin District, Hebi* (鶴壁市淇濱區商務局) approved the aforesaid equity transfer. On 30 June 2010, the *People's Government of Henan Province* (河南省人民政府) granted an approval certificate to Hebi Tian Lun Vehicle for its conversion into a domestic enterprise invested by foreign-invested enterprise. On 30 June 2010, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a new business license to Hebi Tian Lun Vehicle. Hebi Tian Lun Vehicle became a wholly-owned subsidiary of Hebi Tian Lun.

On 29 June 2010, Henan Tian Lun Engineering Investment and Xuchang Tian Lun entered into an equity transfer agreement with Hebi Tian Lun, pursuant to which, Henan Tian Lun Engineering Investment and Xuchang Tian Lun transferred 80% and 20% of the equity interests in Xuchang Tian Lun Vehicle to Hebi Tian Lun for a consideration of RMB4.16 million and RMB1.04 million, respectively. The aforesaid considerations were determined with reference to the net asset value of Xuchang Tian Lun Vehicle as at 31 March 2010 which amounted to RMB5,190,700 based on a valuation report issued by a PRC valuer on 19 April 2010. On 29 June 2010, the *Bureau of Commerce of Xuchang* (許昌市商務局) approved the aforesaid equity transfer and the *People's Government of Henan Province* (河南省人民政府) granted an approval certificate to Xuchang Tian Lun Vehicle for its conversion into a domestic enterprise invested by foreign-invested enterprise. On 5 July 2010, *Xuchang Administration for Industry and Commerce* (許昌市工商行政管理局) issued a new business license to Xuchang Tian Lun Vehicle. Xuchang Tian Lun Vehicle became a wholly-owned subsidiary of Hebi Tian Lun.

On 29 June 2010, Hebi Tian Lun entered into an equity transfer agreement with Henan Tian Lun Engineering Investment, pursuant to which Henan Tian Lun Engineering Investment transferred 100% of the equity interests in Hebi New Energy to Hebi Tian Lun for a consideration of RMB15 million, which was determined with reference to the capital contribution of Henan Tian Lun Engineering Investment made to Hebi New Energy. On 29 June 2010, the *Bureau of Commerce of Qi Bin District, Hebi* (鶴壁市淇濱區商務局) approved the aforesaid equity transfer. On 30 June 2010, the

HISTORY AND CORPORATE STRUCTURE

People's Government of Henan Province (河南省人民政府) granted an approval certificate to Hebi New Energy for its conversion into a domestic enterprise invested by foreign-invested enterprise. On 30 June 2010, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a new business license to Hebi New Energy. Hebi New Energy became a wholly-owned subsidiary of Hebi Tian Lun.

In order to finance the payment obligation of Tian Lun New Energy and Hebi Tian Lun under the various equity transfer agreements as aforesaid, Tian Lun Group subscribed for one share in Upsky Holdings for the consideration of HK\$93,050,000. Subsequently, Upsky Holdings subscribed for one share in Tian Lun New Energy for the consideration of HK\$94,350,000, of which HK\$93,050,000 was the subscription proceeds received by Upsky Holdings from the aforesaid subscription of share by Tian Lun Group. Tian Lun New Energy then injected HK\$91,650,000, being part of the subscription proceeds, into Hebi Tian Lun. HK\$2,700,000, being the remaining subscription proceeds, was used by Tian Lun New Energy as payment of consideration to Henan Tian Lun Engineering Investment for the transfer of its 20% of the equity interests in Hebi Tian Lun to Tian Lun New Energy.

The increase in the registered capital of Hebi Tian Lun from RMB10 million to RMB90 million was approved by the *Bureau of Commerce of Henan Province* (河南省商務廳) on 22 July 2010. On 22 July 2010, the *People's Government of Henan Province* (河南省人民政府) granted an approval certificate to Hebi Tian Lun for its increase in registered capital. On 31 August 2010, *Hebi Administration for Industry and Commerce* (鶴壁市工商行政管理局) issued a new business license to Hebi Tian Lun on the increased registered capital. The aforesaid increase in registered capital of Hebi Tian Lun had been verified by two capital verification reports issued by a PRC accounting firm dated 10 August 2010 and 27 August 2010, respectively.

Grandall Legal Group has confirmed that all registered capital and increase in registered capital of our PRC subsidiaries, including the increase in registered capital of Hebi Tian Lun as contemplated under the Corporate Reorganization, have been fully paid up within the required timeframe.

On 11 October 2010, our Company entered into a sale and purchase agreement with Tian Lun Group and Pleasant New, pursuant to which (i) Tian Lun Group transferred all the shares it held in Upsky Holdings to our Company and as consideration, 932,999 Shares, all credited as fully paid, were allotted to Tian Lun Group and the one nil paid Share then held by Tian Lun Group was credited as fully paid at par; and (ii) Pleasant New transferred all the shares it held in Upsky Holdings to our Company and as consideration, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New. Upon completion of the aforesaid share transfers, Upsky Holdings became a direct wholly-owned subsidiary of our Company and our Company became the holding company of our Group.

Grandall Legal Group has confirmed that we have obtained all necessary approvals, licenses and permits under relevant PRC laws and regulations in connection with the Corporate Reorganization.

Further details of the Corporate Reorganization are set out in the paragraph headed "Corporate Reorganization" in Appendix VI to this Prospectus.

After completion of the Corporate Reorganization and before Capitalization Issue and the Global Offering, Tian Lun Group transferred 83,000 Shares, representing approximately 8.3% of the entire issued share capital of our Company immediately before completion of the Capitalization

HISTORY AND CORPORATE STRUCTURE

Issue and the Global Offering, to Chequers Development at a nominal consideration of HK\$1, on 12 October 2010.

Allotment and Issue of Shares to Pleasant New

Pleasant New is a company incorporated in the BVI and legally wholly-owned by Mr. Xian. Pursuant to two declarations of trust executed by Mr. Xian on 6 July 2010, Mr. Xian holds 5,000 shares (representing 10% of the total issued share capital) in Pleasant New on behalf of Mr. Feng and 5,000 shares (representing 10% of the total issued share capital) in Pleasant New on behalf of Mr. Sun. Mr. Xian, Mr. Feng and Mr. Sun are our executive Directors.

As advised by Grandall Legal Group, Mr. Feng and Mr. Sun had engaged Mr. Xian to complete the registration procedures on and for their behalf as required under “Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies” (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “Circular 75”) and such registration had been completed in accordance with the Circular 75. As confirmed by each of Mr. Xian, Mr. Feng and Mr. Sun, the trust arrangements in respect of Pleasant New are for time-saving purpose for completion of the required registration process under the Circular 75. As advised by Appleby, the legal advisors to our Company as to BVI laws on the trust arrangements in respect of Pleasant New, the two declarations of trust executed by Mr. Xian referred above have been duly authorized and executed by Mr. Xian and contain valid, binding and enforceable obligations on the part of Mr. Xian under the laws of the BVI.

On 6 July 2010, Tian Lun Group entered into a share transfer agreement with Pleasant New pursuant to which, Tian Lun Group transferred 670 shares (representing approximately 6.7% of the total issued share capital of Upsky Holdings as at 6 July 2010) in Upsky Holdings to Pleasant New for a consideration of HK\$35,011,500. Such consideration was determined with reference to 6.7% of the fair value of our Group as at 6 July 2010 which amounted to RMB30,509,000 based on the valuation appraised by an independent valuer.

For the purpose of financing the payment of the consideration under the share transfer agreement, Pleasant New borrowed a loan of HK\$35,011,500 from Chequers Development. The loan shall be fully repaid by Pleasant New within 42 months upon receipt of the full amount of the loan. Interest at the prevailing bank lending rate per annum is chargeable on the loan. Chequers Development is a company wholly-owned by Mr. Zhang. Mr. Xian, Mr. Feng and Mr. Sun provided personal guarantee to Chequers Development to secure the loan.

On 11 October 2010, Pleasant New entered into a sale and purchase agreement with our Company pursuant to which, Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New. The 67,000 Shares allotted and issued to Pleasant New represent approximately 6.7% of the entire issued share capital of our Company immediately before completion of the Capitalization Issue and the Global Offering. Based on the issued share capital of 798,000,000 Shares, being the aggregate of the number of Shares in issue as at the Latest Practicable Date and the number of Shares to be issued pursuant to the Capitalization Issue and the Global Offering excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, the investment cost of Pleasant New is approximately HK\$0.87 per Share, which represents a discount of approximately 51.26% to the mid-point of the indicative Offer Price range at HK\$1.785 per Share. The main purpose of the aforesaid allotment and issue of Shares is to retain Mr. Xian, Mr. Feng and Mr. Sun, all of whom are

HISTORY AND CORPORATE STRUCTURE

key personnel of our Group, and to encourage them to continue to contribute to the growth and future success of our Group.

Each of Mr. Xian, Mr. Feng and Mr. Sun has confirmed that the sole business of Pleasant New is the holding of the Shares allotted and issued by our Company, and Pleasant New shall not engage in any other business. Pleasant New has undertaken that it will not dispose of the Shares from the date on which it acquired the Shares and up to the end of a six-month period commencing from the Listing Date. Each of Mr. Xian, Mr. Feng and Mr. Sun has undertaken not to dispose of his interests in Pleasant New (or request Pleasant New to dispose of any of the Shares) from the date on which Pleasant New acquired the Shares and up to the end of a six-month period commencing from the Listing Date.

PRC REGULATORY ISSUES

As provided in the “*Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors*” (《關於外國投資者併購境內企業的規定》) (the “M&A Rules”), which came into force on 8 September 2006, the acquisition of a domestic enterprise by a foreign investor means that a foreign investor purchases the equity of the shareholders of a domestic non-foreign invested enterprise (hereinafter referred to as “domestic company”) or subscribes to the increased capital of a domestic company, and thus changes the domestic company into a foreign-invested enterprise; or, a foreign investor establishes a foreign-invested enterprise, and through which it purchases by agreement the assets of a domestic enterprise and operates its assets, or, a foreign investor purchases by agreement the assets of a domestic enterprise, and then invests such assets to establish a foreign-invested enterprise and operates the assets.

Where the shareholders of an overseas company purchase the equity of shareholders in a domestic company or the additional equity issued by the domestic company with the equity it holds in the overseas company or the additional equity issued by the overseas company as payment method for purposes of overseas listing of the special purpose vehicle, the overseas listing shall be subject to approval of the securities regulatory institution of the *State Council*.

As advised by Grandall Legal Group, since Hebi Tian Lun had transformed into a sino-foreign equity joint venture enterprise on 23 August 2004, the transfer of all equity interests in Hebi Tian Lun held by its domestic and overseas shareholders to Tian Lun New Energy constitutes the transfer of equity interests in a foreign invested enterprise. Therefore, the acquisition of all equity interests in Hebi Tian Lun by Tian Lun New Energy does not constitute the “acquisition of a domestic enterprise by a foreign investor” as defined in the M&A Rules, and accordingly, no approval of the *PRC Ministry of Commerce* is required. The acquisition of all equity interests in Hebi Tian Lun by Tian Lun New Energy by cash consideration does not constitute the “the acquisition of the equity interest in a domestic company by a special purpose vehicle through equity swap (特殊目的公司換股收購境內公司股權)” as defined in the M&A Rules and accordingly, the M&A Rules do not apply to the Corporate Reorganization and the Listing is not subject to approval of the MOFCOM or the CSRC.

According to the “*Notice on Relevant Issues concerning Foreign Exchange Administration for Domestic Residents to Engage in Financing and in Return Investment via Overseas Special Purpose Companies*” (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “Circular 75”) implemented on 1 November 2005, a PRC domestic resident legal person or a PRC domestic resident natural person is required to effect foreign exchange registration with the local foreign exchange bureau when such domestic resident uses its/his/her enterprise assets or interests in the PRC to establish or take control of an overseas special purpose company and its/his/her domestic

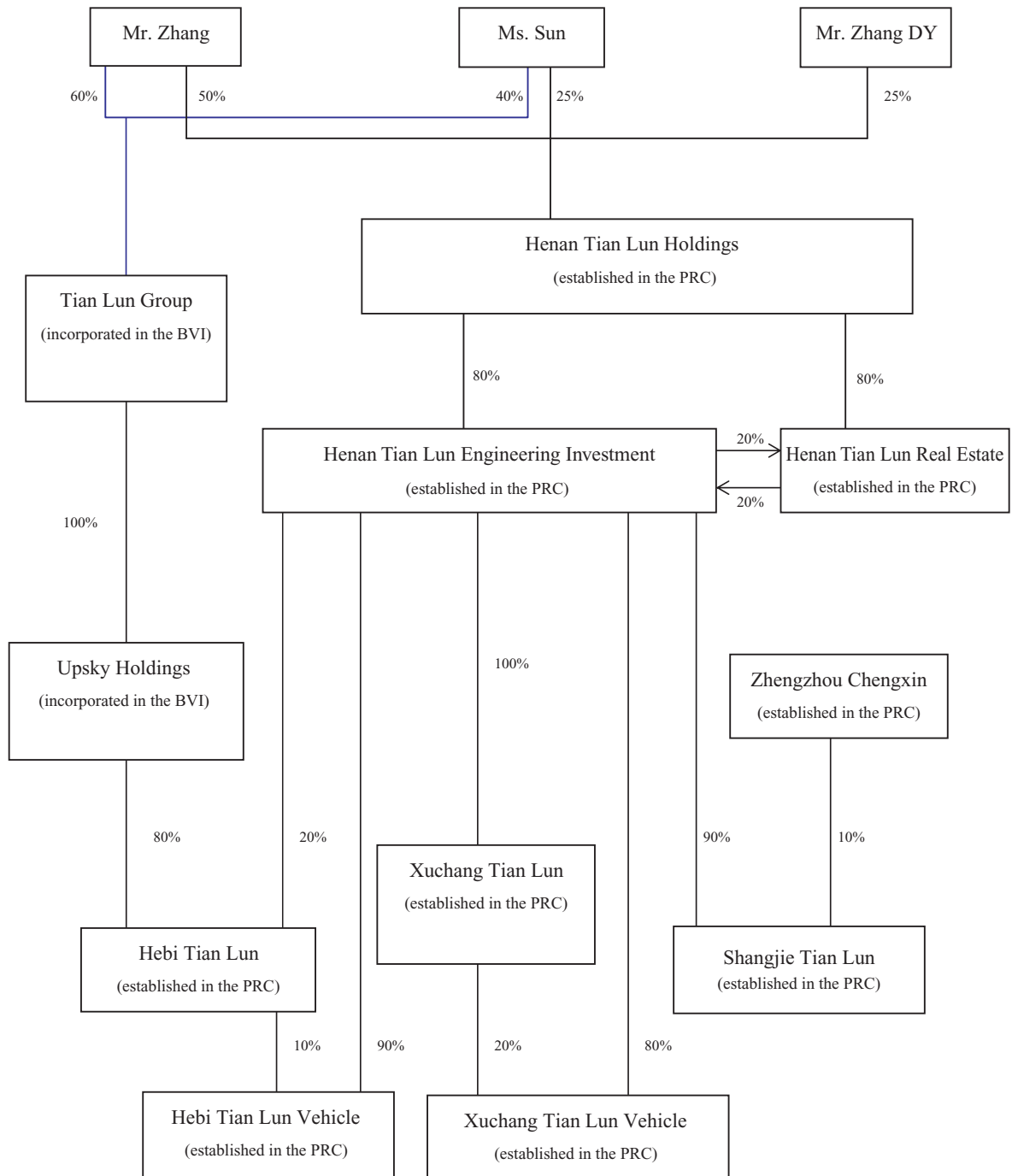
HISTORY AND CORPORATE STRUCTURE

enterprises receive round-trip investments from funds raised by such overseas special purpose company.

As advised by Grandall Legal Group, Mr. Zhang, Mr. Zhang DY, Ms. Sun and Mr. Xian, all of whom are PRC domestic residents, had completed the relevant registration procedures and subsequent registration for changes at the *Henan Bureau of the SAFE* (國家外匯管理局河南省分局) in compliance with the requirements under the Circular 75. Pursuant to the *Notice on Printing and Distributing the Operating Rules for the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Reverse Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies* (關於印發《國家外匯管理局關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》操作規程的通知) (“Notice 106”) issued on 29 May 2007 by the General Affairs Department under the SAFE, major shareholder who owns 5% or more shareholding shall complete the registration procedures required under the Circular 75 on his own account. For those shareholders with shareholding less than 5%, they may engage others to complete the filing process under the Circular 75 on and for behalf of them. As advised by Grandall Legal Group, Mr. Feng and Mr. Sun had engaged Mr. Xian to complete the required Circular 75 registration procedures on and for their behalf and such registration had been completed.

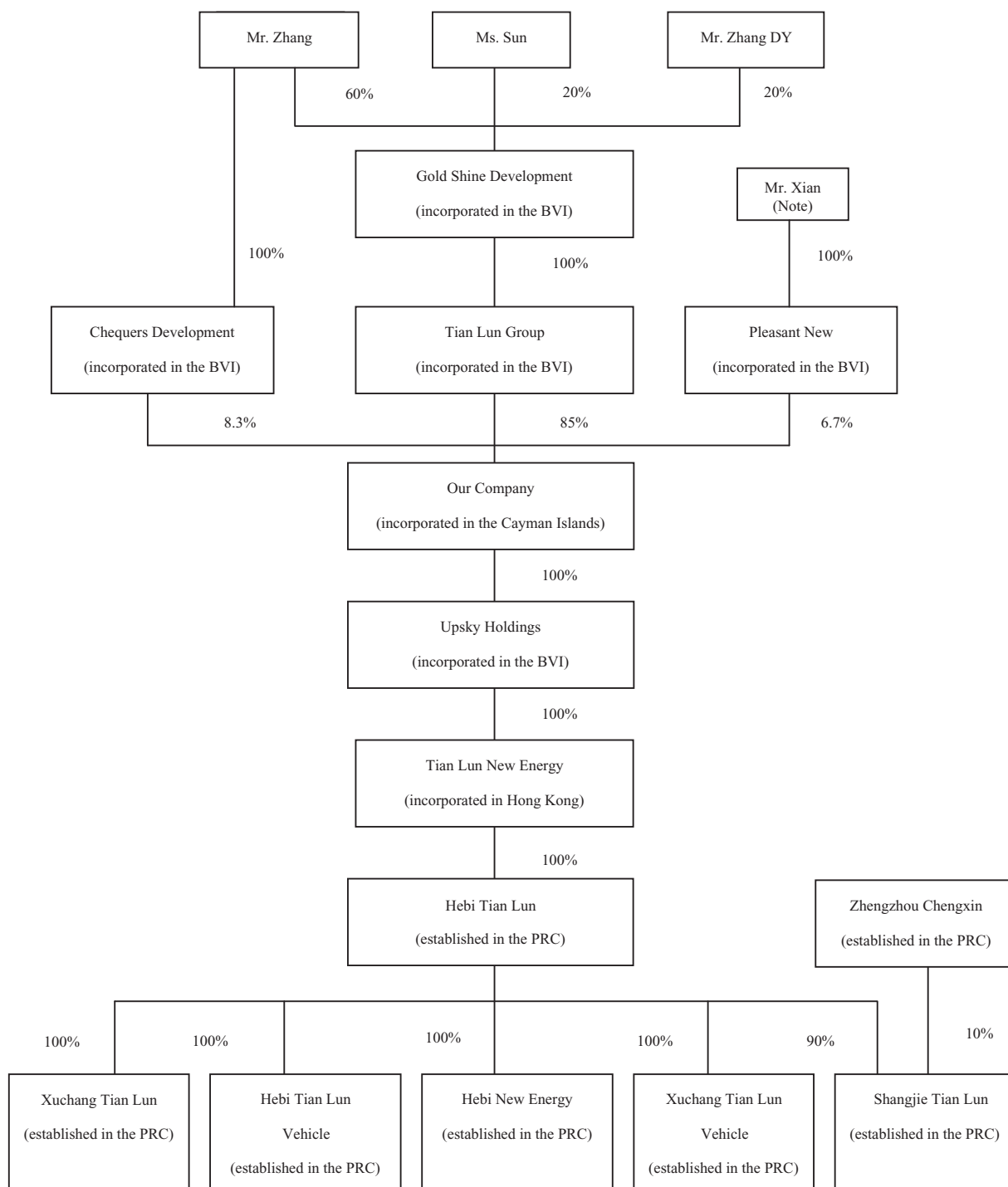
HISTORY AND CORPORATE STRUCTURE

CORPORATE CHART OF OUR GROUP IMMEDIATELY BEFORE THE CORPORATE REORGANIZATION



HISTORY AND CORPORATE STRUCTURE

CORPORATE CHART OF OUR GROUP UPON COMPLETION OF THE CORPORATE REORGANIZATION AND THE SUBSEQUENT SHARE TRANSFERS



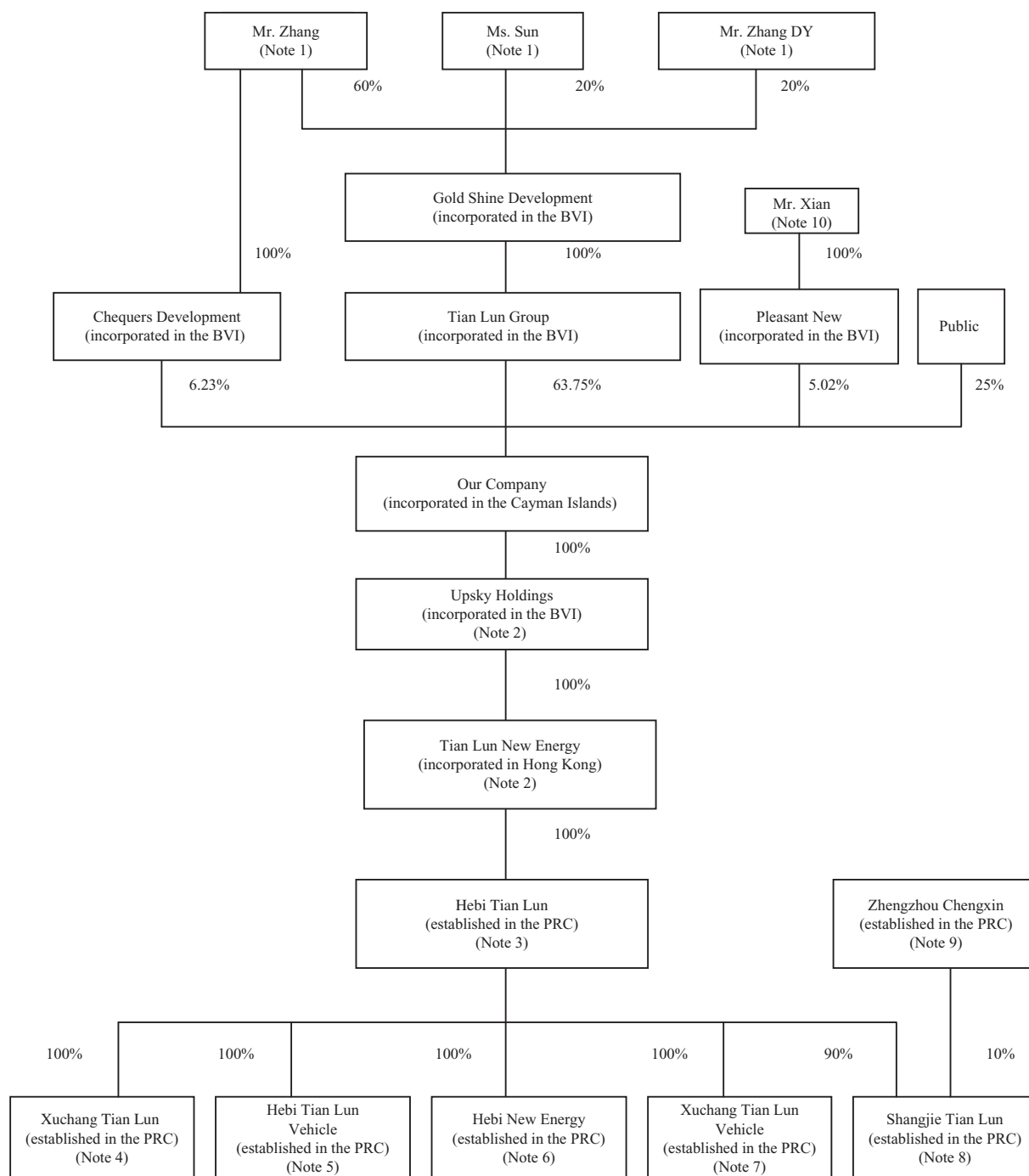
Note:

Pursuant to two declarations of trust executed by Mr. Xian on 6 July 2010, Mr. Xian holds 5,000 shares (representing 10% of the total issued share capital) in Pleasant New on behalf of Mr. Feng and 5,000 shares (representing 10% of the total issued share capital) in Pleasant New on behalf of Mr. Sun.

HISTORY AND CORPORATE STRUCTURE

CORPORATE CHART OF OUR GROUP UPON COMPLETION OF THE CAPITALIZATION ISSUE AND THE GLOBAL OFFERING

The following chart sets forth the shareholding and corporate structure of our Group immediately after completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of any options that may be granted under the Share Option Scheme or pursuant to exercise of the Over-allotment Option):



Notes:

(1) Ms. Sun is the spouse of Mr. Zhang. Mr. Zhang DY is the son of Mr. Zhang.

HISTORY AND CORPORATE STRUCTURE

- (2) Upsky Holdings and Tian Lun New Energy are principally engaged in investment holdings. Tian Lun New Energy will also carry out certain administrative functions in Hong Kong for our Group.
- (3) The business scope of Hebi Tian Lun includes: Operation of gas business in small and medium cities, development and usage of new gas technology.
- (4) The business scope of Xuchang Tian Lun includes: Natural gas and liquefied petroleum gas; sales of gas burning devices and leasing of relevant facilities; development and application of new gas technology; investment in gas business; leasing of self-owned property.
- (5) The business scope of Hebi Tian Lun Vehicle includes: Investment in CNG facilities; sales: lubricating oil and antifreeze; retail of CNG.
- (6) The business scope of Hebi New Energy includes: Operation of gas business in cities; investment in gas business; research and development in new energy technology.
- (7) The business scope of Xuchang Tian Lun Vehicle includes: Investment in and construction of CNG gas station.
- (8) The business scope of Shangjie Tian Lun includes: Development and application of new gas technology; investment in gas business: installation, maintenance, sales of gas burning devices and leasing of relevant facilities; operation of pipelined gas. Shangjie Tian Lun is a non wholly-owned subsidiary of our Company and is not a connected person of our Company.
- (9) Zhengzhou Chengxin is a State-owned enterprise established on 22 November 2004 and owned by *the Office of Management of Unbudgeted Fund of the People's Government of Shangjie, Zhengzhou* (鄭州市上街區人民政府預算外資金管理辦公室) and *the Land Reserve Centre of Shangjie, Zhengzhou* (鄭州市上街區土地儲備中心) as to 60% and 40%, respectively. The business scope of Zhengzhou Chengxin includes: Capital operation, management of fixed assets, management of surplus assets from enterprise reform, investment, financing, security, management and disposal of assets entrusted by the government. Zhengzhou Chengxin holds 10% of the equity interests in Shangjie Tian Lun and is a substantial shareholder of Shangjie Tian Lun. Therefore, Zhengzhou Chengxin is a connected person of our Company under the Listing Rules.
- (10) Pursuant to two declarations of trust executed by Mr. Xian on 6 July 2010, Mr. Xian holds 5,000 shares (representing 10% of the total issued share capital) in Pleasant New on behalf of Mr. Feng and 5,000 shares (representing 10% of the total issued share capital) in Pleasant New on behalf of Mr. Sun.

BUSINESS

You should read this Prospectus in its entirety before you decide to invest in our Shares, and you should not rely solely on key or summarized information. The financial information in this section has been extracted without material adjustment from “Appendix I — Accountant’s Report”. Unless otherwise expressed, all operational and financial data are based on external sales, which eliminate the inter-company transactions, if any.

OVERVIEW

We are principally engaged in the gas pipeline connections operation and the transportation and sales of pipelined gas operation in Henan Province. We conduct gas pipeline connections operation by providing property developers and commercial and industrial users with laying and installation. Our new users generally engage us to provide gas pipeline connections prior to our transportation and distribution of natural gas or coal gas to them. We transport, distribute and sell pipelined natural gas or coal gas in three major urban areas of Henan Province, or our Operating Cities, pursuant to Concessions of 30 years or longer. We entered into Concession Agreements with the local governments of our Operating Cities by which they granted us the exclusive right to provide pipelined gas transportation and distribution in our Operating Cities. We also distribute and sell compressed natural gas as vehicular fuel, or CNG, through the CNG filling stations operated by us in two of our Operating Cities.

During the Track Record Period, we placed significant reliance on the substantial revenue and gross profit generated from our gas pipeline connections operation. The revenue generated from our gas pipeline connections operation accounted for approximately 57.3%, 52.9%, 50.6% and 51.1% of our total revenue for the three years ended 31 December 2009 and the six months ended 30 June 2010, respectively, and the revenue generated from our transportation and sales of pipelined gas operation accounted for approximately 39.8%, 45.2%, 47.4% and 44.0%, respectively, of our total revenue during the same periods. The gross profit generated from our gas pipeline connections operation accounted for approximately 94.4%, 89.1%, 81.9% and 80.7% of our total gross profit for the three years ended 31 December 2009 and the six months ended 30 June 2010, respectively, and the gross profit generated from our transportation and sales of pipelined gas operation accounted for approximately 1.8%, 10.2%, 15.2% and 12.1% of our total gross profit during the same periods.

Gas Pipeline Connections Operation

We conduct gas pipeline connections operation by providing property developers and commercial and industrial users with laying and installation in our Operating Cities. Our new users generally engage us to provide gas pipeline connections prior to our transportation and distribution of natural gas or coal gas to them. During the Track Record Period, we placed significant reliance on the substantial revenue and gross profit generated from this business. Our gas pipeline connections operation generated substantial revenue, received from one-off connection fees, representing 57.3%, 52.9%, 50.6% and 51.1%, respectively, of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our gross profit generated from our gas pipeline connections operation was RMB27.1 million, RMB44.6 million, RMB64.6 million and RMB41.9 million, respectively, representing approximately 94.4%, 89.1%, 81.9% and 80.7% of our total gross profit during the same periods. Our gross profit margin of our gas pipeline connections operation was 71.7%, 66.0%, 71.3% and 71.4%, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

For the years ended 31 December 2007, 2008 and 2009, we successfully connected approximately 17,000, 22,000 and 42,000 units of new users, respectively, representing a CAGR of

BUSINESS

approximately 55.8%. The number of new gas pipeline connections grew from approximately 12,000 units of new users for the six months ended 30 June 2009 to approximately 27,000 units of new users for the six months ended 30 June 2010, representing a growth rate of approximately 119.4%. Our total gas pipeline connections grew from approximately 28,000 units of users as at 1 January 2007 to 137,000 units of users as at 30 June 2010.

Transportation and Sales of Pipelined Gas Operation

We are one of the principal pipelined gas transporters and distributors in Henan Province, pursuant to Concessions of 30 years or longer. We transport, distribute and sell pipelined natural gas or coal gas in our Operating Cities. Our Operating Cities are located in Henan Province, the most populous province in China, and are currently home to many industries with strong growth potential. Henan Province sits at the gateway to the West-East Natural Gas Transmission Projects and therefore, combined with its dense population, the steady demand for and supply of natural gas is ensured. Our revenue generated from our transportation and sales of pipelined gas operation accounted for approximately 39.8%, 45.2%, 47.4% and 44.0% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our gross profit generated from our transportation and sales of pipelined gas operation amounted to approximately RMB0.5 million, RMB5.1 million, RMB12.0 million and RMB6.3 million, respectively, representing approximately 1.8%, 10.2%, 15.2% and 12.1% of our total gross profit during the same periods. Our gross profit margin of our transportation and sales of pipelined gas operation was 1.9%, 8.8%, 14.1% and 12.4%, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

As at 30 June 2010, our pipelined gas networks connected 136,645 units of users, comprising a broad range of residential, commercial, industrial and other users, such as public services users, through the operation of an extensive pipeline system consisting of approximately 837 kilometers of installed pipelines. Our sales volume of natural gas and coal gas to end-users grew from 11.2 million m³ and 7.5 million m³, respectively, for the year ended 31 December 2007 to 24.2 million m³ and 24.6 million m³, respectively, for the year ended 31 December 2009. In addition, our sales volume of natural gas and coal gas to end-users was 11.4 million m³ and 14.8 million m³, respectively, for the six months ended 30 June 2009 and 15.4 million m³ and 10.1 million m³, respectively, for the six months ended 30 June 2010.

We also distribute and sell compressed natural gas as vehicular fuel, or CNG, through the CNG filling stations operated by us in two of our Operating Cities. We commenced our distribution and sales of CNG in April 2008. CNG sold from our CNG filling stations is compressed by our own facilities from the pipelined natural gas supplied to us by our suppliers. As at 30 June 2010, we owned and operated one CNG filling station in Hebi City and another in Xuchang City. In the third quarter of 2010, our second CNG filling station in Hebi City commenced operation and brought the total number of CNG filling stations we owned and operated to three. For the years ended 31 December 2008 and 2009 and the six months ended 30 June 2010, our CNG sales volume was 0.8 million m³, 3.9 million m³ and 3.2 million m³, respectively.

Taking into account our current strategic expansion plan and our business model, we do not expect that our product mix, and therefore revenue mix, to change significantly in the foreseeable future. Please refer to the paragraph headed “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Prospectus for a breakdown of the revenue during the Track Record Period by our major product category and by Operating City.

Purchase and Supply

During the Track Record Period, we had arrangements for the supply of natural gas or coal gas with three suppliers for our transportation and sales of pipelined gas operation and various suppliers of raw materials for our gas pipeline connections operation. For further information on our suppliers, please refer to “— Transportation and Sales of Pipelined Gas Operation — Purchase and supply” and “— Gas Pipeline Connections Operation — Purchase and supply” in this Prospectus.

The *National Development and Reform Commission*, or the NDRC, regulates the ex-factory price of natural gas. The *Henan Development and Reform Commission* regulates the purchase price of coal gas. The *Commodity Price Bureau* or the local *Development and Reform Commission* places a ceiling on the retail price of natural gas and coal gas. The purchase and selling price of CNG is determined by the market and varies according to region. As a result, the purchase price and selling price of our natural gas and coal gas increased due to relevant price adjustments by such government authorities and the selling price of CNG moved in accordance with market prices during the Track Record Period. The volume of natural gas purchased and sold by us was based on the benchmark volume allocated to us and to our suppliers by the *Henan Development and Reform Commission*, which was only indicative of the actual volume that we purchased or sold. We purchased our natural gas based on actual sales volume and we generally do not have excess natural gas which requires storage. On the other hand, the purchase and sales volume of coal gas and the sales volume of CNG is determined by market supply and demand.

Financial Performance

We experienced high profitability and increasing growth in revenue and earnings during the Track Record Period. Our total revenue increased from RMB65.9 million in 2007 to RMB127.7 million in 2008 and to RMB179.2 million in 2009, representing a CAGR of 64.9% for the two-year period, and from RMB81.9 million for the six months ended 30 June 2009 to RMB115.0 million for the six months ended 30 June 2010, representing a growth rate of 40.4%. Our total gross profit grew from RMB28.7 million in 2007 to RMB50.0 million in 2008 and to RMB78.8 million in 2009, representing a CAGR of 65.7% for the two-year period, and from RMB35.5 million for the six months ended 30 June 2009 to RMB52.0 million for the six months ended 30 June 2010, representing a growth rate of 46.4%.

Our net profit increased from RMB8.3 million in 2007 to RMB25.6 million in 2008, and to RMB47.6 million in 2009, representing a CAGR of 139.5% for the two-year period, and from RMB20.8 million for the six months ended 30 June 2009 to RMB32.9 million for the six months ended 30 June 2010, representing a growth rate of 58.1%. The ceiling of our gas selling price and our increased cost of sales contributed to the fluctuation in our gross profit margin, which was 43.6%, 39.2%, 44.0% and 45.2% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. Our net profit margin was 12.6%, 20.0%, 26.5% and 28.6%, respectively, for the same periods; the increase was mainly due to increases in revenue and our control on expenses. Please refer to the paragraph headed “Financial Information — Management’s Discussion and Analysis of Financial Condition and Results of Operations — Description of components of results of operations — Gross profit” in this Prospectus for a breakdown of the gross profit during the Track Record Period by our major product category and by Operating City.

COMPETITIVE STRENGTHS

We believe the following strengths distinguish us from our competitors, enabling us to capture opportunities in the relevant markets in which we operate our business and compete effectively in the market place:

We operate our core business in our Operating Cities based on the Concessions.

We do not encounter any competition when conducting our transportation and sales of pipelined gas operation, other than our distribution and sales of CNG, as well as gas pipeline connections operation under the Concession Agreements, under which the local government granted our Project Companies the exclusive right to provide natural gas or coal gas to residential, commercial, industrial and other users in our Operating Cities in Henan Province. Accordingly, as at the Latest Practicable Date, we were in a dominant position in respect of our transportation and sales of pipelined gas operation and our gas pipeline connections operation in newly constructed residential areas in our Operating Cities. During the period of the Concessions, which are as long as 30 years or more, depending on the city and subject to renewal, we are in a monopolistic position.

We are very cost-effective while providing high-quality products.

As an urban pipelined gas transporter and distributor in China, the selling price as well as purchase price of our natural gas and coal gas are set by government authorities. While providing high-quality products to our residential, commercial, industrial and other users, we endeavor to manage our costs and expenses. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our distribution cost and administrative expenses collectively accounted for 11.3%, 7.7%, 6.7% and 6.0% of our revenue, respectively, which remained at a low level. For the year ended 31 December 2009, we achieved high net profit per employee due to the efficient utilization of our workforce. Our cost-effective business model is one of the reasons we are more profitable than the majority of the urban gas companies listed on the Stock Exchange.

Although the Concession Agreements do not extend to the distribution and sales of CNG, we believe we are more cost-effective compared to our competitors who operate in our Operating Cities. Due to our exclusive right to use the natural gas pipelines, our competitors have to utilize other expensive means of transportation, including CNG tank trucks. Therefore, a reduced transportation cost, which means a lower cost of sales, equips us with a distinct competitive edge in our distribution and sales of CNG as compared to our competitors.

We are located in Henan Province, the most populous province in China and the gateway to China's major long-distance natural gas pipelines.

We focus our operations in Henan Province. According to the statistics of the PRC Government, Henan Province is the most populous province among all Chinese provinces and metropolitans, with a total population of approximately 99.7 million in 2009. In recent years, Henan Province has experienced unprecedented urbanization. The urban population within Henan Province increased from approximately 30.7% in 2005 to approximately 37.7% in 2009. The large urban population ensures the demand for pipelined natural gas, which is considered one of the safest and cleanest energy sources for modern cities. It also ensures an ample supply of labor and effectively attracts labor-intensive industries to relocate within the vicinity of our Operating Cities.

We are located in cities with high industrial potential. According to the *China National Statistics Bureau*, Henan Province had the fifth highest GDP among all provinces and municipalities

in China in 2008. It offers a solid economic foundation to facilitate industrial growth and is already home to many industries and businesses, some of which are situated in our Operating Cities. A large number of companies in various industrial sectors, ranging from aluminum, chinaware, tobacco to chemical production industries, have established headquarters in our Operating Cities. Many of these businesses utilize natural gas as their source of energy for their production. A certain number of those businesses have already become our customers or are our targeted potential customers due to the favorable locations of our pipeline networks and our provision of high-quality products.

Henan Province is also the gateway where the First West-East Natural Gas Transmission Pipeline meets the Second West-East Natural Gas Transmission Pipeline. The meeting of these two largest Chinese gas pipelines guarantees a sufficient, steady and efficient supply of natural gas. As the transportation cost of natural gas accounts for a substantial portion of gas purchase cost for the transporters and distributors of natural gas in China, the convenient location of our natural gas pipelines also enhanced our profitability due to the closer distance to the gas origin than those transporters and distributors located in eastern and southern China and those who transport non-pipelined gas.

We possess extensive industry experience and a strong track record.

We have substantial experience in the pipelined gas transportation and distribution industry and a strong track record in the provision of gas transportation and distribution, laying and installation and gas pipeline connections. Since we commenced operations in 2002, we have supplied pipelined gas to 135,825 residential users, 620 commercial users, 60 industrial users and 140 other users, through the operation of an extensive pipeline system consisting of approximately 837 kilometers of installed pipelines as at 30 June 2010. Our sales volume of natural gas to end-users grew from 11.2 million m³ for the year ended 31 December 2007 to 24.2 million m³ for the year ended 31 December 2009, representing a CAGR of 47% for the two-year period, as compared with 33.7% as the average growth rate of major Hong Kong listed gas companies during the same periods. In addition, our total gas pipeline connections grew from approximately 45,000 units of users in 2007 to 110,000 units of users in 2009, representing a CAGR of 56.3% for the two-year period, as compared with 23.9% as the average growth rate of major Hong Kong listed gas companies during the same periods.

In addition, our extensive industry experience and strong track record is evidenced by our ability to successfully transform project companies that are in financial difficulty to profit making entities. For example, in July 2007, we acquired the pipelined gas operation in Shangjie District of Zhengzhou City from Zhengzhou Shangjie Gas Limited* (鄭州市上街區燃氣有限公司). We substantially enhanced the financial performance of our Shangjie project company, Shangjie Tian Lun, in the first full financial year after our acquisition. We believe that the utilization of our extensive industry experience and strong track record will ensure the success of our future growth and strategic expansion plan.

Our visionary and dedicated management team as well as experienced professionals possess extensive industry experience.

We are led by an established management team with extensive expertise and demonstrated execution capabilities. Mr. Zhang, the chairman of our Board of Directors, has approximately eight years of experience in the urban natural gas transportation and distribution industry and 13 years in the real estate development industry in China. Mr. Xian, our General Manager, has over seven years of experience in the urban natural gas transportation and distribution industry. Our senior management members and experienced professionals are equipped with considerable technical and

marketing know-how and have developed close relationships with government authorities and key market participants, including our major suppliers. They also possess the vision, in-depth industry knowledge and leadership necessary to take advantage of market opportunities, manage risks and steer the developments and trends in the urban pipelined natural gas industry. In addition, our management team has developed a distinct corporate culture that promotes innovation, motivation, responsibility and achievement, which helps us attract and retain highly-skilled employees.

BUSINESS STRATEGIES

In order to achieve our long-term goal of becoming a leading operator in the urban clean energy industry in China, we intend to focus on the following principal strategies:

Expand and enhance our business operations in our Operating Cities

Based on our existing advantages in our pipeline networks and gas sources, and following the development plans of our Operating Cities, we will upgrade our operation standards and proactively develop our residential, commercial and industrial user base in our Operating Cities so as to significantly increase our sales volume. Capitalizing on the advantages arising from the coverage of the existing pipeline networks, we plan to increase the transportation and distribution of pipelined natural gas in suburban areas of our Operating Cities. As at 31 December 2009, we estimated that approximately 79% of the residential population in our Operating Cities were not connected to our pipeline networks. To meet this gap, we plan to expand and enhance our urban branch pipeline network coverage by approximately 71.6 kilometers in our Operating Cities, including the uncovered urban and suburban areas in our Operating Cities, for the year 2010 to promote the use of natural gas and to encourage consumption of clean energy. Our projects commenced in different quarters during 2010 and the completion date of each project depends upon the extent of pipeline coverage. We expect to expend RMB25.0 million in 2010 to carry out our pipeline network expansion plan and we believe our revenue from our transportation and sales of pipelined gas operation and our gas pipeline connections operation will be enhanced. In addition, we also plan to build an additional gas processing facility in Hebi City with a projected production capacity of 20,000 m³ per hour, and we expect to expend RMB2.0 million to implement our plan.

For the six months ended 30 June 2010, our natural gas revenue generated from industrial users accounted for approximately 14.1% of our revenue generated from our sales of natural gas. There are still industries and corporations in our Operating Cities that do not operate on or consume natural gas, indicating a potential to further increase our sales volume by focusing on major industrial users in Henan Province that we consider to be of high quality. Corporations that we consider to be of high quality are those who consume more than 5.0 million m³ of natural gas per annum, are of stable production level and have few or no close substitutes for our products. Major industries in our Operating Cities include ceramic and magnesium processing corporations in Hebi City, tobacco and metal processing corporations in Xuchang City and aluminum processing corporations in Shangjie District, operations of which would require a significant amount of natural gas. We endeavor to focus our business on these types of industrial users and develop them into our major customers.

Pursue selective strategic alliances and acquisitions in cities with gas pipeline networks

China's natural gas transportation and distribution industry, which has historically been controlled by local governments of different provinces, is currently highly fragmented. Due to the increasing need for financing and technological upgrades, the PRC Government has in recent years opened up the natural gas transportation and distribution industry to private sector participants. These participants generally possess better access to capital and management experience to operate

natural gas pipeline networks and facilities compared to the State-owned enterprises. Accordingly, the industry is expected to experience increased consolidation in the long term. As an integrated transporter and distributor of pipelined natural gas with strong management and financing, business-scale and cost-efficient operations, we believe that we are well-positioned to take advantage of the significant growth opportunities presented by this potential industry consolidation.

As part of our overall expansion plan, our business strategy is to carefully identify and selectively enter into strategic alliances and acquisitions that will complement our product offering, enable us to increase our market and geographical presence, enhance our technological capabilities and know-how and further accelerate our growth. In order to generate recurring revenue and stabilize our overall profitability, we are prepared to explore opportunities to acquire and integrate certain service providers along our value chain, such as natural gas pipeline operators, in order to enhance our product offering that we believe will lower our cost structure and upgrade the quality of our products. We also seek opportunities to acquire businesses with strong track records in energy related sectors and/or our upstream suppliers, such as companies that provide pipelined gas transportation and distribution and LNG processing.

We have identified three gas projects in Henan Province as our potential acquisition targets. As at the Latest Practical Date, we were still at the stage of negotiation with these companies and have not entered into any written agreement or memorandum of understanding with these companies. Our acquisition targets were carefully selected based on high criteria, such as, the target company must: (i) have already secured pipelined gas supplies or be located within 30 km from our urban branch pipeline network; (ii) have the ability to secure gas supplies for the next three years; and (iii) have a customer base of at least 100,000 residential users or industrial and commercial users that we consider ideal. We will also consider any other target companies that have sufficient scale of operation in Henan Province. Each acquisition decision must go through a stringent decision making process by our management, taking into account results of due diligence from our operations, finance and legal departments, and preliminary market research.

We believe that our expansion plan is in line with our overall growth strategies and will strengthen not only our individual operations, but also our integrated product offering. We believe that our extensive expertise in China's natural gas transportation and distribution industry and intimate relationships with key industry players will assist us in identifying strategic alliances and acquisitions that will benefit our overall business operations and enable us to achieve economies of scale.

Expand the market coverage to cities currently without gas pipeline networks in China

We intend to seek opportunities for our business proactively in cities, other than our Operating Cities, in China so as to fully capitalize on the competitive advantages that are already possessed by us. We believe that natural gas is becoming an increasingly popular source of energy for residential, commercial and industrial use, primarily due to its thermal efficiency and environmentally-friendly nature. According to the *China Statistical Yearbook 2009* and the *China Urban Construction Statistics Yearbook 2008*, in 2008, there were a total of 651 prefecture-level cities (地級市) and sub-prefecture-level cities (縣級市) in China. Sub-prefecture-level cities, in terms of administrative divisions in China, are at the same level as counties, and hence are generally under the administration of prefecture-level cities. Of the 651 prefecture-level and sub-prefecture-level cities in China, only 394 cities had pipelined gas supply. It was estimated that 270 prefecture-level and sub-prefecture-level cities will have pipelined natural gas in 2010. According to the *Henan Statistical Yearbook 2009*, as at the end of 2008, there were a total of 38 cities in Henan Province, of which 17 are prefecture-level cities and 21 are sub-prefecture-level cities, among which a total of 29

cities were connected to pipelined natural gas supply. As to the cities we operate in, Hebi City, Xuchang City and Zhengzhou City are all prefecture-level cities, whereas Shangjie District is a district within Zhengzhou City. In respect of those cities which do not have pipelined gas supply and those cities with inadequate pipeline infrastructures, we aim to grow and expand our market coverage to such cities, including those cities in Henan Province. We therefore aim to provide, subject to the successful procurement of supply from CNPC and Sinopec, a wider coverage to those provinces with inadequate pipelines or to areas with no pipeline infrastructures, thus allowing an increase of subscription by new customers from these areas. We believe that all of these cities will, in the foreseeable future, commence the construction of urban natural gas pipeline networks, following the nationwide urbanization and macroeconomic growth throughout China. We believe that our extensive expertise in China's natural gas transportation and distribution industry and intimate relationships with key industry players, including our upstream natural gas suppliers, will assist us in winning concession contracts to construct natural gas pipeline networks and transport natural gas to residential, commercial and industrial users situated in these cities.

Actively participate in the development of urban clean energy sector

With a view to relieve the current imbalanced demand and supply position of energy resources, improve the energy consumption pattern and facilitate energy saving and emission reduction, the PRC Government has announced the *Natural Gas Utilizing Policy* in 2007, which requires the State policy on natural gas utilization to be formulated by the PRC Government in order to ensure priority in using natural gas in major cities. This also facilitates the orderly development of natural gas, thereby enhancing the utilization efficiency of energy resources. The PRC Government has further promulgated the *Circular Economy Promotion Law* ("CEPL") on 29 August 2008. Under the CEPL, the State encourages and supports enterprises to use highly-efficient and oil-saving energies and products. Enterprises in industries, such as oil processing, chemical, steel, non-ferrous metal and building materials production industries, must replace the consumption of fuel oil with clean energy, such as natural gas, within the scope and time limit prescribed by the government.

The promulgation and implementation of these laws and policies demonstrates the PRC Government's decision to encourage the use of clean energy. As a principal pipelined natural gas transporter and distributor as well as gas pipeline connections operator with extensive industrial knowledge and experience, we believe that we are in a position to actively participate in the development of China's clean energy sector. In addition to the development of pipelined natural gas, which is our main focus, we also plan to participate in the development and exploration of LNG and biofuel business opportunities. Our development and exploration plan of LNG is to establish a LNG processing factory in Shaanxi Province with daily processing capacity of 100,000 m³. The construction period will be approximately one year. As at the Latest Practicable Date, we are in the process of negotiating with third parties to jointly invest in the plan, however, we have not entered into any written agreement or memorandum of understanding with such third parties. Nitrogen expansion and liquefying process will be employed in the proposed LNG processing factory. We expect to expend a total investment of RMB51.0 million for factory construction and an additional RMB25.0 million for construction of auxiliary pipelines to transport natural gas from gas fields to the factory. We also plan to develop and explore biofuel by investing RMB8.0 million to purchase equipment and machinery to process maize straw into biofuel of annual production capacities of 1.46 million m³, using technologies such as high-pressure stabilization and oxidative fermentation technology, biogas decarbonization and purification technology and long-term maize straw storage technology. We plan to operate our biofuel project through sole proprietorship or through joint ventures. The feasibility studies for our biofuel project are to be commenced and we expect our experimental development phase to begin in January 2011 and continue to July 2011.

BUSINESS

EXPANSION PLAN

The following table sets forth, among others, the details of our expansion plan, estimated total investment and source of funding that we have planned or are considering as at the Latest Practicable Date:

Type of expansion	Details of the expansion	Status of the expansion	Date of expected completion	Estimated total investment (RMB)	Total investment for the six months ended 30 June 2010 (RMB)	Source of funding
Pipeline network expansion	Expand and enhance (for the year 2010) our current urban branch pipeline networks and extend to uncovered urban and suburban areas in our Operating Cities by constructing 71.6 km of new urban branch pipeline networks	Construction commenced in January 2010	On or before 31 December 2010	25.0 million	7.0 million	Working capital
Gas processing facility	Construct one additional processing facility in Hebi City with a projected production capacity of 20,000 m ³ /hour	Construction to commence	Not applicable	2.0 million	Nil	Working capital
Expansion of service coverage ⁽¹⁾	To enter into strategic alliances and acquisitions in cities with gas pipeline networks To expand into cities currently without gas pipeline networks	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Develop and explore LNG opportunities ⁽¹⁾	Establish a LNG processing factory in Shaanxi with daily processing capacity of 100,000 m ³	Negotiating with third parties to jointly invest in the project ⁽²⁾	Not applicable	51.0 million for factory construction 25.0 million for construction of auxiliary pipelines to transport natural gas from gas fields to the factory	Nil	(i) Working capital; and (ii) Net proceeds from the Global Offering
Develop and explore biofuel opportunities ⁽¹⁾	Purchase equipment and machinery to process maize straw into biofuel with annual production capacity of 1.46 million m ³	Feasibility studies to commence Experimental development phase to begin in January 2011	Not applicable	8.0 million	Nil	Net proceeds from the Global Offering

Note:

(1) Such plans are our long-term plans and, as at the Latest Practicable Date, we have not entered into any written agreement or memorandum of understanding with any party.

(2) We have not entered into any written agreement or memorandum of understanding with such third parties.

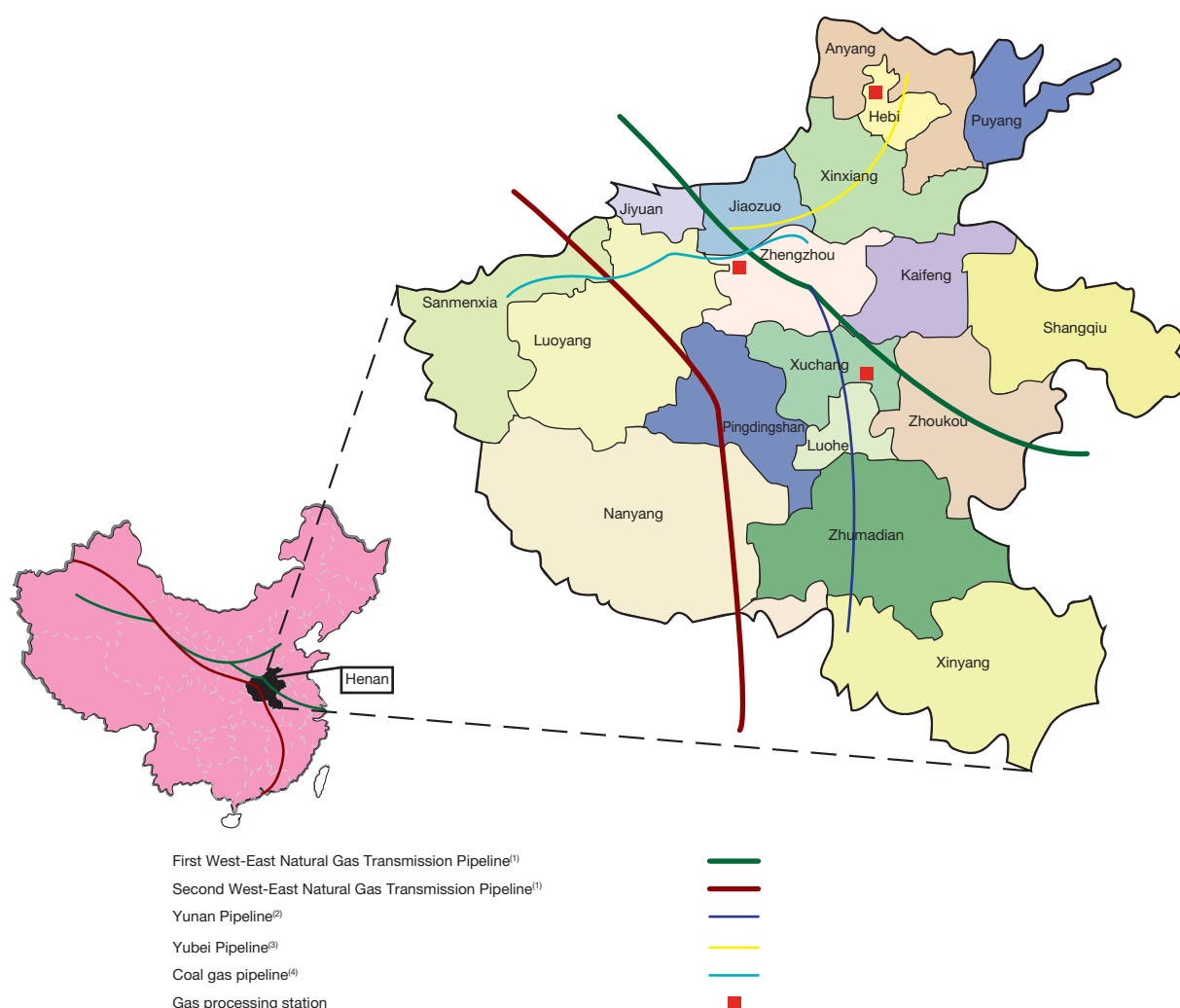
BUSINESS

As at the Latest Practicable Date, we have identified three gas projects in Henan Province as our potential acquisition targets, and we were still at the stage of negotiation and have not entered into any written agreement or memorandum of understanding with these companies. Our acquisition targets were carefully selected based on high criteria, such as, the target company must: (i) have already secured pipelined gas supplies or be located within 30 km from our urban branch pipeline networks; (ii) have the ability to secure gas supplies for the next three years; and (iii) have a customer base of at least 100,000 residential users or industrial and commercial users that we consider ideal. We will also consider any other target companies that have sufficient scale of operation in Henan Province.

AREAS OF OPERATIONS AND THE CONCESSIONS

Areas of Operations

The map below shows our main areas of operations.



Notes:

(1) Operated by PetroChina Company Limited (中國石油天然氣股份有限公司).

(2) Operated by Henan Lantian Gas Co., Ltd. (河南藍天燃氣股份有限公司).

BUSINESS

(3) Operated by Henan Ancai Energy Co., Ltd. (河南安彩能源股份有限公司).

(4) Operated by Henan Gas (Group) Limited Pipeline Branch (河南省煤氣(集團)有限責任公司管道輸氣分公司).

We do not own any of the pipelines illustrated in the map above.

The Concessions

We entered into Concession Agreements with the local governments of our Operating Cities in Henan Province by which they granted our Project Companies the exclusive right to provide pipelined gas transportation and distribution in our Operating Cities. Under the terms of the Concession Agreements, the Concession grantors granted us the exclusive right to operate, manage and maintain certain pipelines and operational fixed assets to transport and distribute natural gas or coal gas to the end-users. Details of our Concessions are set forth below:

Operating Cities	Concession start/end year	Concession grantor	Concession grantee	Consideration and method of payment	Payment made under the Concession Agreements during the Track Record Period	Balance to be paid
Hebi (鶴壁市)	2002-2032 ⁽¹⁾	Hebi Construction Committee (鶴壁市建設委員會)	Henan Tian Lun Engineering Investment (assumed by Hebi Tian Lun)	RMB1,100,000 annual fee	RMB2,200,000 ⁽³⁾	RMB24,200,000 ⁽⁴⁾
Xuchang (許昌市)	2003-2053	Xuchang Development and Planning Committee (許昌市發展與計劃委員會)	Henan Tian Lun Engineering Investment (assumed by Xuchang Tian Lun)	Assumption of an interest bearing foreign currency debt of principal amount of US\$3,850,000 ⁽²⁾	RMB4,959,000	RMB13,087,000 ⁽⁵⁾
Shangjie District of Zhengzhou City (鄭州市上街區)	2007-2037 ⁽¹⁾	Shangjie District of Zhengzhou City Construction Bureau (鄭州市上街區建設局)	Shangjie Tian Lun	Cash purchase of RMB9,500,000 for State-owned assets and assumption of debt of RMB16,260,000	RMB25,760,000	Nil

Notes:

(1) Subject to renewal after expiration of the relevant Concession period.

(2) Equivalent to approximately RMB31,866,000 based on the exchange rate as at 30 September 2003, which is the date the Concession Agreement of Xuchang City was entered into. The assumption of the said debt included the assumption of the interest accrued and unpaid up to 31 December 2003 of approximately US\$1.12 million.

(3) The local government agreed to waive the Concession fee in 2007 as an incentive for us to operate our gas business in Hebi City.

(4) Concession fee for 2010 has not yet been paid as at 30 June 2010. We typically pay the annual fee in the fourth quarter of each year and expect to fully settle the outstanding balance within the Concession period.

(5) We expect to fully settle the outstanding balance before May 2036 when it is due under the debt assignment.

BUSINESS

The following are some of the key terms of the Concession Agreements:

- *Exclusivity, Term and Operational Areas of Concessions.* Depending on the Concession Agreements, terms of our Concessions range from 30 years (for Hebi City and Shangjie District of Zhengzhou City) to 50 years (for Xuchang City). As advised by Grandall Legal Group, according to the principle of non-retroactivity, *Measures on the Administration of the Franchising of Municipal Public Utilities* (市政公用事業特許經營管理辦法) (“Measures”), which came into force on 1 May 2004, stipulating that a concession term shall not exceed 30 years and shall not be applied retrospectively. The Concession in Shangjie District of Zhengzhou City is subject to early termination as provided by the relevant Concession Agreement. However, according to the Concession Agreements in respect of Hebi City and Xuchang City, there are no early termination clauses, subject to early termination stipulations as provided in the Measures. The relevant Concession Agreements for two of our Project Companies, one in Hebi City and the other in Shangjie District of Zhengzhou City, stipulate that, subject to governmental approval, these Project Companies are entitled to renew the relevant Concessions upon: (i) their expiration using the tender process; (ii) meeting the tender requirements as set out by the relevant authority; and (iii) winning the bid. Subject to the Measures, Xuchang Tian Lun may renew the Concession. As advised by Grandall Legal Group, there are no impediments to us renewal of the relevant Concession Agreements. By virtue of the Concession Agreements, the local governments of our Operating Cities transferred their obligations in their respective cities to our Project Companies on an exclusive basis. These Concessions are not transferable without governmental approval.
- *Ownership of Assets.* We have the right to use, operate, manage and maintain the pipeline networks and certain fixed assets in our Operating Cities. The legal title to all fixed assets and pipeline networks in relation to the Concession Agreements operated by our Project Companies remains with us. Upon the expiration of the Concessions or mutually agreed early termination of the Concession in the case of Shangjie District of Zhengzhou, the local government may buyback the legal title to the pipeline networks and fixed assets in that Operating City at a fair consideration.
- *Consideration.* Considerations for our Concessions were paid through various methods, such as: (i) an annual fee of RMB1,100,000 for the Concession in Hebi City; (ii) assumption of foreign currency debts of US\$3,850,000 for the Concession in Xuchang City; and (iii) a one-off cash payment of RMB9,500,000 for State-owned assets and an assumption of debt of RMB16,260,000 under the Concession Agreement in relation to Concession in Shangjie District.
- *Operations.* Under the circumstance that we ensure the safe condition and the smooth operation of the pipeline networks, we have the exclusive right to transport and sell pipelined gas in our Operating Cities.
- *Early Termination.* The Concession grantor of Shangjie has the right to early termination of the Concession in Shangjie under certain circumstances, which include: (i) the occurrence of *force majeure* events; (ii) by mutual agreement of the parties; and (iii) cancellation of the Concession by the grantor. Circumstances which may give rise to cancellation of the Concession in Shangjie by the grantor include the following actions by us during the period of Concession: (i) unauthorized transfer or lease of the Concession by us to any third party; (ii) unauthorized dealing in or pledge of our operating assets; (iii) serious quality or production safety incidents due to poor management;

BUSINESS

(iv) unauthorized suspension of business and gases sold by us that causes serious public interest and safety concerns; and (v) engagement in any unlawful conduct.

Our Directors have confirmed that we have not experienced any breach of our obligations under the Concession Agreements.

KEY PERFORMANCE INDICATORS

The following table sets forth the breakdown of our revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Revenue (RMB million)					
Transportation and Sales of Pipelined Gas Operation	26.2	57.7	84.9	39.5	50.6
Gas Pipeline Connections Operation	37.8	67.6	90.6	41.3	58.7
Others	1.9	2.4	3.7	1.1	5.7
Total revenue	65.9	127.7	179.2	81.9	115.0

The following tables set forth the breakdown of revenue of our transportation and sales of pipelined gas operation by user category and by Operating City, the breakdown of our volume of pipelined gas sold and the breakdown of our users' connections for our transportation and sales of pipelined gas operation for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Breakdown by user category (RMB million)					
Residential	8.1	12.4	17.6	8.8	12.4
Commercial	9.6	13.5	22.4	9.6	15.2
Industrial	5.4	19.4	22.4	10.5	10.9
CNG	—	2.4	11.5	4.0	8.8
Others ⁽¹⁾	3.1	10.0	11.0	6.6	3.3
Total revenue	26.2	57.7	84.9	39.5	50.6

Breakdown by Operating City (RMB million)					
Hebi City	11.4	17.1	27.5	12.2	17.0
Xuchang City	7.8	15.9	29.1	11.7	21.6
Shangjie District, Zhengzhou City	7.0	24.7	28.3	15.6	12.0
Total revenue	26.2	57.7	84.9	39.5	50.6

Note:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

BUSINESS

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
Volume of pipelined gas sold (m³)					
Natural gas	11,166,918	17,535,939	24,236,111	11,403,565	15,447,183
Coal gas	7,479,835	26,996,077	24,647,173	14,831,616	10,094,113
CNG	— ⁽²⁾	781,405	3,877,685	1,294,599	3,232,765
Total sales volume	18,646,753	45,313,421	52,760,969	27,529,780	28,774,061
				As at 31 December	As at 30 June
	2007	2008	2009	2009	2010
Users' connections for our transportation and sales of pipelined gas operation (units)					
Residential users	45,053	66,852	108,929	108,929	135,825
Commercial users	287	405	541	541	620
Industrial users	16	30	51	51	60
Other users ⁽¹⁾	77	96	121	121	140
Total connections	45,433	67,383	109,642	109,642	136,645
Constructed pipelines (kilometers)	488.8	612.7	750.6	750.6	837.1
CNG filling station (units)	0⁽²⁾	1	2	2	2⁽³⁾

Notes:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

(2) We commenced our distribution and sales of CNG in April 2008.

(3) The second CNG filling station in Hebi City commenced operation in the third quarter of 2010, which has not been included in this figure.

The following table sets forth the breakdown of our revenue of our gas pipeline connections operation by user category for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Revenue (RMB million)					
Residential users	35.5	60.2	78.1	36.6	52.4
Commercial users ⁽¹⁾	1.8	4.7	8.7	3.7	5.8
Industrial users	0.5	2.7	3.8	1.0	0.5
Total revenue	37.8	67.6	90.6	41.3	58.7

Note:

(1) Include other users.

BUSINESS

TRANSPORTATION AND SALES OF PIPELINED GAS OPERATION

Products

Natural gas

We are one of the principal pipelined gas transporters and distributors in Henan Province, pursuant to Concessions of 30 years or longer. We transport, distribute and sell pipelined natural gas or coal gas in our Operating Cities. In 2007, 2008 and 2009, we sold 11.2 million m³, 17.5 million m³ and 24.2 million m³ of natural gas, respectively, representing a CAGR of 47.3% for the two-year period. For the six months ended 30 June 2010, we sold 15.4 million m³ of natural gas. We believe that natural gas is becoming an increasingly major source of energy for residential, commercial and industrial users, particularly in the urban areas, primarily due to the thermal efficiency and environmentally-friendly nature of natural gas.

The following table sets forth information relating to the volume of natural gas sold by us for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
Total natural gas sold (m³ in thousand)					
Residential	4,643	6,874	9,352	4,571	6,207
Commercial	4,290	5,237	7,922	3,957	5,321
Industrial	1,379	3,985	4,451	1,922	2,384
Other ⁽¹⁾	855	1,440	2,511	954	1,535
Total	11,167	17,536	24,236	11,404	15,447

Note:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

Coal gas

We also transport and distribute coal gas to residential, commercial, industrial and other users in Shangjie District of Zhengzhou City. Coal gas, or artificial coal gas, is an ancillary product of the coal to coke conversion process. Coal gas is considered a less environmentally-friendly and less efficient energy source compared to natural gas. In 2007, 2008 and 2009, we sold approximately 7.5 million m³, 27.0 million m³ and 24.6 million m³ of coal gas, respectively, representing a CAGR of 81.1% for the two-year period. For the six months ended 30 June 2010, we sold 10.1 million m³ of coal gas.

Coal gas distributed by our Shangjie project company, Shangjie Tian Lun, is purchased from Henan Gas (Group) Limited Pipeline Branch* (河南省煤氣(集團)有限責任公司 管道輸氣分公司). Upon the commencement of commercial operation of the Second West-East Natural Gas Transmission Pipeline, we plan to gradually convert our coal gas users into natural gas users. We estimate that all pipelined gas users of our Company, including those currently supplied with coal gas, will be provided with only natural gas by the end of 2011. We expect to expend approximately RMB3.5 million in aggregate for the implementation of the conversion program in Shangjie District. Based on our current assessment of the relevant pricing and cost factors, we expect that our gross profit margin going forward will be positively affected by the conversion upon its completion.

BUSINESS

The following table sets forth information relating to the volume of coal gas sold by us for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
Total coal gas sold (m³ in thousand)					
Residential	1,085	2,663	3,554	1,929	3,099
Commercial	911	1,928	2,012	1,080	850
Industrial	2,778	12,369	10,531	5,443	4,275
Other ⁽¹⁾	2,705	10,036	8,550	6,378	1,870
Total	7,479	26,996	24,647	14,832	10,094

Note:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

CNG

In addition, we also distribute and sell compressed natural gas as vehicular fuel, or CNG, through the CNG filling stations operated by us in two of our Operating Cities. We operate these CNG filling stations under our transportation and sales of pipelined gas operation. CNG is a compressed form of natural gas and can be used in engines designed or modified for use with fuel. CNG sold from our CNG filling stations is compressed by our own facilities from the pipelined natural gas supplied to us by our suppliers. We commenced our distribution and sales of CNG in April 2008. Our distribution and sales of CNG is conducted by Hebi Tian Lun Vehicle and Xuchang Tian Lun Vehicle. As at 30 June 2010, we owned and operated one CNG filling station in Hebi City and another in Xuchang City. In the third quarter of 2010, our second CNG filling station in Hebi City commenced operation and brought the total number of CNG filling stations we owned and operated to three. CNG is sold to taxis and buses that operate on vehicular natural gas technology.

The following table sets forth information relating to our distribution and sales of CNG for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
CNG					
Sales volume (m ³)	— ⁽¹⁾	781,405	3,877,685	1,294,599	3,232,765
CNG filling station (units)	— ⁽¹⁾	1	2	2	2 ⁽²⁾

Notes:

(1) We started to generate revenue from our distribution and sales of CNG in April 2008 in Hebi and in May 2009 in Xuchang.

(2) The second CNG filling station in Hebi City commenced operation in the third quarter of 2010, which has not been included in this figure.

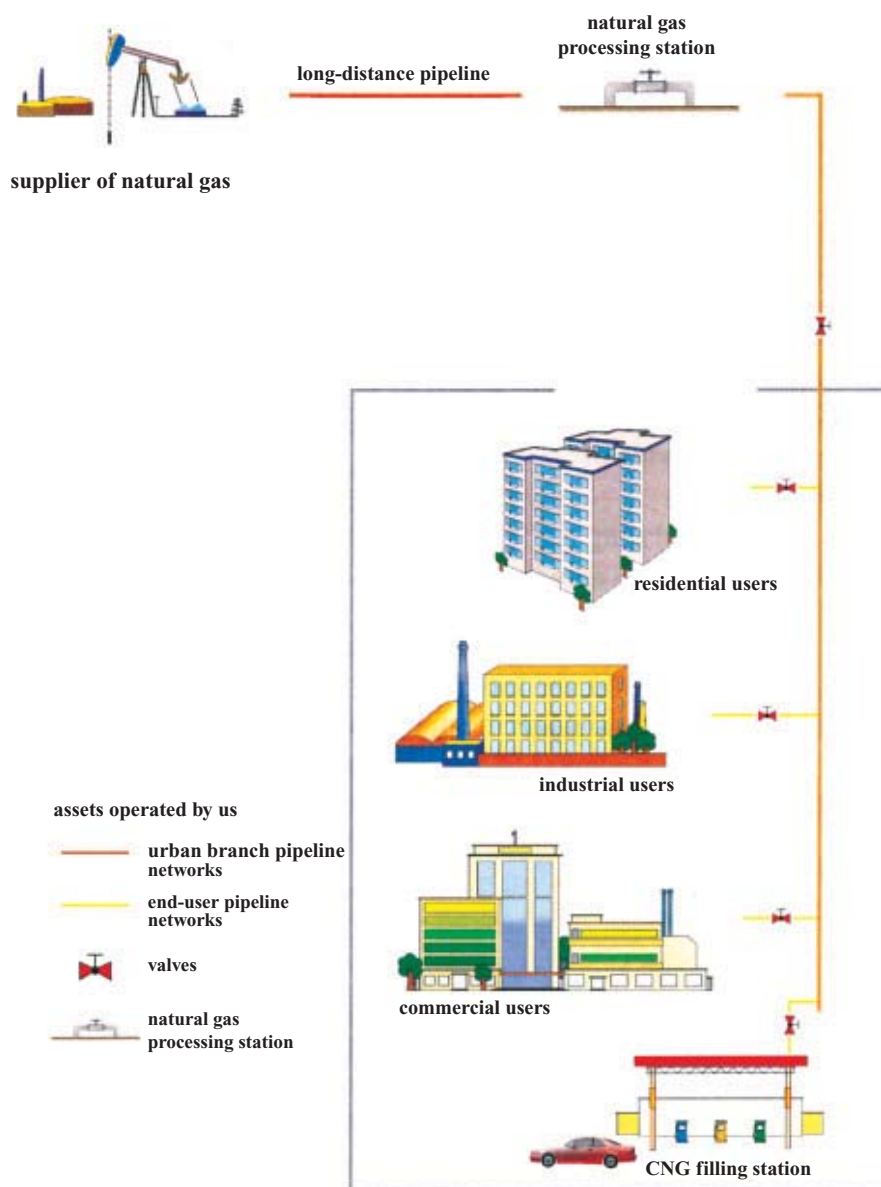
Pipelined Gas Delivery Process

The pipelined gas delivery process comprises long-distance as well as local transportation and distribution. In the case of natural gas, long-distance transportation refers to the transportation of natural gas from gas fields and oil fields via long-distance pipelines to the city gateways of our Operating Cities. In the case of coal gas, it refers to the transportation from Henan Gas (Group)

BUSINESS

Limited Pipeline Branch to the gas processing station operated by our Shangjie project company, Shangjie Tian Lun. Local transportation and distribution refers to the delivery of natural gas or coal gas through our urban branch pipeline networks and the end-user pipeline networks, with the appropriate regulation of pressure and composition, through to the end-users.

For the layout of the long-distance transportation pipelines, please refer to “— Areas of Operations and the Concessions” in this Prospectus. The following diagram illustrates the major flow of transportation and distribution of natural gas.



BUSINESS

Facilities

The principal operational facilities for our transportation and sales of pipelined gas operation include gas processing stations, urban branch pipeline networks and end-user pipeline networks, and CNG filling stations operated by us for our distribution and sales of CNG. The following table sets forth the principal facilities operated by us for transportation and sales of pipelined gas operation:

Operation facilities	Status of operation	Location	Specification
Gas processing stations	one in operation ⁽¹⁾	Hebi City	hourly designed processing capacity of 15,000 m ³
	one in operation ⁽¹⁾	Xuchang City	hourly designed processing capacity of 24,000 m ³
	one in operation ⁽¹⁾	Zhengzhou City	hourly designed processing capacity of 7,500 m ³
Urban branch pipeline networks and end-user pipeline networks	320.4 kilometers in operation ⁽²⁾	Hebi City	high-, mid- or low-pressure gas distribution pipeline of approximately 320.4 kilometers in length
	379.9 kilometers in operation ⁽²⁾	Xuchang City	mid- or low-pressure gas distribution pipeline of approximately 379.9 kilometers in length
	137.2 kilometers in operation ⁽²⁾	Zhengzhou City	mid- or low-pressure gas distribution pipeline of approximately 137.2 kilometers in length
CNG filling stations	two in operation ⁽¹⁾	Hebi City	daily designed capacity of 20,000 m ³ each
	one in operation ⁽¹⁾	Xuchang City	daily designed capacity of 20,000 m ³

Notes:

(1) As at the Latest Practicable Date.

(2) As at 30 June 2010.

Our Directors confirm, as we generally construct our principal operational facilities in anticipation of our future expansion, that: (i) our gas processing stations and our urban branch pipeline networks were sufficient to supply pipelined gas to our users in our Operating Cities during the Track Record Period; and (ii) our current gas processing stations and urban branch pipeline networks, as well as the planned construction of gas processing stations and urban branch pipeline networks for the year ending 31 December 2010 will be sufficient to supply pipelined gas to all existing and future users in our Operating Cities for the year ending 31 December 2010. Based on the current business and operational environment, we believe we will have sufficient gas processing stations and urban branch pipeline networks to supply pipelined gas to our existing and future users, and for the existing and future demands, in our Operating Cities.

Gas processing stations

A gas processing station acts as a gateway station bridging high-pressure pipelined gas that is being transmitted from our suppliers to us. Our gas processing stations have three primary functions:

- *Pressure regulating* — as the pressure applied in transmitting natural gas or coal gas from gas fields or coke conversion plants through the long-distance transportation pipelines is

BUSINESS

higher, and the fluctuations in pressure and volume flow are much larger than those of the connecting pipelines, the pressure of natural gas has to be regulated or lowered at the processing stations before further transportation into the urban branch pipeline networks;

- *Quantifying* — we quantify and verify the amount of gas purchased from the suppliers for the purpose of settlement; and
- *Cleansing and odorizing* — the primary purpose of this process is to cleanse natural gas and coal gas further and to add a readily detectable but harmless odor so that users and the general public can be alerted to gas leakages.

As at the Latest Practicable Date, we operated three gas processing stations in three of our Operating Cities.

Urban branch pipeline networks

After processing, natural gas and coal gas is transported and distributed through the urban branch pipeline networks operated by us. Our networks consist of high-, mid- and low-pressure pipelines ranging in diameter from 32 millimeters to 315 millimeters. The pipes are made of polyethylene, steel and other materials. For the layout of the long-distance transportation pipelines, please refer to “— Areas of Operations and the Concessions” in this Prospectus.

As at 30 June 2010, we operated a total of approximately 837 kilometers of gas pipeline networks for the distribution of natural gas and coal gas in our Operating Cities. To ensure a stable and consistent supply of gas, our urban branch pipeline networks are designed and constructed as a ring pipeline network. The ring pipeline network ensures that the gas supply is not completely cut off in the event of any single point failure along the ring. In the case of a failure at a particular section of the ring, a substantial portion of the gas can still be transported to the end-users.

CNG filling stations

A CNG filling station sells compressed natural gas to automobiles that are powered on vehicular natural gas technology. As at 30 June 2010, we operated one CNG filling station in Hebi City and another in Xuchang City. In the third quarter of 2010, our second CNG filling station in Hebi City commenced operation and brought the total number of CNG filling stations we owned and operated to three.

Purchase and Supply

Natural gas

We purchase natural gas for pipelined delivery to end-users. The amount of natural gas we purchase is dependent on the consumption of our customers. When our customers consume natural gas, the pressure in our pipelines will decrease and our natural gas processing stations, which are connected to the pipelines of our suppliers and regulate the inflow of natural gas, will automatically adjust the flow of natural gas from our suppliers to maintain the pressure in our pipelines. The meters of our suppliers and the meters installed at our natural gas processing stations will then record the amount of natural gas supplied to us. During the Track Record Period, we had two pipelined natural gas suppliers. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the purchased volume from such two suppliers for natural gas was 12.4 million m³, 19.8 million m³, 29.3 million m³ and 19.4 million m³, respectively. The purchase from

BUSINESS

our largest supplier of pipelined natural gas for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 accounted for 27.6%, 18.6%, 19.4% and 19.8% of our total cost of sales, respectively. Furthermore, such suppliers generally provide us with a credit period from ten to 90 days to settle the natural gas fees.

The purchase and sales volume of our natural gas is based on the benchmark volume allocated to us and our suppliers by the *Henan Development and Reform Commission*. This allocated benchmark volume is only indicative of the actual volume that is supplied. The *Henan Development and Reform Commission* encourages downstream users of natural gas, such as our pipelined natural gas suppliers, to demand additional quantities from CNPC. When we anticipate shortfall in the supply of natural gas, we will approach our relevant supplier to demand additional quantities of natural gas. The amount of additional natural gas to be provided by our relevant supplier will be determined by negotiation. During the Track Record Period, we demanded additional quantities from our suppliers to cover our shortfalls, without incurring disruption to our sales and distribution of natural gas. In 2007, 2008, 2009 and 2010, our suppliers' allocated benchmark volume was 714 million m³, 684 million m³, 724 million m³ and 800 million m³, respectively, and our allocated benchmark volume was 13.5 million m³, 15.5 million m³, 15.5 million m³ and 27.0 million m³, respectively. Furthermore, we may acquire natural gas from other alternative suppliers when our pipelined natural gas suppliers cannot provide us with the additional quantities of natural gas that we require. During one of the months in the Track Record Period, Hebi Tian Lun made small purchases of natural gas from an alternative supplier to temporarily satisfy our shortfalls of natural gas. As at the Latest Practicable Date, we did not engage any alternative pipelined gas suppliers other than our two pipelined natural gas suppliers, although we retain the ability to purchase from alternative suppliers should we experience a shortfall.

The purchase price of natural gas comprises pre-determined ex-factory price and pipeline transportation cost. The pre-determined ex-factory price, an effective base price, is set by the NDRC and is generally adjusted every year. The retail price of natural gas is subject to a ceiling imposed by the *Commodity Price Bureau* or the local *Development and Reform Commission*. Any adjustments by us to meet the NDRC's increase must be approved by the *Commodity Price Bureau* or the local *Development and Reform Commission*. The pre-determined ex-factory price is determined and adjusted in accordance with the five-year average price of crude oil, LPG and coal, placing a weighted average of 40%, 20% and 40%, respectively. The pipeline transportation cost is also determined by NDRC and calculated in accordance with the distance transported in kilometers.

Depending on the location of our Operating Cities, we source the natural gas from our two suppliers. The following table sets forth the suppliers, utilized long-distance pipelines and total volume of natural gas supplied to us in the periods indicated:

Project Company	Supplier	Main business of supplier	Pipeline	Gas source	For the year ended 31 December			For six months ended 30 June	
					2007	2008	2009	2009	2010
					('000 m³)			('000 m³)	
Hebi	Henan Ancai Energy Co., Ltd. ⁽¹⁾ (河南安彩能源股份有限公司)	Pipeline operation	Yubei Pipeline ⁽²⁾	Tarim Basin	8,163	11,018	14,631	6,731	9,107
Xuchang	Henan Lantian Gas Co., Ltd. ⁽¹⁾ (河南藍天燃氣股份有限公司)	Pipeline operation	Yunan Pipeline ⁽²⁾	Tarim Basin	4,282	8,768	14,702	6,694	10,342

Notes:

(1) We do not have any interest in these operators of pipeline systems or oil and gas fields.

BUSINESS

- (2) Yubei (meaning Northern Henan) and Yunan (meaning Southern Henan) Pipelines are both branch natural gas pipelines of the First West-East Natural Gas Transmission Pipeline.

Henan Ancai Energy Co., Ltd* is a State-owned enterprise, held by a Shanghai Stock Exchange listed company, Henan Ancai High-Tech Co., Ltd* (河南安彩高科股份有限公司). Henan Lantian Gas Co., Ltd* is a private entity, held by Henan Lantian Group Co., Ltd* (河南藍天集團有限公司). The Tarim Basin, where our two pipelined natural gas suppliers source their natural gas, is operated by an upstream supplier, CNPC. Both of our pipelined natural gas suppliers operate solely as long-distance gas pipeline operators and do not own any gas fields or oil fields. Our two pipelined natural gas suppliers were our sole upstream pipelined natural gas suppliers of the respective Operating Cities during the Track Record Period, but they were not the designated suppliers of natural gas to the relevant Operating Cities. Upon commercial operation of the Second West-East Natural Gas Transmission Pipeline, our Directors believe that more pipelined natural gas suppliers will be able to provide pipelined natural gas to the relevant Operating Cities and we will be able to source our natural gas from these alternative suppliers. Our Directors confirm that, none of these suppliers are affiliated with us, our Directors, our chief executives, our senior management team members or our substantial Shareholders. Our Directors confirm also that, we have not entered into any long-term agreements with our pipelined natural gas suppliers as the benchmark allocations from such suppliers are determined by the NDRC. The key terms of our natural gas purchase arrangements with our pipelined natural gas suppliers include that: (i) the purchase volume is subject to NDRC's benchmark allocation and our ability to obtain extra volume from upstream suppliers; (ii) the ex-factory price and pipeline transportation cost are set by the NDRC; (iii) the settlement is determined weekly with upstream suppliers; and (iv) the daily gas supply is confirmed with upstream suppliers. Due to the public utility nature of our operations, suppliers are not required to compensate us for our loss when they fail to supply the amount of natural gas we require.

Natural gas demand and consumption is seasonal, particularly to residential users. We purchase our natural gas based on actual sales volume and we generally do not have excess natural gas which requires storage. During low consumption seasons, should there be any excess natural gas, we may increase our pipeline pressure to store a small quantity of gas within the pipelines, or utilize our CNG gas tanks to store large quantities of natural gas. In recent years, the purchase prices of our natural gas are determined by negotiation between our Project Companies and the suppliers, subject to the base price determined by the NDRC. According to the arrangements between our Project Companies and the suppliers, there is no seasonal difference for the purchase price of natural gas. We are able to pass cost increments down to our end-users for our sale of CNG but not for our sale of natural gas due to the price control placed by the NDRC.

The following table sets forth our purchase prices of natural gas by category of users for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	Approximately RMB/m ³			Approximately RMB/m ³	
<i>Hebi Tian Lun</i>					
Industrial users	1.38	1.38/1.78 ⁽²⁾	1.78/1.86 ⁽²⁾	1.78	1.86/1.78/2.13 ⁽²⁾
Other users ⁽¹⁾	1.38	1.38	1.38/1.44/1.49 ⁽²⁾	1.38/1.44 ⁽²⁾	1.49/1.44/1.69 ⁽²⁾
<i>Xuchang Tian Lun</i>					
Industrial users	1.36	1.36/1.76 ⁽²⁾	1.76/1.82 ⁽²⁾	1.76/1.82 ⁽²⁾	1.82/2.11 ⁽²⁾
Other users ⁽¹⁾	1.36	1.36	1.36/1.42 ⁽²⁾	1.36/1.42 ⁽²⁾	1.42/1.67 ⁽²⁾

BUSINESS

Notes:

- (1) Consisting of any users other than industrial users, including but not limited to residential users and commercial users.
- (2) Prices were adjusted in their relevant year.

Coal gas

Coal gas is an ancillary product generated from the production process of coal into coke. During the Track Record Period, all of the coal gas distributed by us was purchased from Henan Gas (Group) Limited Pipeline Branch*, an Independent Third Party of our Company. Other than Henan Gas (Group) Limited Pipeline Branch*, we did not have any other supplier or alternative suppliers for the supply of coal gas. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we have purchased 7.7 million m³, 26.1 million m³, 24.7 million m³ and 10.9 million m³ of coal gas from Henan Gas (Group) Limited Pipeline Branch*, respectively. The purchases from such supplier accounted for 15.8%, 26.5%, 26.2% and 19.1% of our total cost of sales, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. Furthermore, we were generally provided with a credit period from ten to 90 days to settle the coal gas fees.

Henan Gas (Group) Limited Pipeline Branch* is a State-owned enterprise, held by Henan Coal Chemical Industry Group Co., Ltd* (河南煤業化工集團有限責任公司), an Independent Third Party. It supplies artificial coal gas, utilizing its coal processing plant located in Yima County, Sanmenxia City of Henan Province to manufacture, produce and transport coal gas to us in Shangjie District via underground pipelines. The coal mine, where Henan Gas (Group) Limited Pipeline Branch sources its coal, is operated by a State-owned enterprise. During the Track Record Period, Henan Gas (Group) Limited Pipeline Branch* was the sole supplier, but not the designated supplier of coal gas to Shangjie District. The key terms of our coal gas purchase agreement with our supplier include that: (i) the daily maximum purchase volume must be between 40,000 m³ and 160,000 m³, and the supplied volume for each month is based on the application made by us, subject to approval by our supplier, on the 20th of the previous month; (ii) the price is determined in accordance with approved retail price set by the *Henan Development and Reform Commission*; (iii) the invoices are settled through payment of cash equivalents to the supplier's designated bank account; (iv) an amount of RMB2.0 million must be deposited to secure the purchase of coal gas; and (v) such contract is renewable once per year.

The purchase and sales volume of our coal gas is, unlike natural gas, determined by supply and demand in the market and is not based on benchmark allocations. In contrast to natural gas, the NDRC does not set the predetermined ex-factory prices or the pipeline transportation cost for coal gas. The purchase price of coal gas is regulated by the *Henan Development and Reform Commission*, while the retail price is subject to a ceiling price imposed by the *Commodity Price Bureau*. Pipeline transportation cost is included in the purchase price and are not separately identified by the *Henan Development and Reform Commission*. Factors considered by the *Henan Development and Reform Commission* when making price adjustments to coal gas are: (i) the price of coal as a raw material; (ii) the ability of end-users to bear the cost increment; and (iii) the calorific value of coal gas as compared to natural gas. Our ability to pass cost increments down to our end-users depends on the price control by the *Commodity Price Bureau*. We purchase our coal gas based on demand and we do not have excess coal gas which requires storage. During low consumption seasons, should there be any excess coal gas, we may increase our pipeline pressure to store a small quantity of gas within the pipelines.

BUSINESS

The following table sets forth our purchase prices of coal gas for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
		RMB/m ³		RMB/m ³	
<i>Shangjie Tian Lun</i>	0.85	0.85/1.00 ⁽¹⁾	1.00/1.30 ⁽¹⁾	1.00/1.30 ⁽¹⁾	1.30

Note:

(1) Prices were adjusted in their relevant year.

Coal gas is being phased out as part of the effort to improve air quality and environmental conditions in Zhengzhou City. Upon the commencement of commercial operation of the Second West-East Natural Gas Transmission Pipeline, we plan to gradually convert our coal gas users into natural gas users. We estimate that, according to the scheduled conversion program, all of our coal gas users will have been converted to natural gas users by the end of 2011. To execute the scheduled conversion program, we plan to: (i) gradually modify existing coal gas appliances so that such appliances will be compatible with the use of natural gas; (ii) replace the supply of coal gas with natural gas in our urban branch pipeline networks; and (iii) replace the supply of coal gas with natural gas in the end-user pipeline networks. The full cost of the coal gas appliance conversion will be borne by the commercial and industrial users or by us for our residential users. Alternatively, our users can voluntarily replace their existing coal gas appliances with natural gas appliances at their own cost. We estimate the total cost of conversion will be RMB3.5 million. As the cost of conversion is estimated to be approximately RMB3.5 million, we expect the cost for such conversion program will not have a material impact on our profit margins and working capital. Taking into account the calorific value of natural gas, our Directors do not believe that the Company's end-users will switch to alternative energy sources after the conversion because natural gas is considered a more economical energy source and switching to alternative energy will incur additional costs borne by the end-users.

During the Track Record Period, due to the suspension of the supply of coal gas for emergency repair by our coal gas supplier, Henan Gas (Group) Limited Pipeline Branch*, we temporarily suspended the supply of coal gas to our users in Shangjie District. Please refer to the paragraph headed "Risk Factors — Risks Relating to Conducting Business in the PRC — We may be directly or indirectly adversely affected by acts of God, war or terrorism" for further details on the temporary suspension.

BUSINESS

Sales and Marketing

For each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the revenue generated from our transportation and sales of pipelined gas accounted for approximately 39.8%, 45.2%, 47.4% and 44.0%, respectively, of our total revenue. The following table sets forth the number of connections as at 31 December 2007, 2008 and 2009 and 30 June 2010 for different categories of users:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
Users' connections for our transportation and sales of pipelined gas operation (units):				
Residential users	45,053	66,852	108,929	135,825
Commercial users	287	405	541	620
Industrial users	16	30	51	60
Other users ⁽¹⁾	77	96	121	140
Total connections	<u>45,433</u>	<u>67,383</u>	<u>109,642</u>	<u>136,645</u>

Note:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

Our users range from residential, commercial and industrial sectors. We adopt different marketing strategies for different types of users. Commercial and industrial users are the most important users in terms of sales volume and profit margins as generally such users consume higher quantity of gas per user as compared to our residential users and the sale price of our natural gas and coal gas to commercial and industrial users are generally higher than that of the sale price of the same gas to our residential users. In light of the recent PRC Government's five-year plans and the relevant authorities' city planning and construction plans for our Operating Cities, we believe it will have a positive impact on the property development market. Combined with the PRC Government's policy to promote clean energy, we believe that property developers will most likely install natural gas facilities and appliances in their new property developments. Due to the increasing adoption of natural gas as the energy source for heating systems among new residential, commercial and industrial buildings, we believe that our revenue from sales made for heating will continue to grow.

As one of our principal objectives is to provide a safe, reliable, efficient and environmentally-friendly energy source to the residents within our Operating Cities, residential users are among our key customers. Growth in residential demand occurs as a result of several simultaneous trends, such as the trend of new construction and replacement of old housing stocks in these cities. Substantially all new residential developments are connected to our urban branch pipeline networks. In addition, during the Track Record Period, a substantial number of connected housing units have been retro-fitted for natural gas heating and connected to our urban branch pipeline networks.

Furthermore, there is a general increase in per capita use of natural gas for heating and living purposes among residential users in our Operating Cities, which is in line with the increase in per capita income. As we are currently the sole natural gas transporter and distributor in our Operating Cities, property developers generally approach our Project Companies directly to submit applications for installation of urban branch pipeline networks for natural gas. After our performance assessment of the property developer and upon formal acceptance of the application submitted to us, our Project Company will enter into a pipeline installation contract with the property developer and upon signing of the pipeline installation contract, a connection fee will become payable to us.

BUSINESS

Consumption is captured through meters, which are installed at each connection point and read monthly by us for residential users and more frequently for other users. Our industrial and commercial users are required to place a deposit that is equal to approximately one-month's usage to secure their accounts. Payments for the consumption of natural gas by our users can be made at our branch offices or through certain banks approved by us. As to residential users, such users can elect to receive monthly consumption statements or purchase prepaid cards. For residential users who receive monthly consumption statements, such users can either settle their fees by pre-authorized bank transfers or in-person payment at our branches before the due date, which is not more than 90 days from the date of the monthly consumption statement. Each bank generally charges a fee of RMB20,000 per year in Hebi City and there is no bank fee in Xuchang City. We do not use the service of any individual collectors.

As at 30 June 2010, the total monthly sales volume from our distribution and sales of CNG in Hebi City and Xuchang City was approximately 337,000 m³ and 201,000 m³, respectively. We estimate that each bus uses an average of 40 m³ of CNG per day and each taxi uses an average of 12 m³ of CNG per day.

The PRC Government's clean energy policy as expressed in the proposal for the *Eleventh Five-Year Plan* (2006-2010) encourages the use of CNG as a vehicular fuel. In addition, CNG is currently cheaper than gasoline, and therefore we believe that there is significant unmet demand for CNG in Hebi City and Xuchang City and that the market for CNG provides us with the greatest opportunities for profit and potential growth. We believe that our vertically integrated operations and our urban branch pipeline networks give us greater access to CNG supplies and customers and have uniquely positioned us to become a major supplier of CNG in two of our Operating Cities.

We have established a 24-hour customer service call center to ensure prompt response and immediate reaction to customer feedback. The call center normally receives an average of 50 calls per day. The majority of calls are requests for connections, inquiries on gas pipeline design and alterations, requests for repairs and general inquiries on billing.

BUSINESS

Tariff Structure and Rate Regulations

Ceilings of our pipelined gas tariffs are determined by the *Commodity Price Bureau* of each of our Operating Cities. Different natural gas tariff schedules apply to the four categories of users: residential, commercial, industrial and other users. Industrial and commercial users, on average, pay more than residential users and other users, including schools, government offices, military base and hospitals. The following table sets forth the approved retail prices of natural gas and coal gas, including VAT, by category of users for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
		RMB/m ³		RMB/m ³	
<i>Hebi City</i>					
Residential users	1.70	1.70	1.70	1.70	1.70
Commercial users	1.90	1.90	1.90/2.40 ⁽³⁾	1.90	2.40/2.82 ⁽³⁾
Industrial users	1.80/2.28 ⁽³⁾	2.28 ⁽³⁾	2.28/2.40 ⁽³⁾	2.28	2.40/2.82 ⁽³⁾
Other users ⁽¹⁾	1.70	1.70	1.70	1.70	1.70
<i>Xuchang City</i>					
Residential users	1.82	1.82	1.82	1.82	1.82
Commercial users	2.17	2.17	2.17/2.85 ⁽³⁾	2.17/2.85 ⁽³⁾	2.85/3.28 ⁽³⁾
Industrial users	1.99/2.45 ⁽³⁾	2.45	2.45/2.65 ⁽³⁾	2.45/2.65 ⁽³⁾	2.65/2.98 ⁽³⁾
Other users ⁽¹⁾	1.82	1.82	1.82	1.82	1.82
<i>Shangjie District, Zhengzhou City⁽²⁾</i>					
Residential users	1.00	1.00	1.00	1.00	1.00
Commercial users	1.40	1.40/1.55 ⁽³⁾	1.55/1.85 ⁽³⁾	1.55/1.85 ⁽³⁾	1.85
Industrial users	1.00	1.00/1.15 ⁽³⁾	1.15/1.45 ⁽³⁾	1.15/1.45 ⁽³⁾	1.45
Other users ⁽¹⁾	1.00	1.00/1.15 ⁽³⁾	1.15/1.45 ⁽³⁾	1.15/1.45 ⁽³⁾	1.45

Notes:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

(2) Supplies coal gas.

(3) Prices were adjusted in their relevant year.

When we propose the price of pipelined gas sold to the end-users to the *Commodity Price Bureau* for approval, we take into account the following factors:

- *Gas purchase costs*: the price that we pay at the city gateway. It is intended to cover all the costs related to production, processing, transportation and gas supply flexibility incurred by the upstream participants up to the delivery point at the city gateway, plus tax and profit of our supplier;
- *Operating costs and expenses*: including direct labor, parts, materials, maintenance, subcontractors, gas appliances, depreciation and amortization and overheads; and
- *Reasonable profits*.

In the event of circumstances beyond our control that causes cost increases, such as increase in costs of gas supply; amendments to obligations; changes in law, government regulation, rule or order; and *force majeure* events, we may require the *Commodity Price Bureau* to consider

circumstances that we believe constitute grounds for price adjustments. The *Commodity Price Bureau* will then convene a series of hearings to reach an informed determination of the price for residential users. In determining the price adjustment, the *Commodity Price Bureau* in the relevant Operating City will consider various factors including costs, such as purchase price of natural gas from the suppliers and the capital expenditure for the pipeline networks and other facilities under construction, as well as profit. The price concluded by the *Commodity Price Bureau* will be reported to the local *Development and Reform Commissions* of Operating Cities for confirmation. Our Directors confirm that, from our past experience, the time required for obtaining the approval for price adjustments for our commercial and industrial users is approximately one month and that for our residential users is approximately six months.

GAS PIPELINE CONNECTIONS OPERATION

We conduct gas pipeline connections operation by providing property developers and commercial and industrial users with laying and installation in our Operating Cities. Our new users generally engage us to provide gas pipeline connections prior to our transportation and distribution of natural gas or coal gas to them.

Products

As part of our overall business and for the purposes of providing natural gas to relevant real estate properties and residential estates, we provide property developers and end-users with laying and installation of urban gas pipeline networks and laying and installation of end-user pipeline networks within the properties or the residential estates. We also lay and install end-user pipeline networks for new commercial or industrial users.

A single construction and installation project of a natural gas pipeline network typically takes weeks or months to complete. For large-scale pipeline network constructions, we act as a project manager to provide overall project management, including project supervision to ensure that the construction of the required pipeline network is carried out in accordance with all the relevant standards and regulations. As a project manager, we are also responsible for the supervision of subcontractors and for ensuring that the construction carried out by subcontractors is in accordance with contract specifications.

Once we accept an application from a prospective user for the installation and construction of a natural gas pipeline network, we will initially conduct a preliminary assessment and feasibility study on the proposed property. Principal factors to be considered in the preliminary assessment and feasibility study by us include: (i) the number and distribution of households in the property; (ii) the means of gas transportation; and (iii) the quality and creditworthiness of the property developer.

Revenue in respect of gas pipeline connections operation is recognized upon the completion of construction of pipelines for users and connection of the pipelines to our existing gas pipeline networks, which coincides with the “fire ignition ceremony”. The “fire ignition ceremony” is a final and essential step to ascertain that the gas pipeline built is functioning properly and is acceptable to users. Upon the “fire ignition ceremony”, the significant risks and rewards of ownership will be transferred to the customers and the economic benefits associated with the contracts will be passed to us. Generally, it takes up to approximately six months after we receive advances from our customers before construction will commence. It can take approximately two to four months from the commencement of the construction to the completion of the construction. Hence, the time between when we receive advances from our customers and when we recognize such advances as revenue is generally within a year. The length in time depends on the nature of the construction

BUSINESS

project and whether the customer is a residential user, including property developer, or a, commercial or industrial user.

During the Track Record Period, we placed significant reliance on the substantial revenue and gross profit generated from our gas pipeline connections operation. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, revenue generated from the gas pipeline connections operation was RMB37.8 million, RMB67.6 million, RMB90.6 million and RMB58.7 million, respectively. Our gas pipeline connections operation generated substantial revenue, received from one-off connection fees, representing 57.3%, 52.9%, 50.6% and 51.1% of our total revenue for the respective periods. The majority of such revenue was derived from our gas pipeline connections operation in new residential areas for property developers.

The following table sets forth the breakdown of our pipeline connections projects for property developers and the related advances from customers as at 30 June 2010:

Operating Cities	Number of property developments as at 30 June 2010	Total number of residential users pipeline connections for the property developments as at 30 June 2010	Total advances received from customers as at 30 June 2010 (RMB'000)	Expected completion date
Hebi City	30	17,329	14,209	Between July 2010 to December 2011
Xuchang City	47	8,575	10,406	Between July 2010 to July 2011
Shangjie District of Zhengzhou City	11	1,859	4,727	Between July 2010 to December 2010
Total	88	27,763	29,342	Between July 2010 to December 2011

The advances received from property developers represented approximately 81.7% of our total advances from customers as at 30 June 2010.

Purchase and Supply

Raw materials for our gas pipeline connections operation mainly consist of polyethylene pipes, steel pipes, valves, pipeline connectors and accessories. Our main supplier of these materials for the three years ended 2009 was Cangzhou Mingzhu Plastic Material Co., Ltd* (滄州明珠塑料股份有限公司). We had 32, 49, 45 and 57 other suppliers of raw materials as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our total purchases of raw materials and consumables for gas pipeline connections operation were RMB15.0 million, RMB17.2 million, RMB18.3 million and RMB12.0 million, respectively. Such purchases were based on normal commercial terms and market price.

In addition, we subcontract on an as-needed basis, including outsourcing to subcontractors to provide certain services that we are unable to or do not generally provide, such as gas pipeline construction. It is our principal practice to engage qualified subcontractors, such as Hexiang Engineering, to work under our supervision. Hexiang Engineering is a connected person of our Company under the Listing Rules. We have entered into the Hexiang Engineering Construction Agreement with Hexiang Engineering on 13 October 2010. The Hexiang Engineering Construction

BUSINESS

Agreement stipulates that: (i) the construction and installation fees payable by us will be determined by the project with reference to the scale and complexity of the work to be carried out by Hexiang Engineering; (ii) the prices set by the local government for construction and installation; and (iii) the prices and terms with subcontractors, who are Independent Third Parties, engaged by us in similar transactions. For further details of our transactions with Hexiang Engineering, see the paragraph headed “Connected Transactions — Connected Transactions — Non-Exempt Continuing Connected Transactions — Transactions with Hexiang Engineering” of this Prospectus. We carefully select subcontractors through a bidding process in order to reduce our overall costs and ensure quality performance by the subcontractors. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, we engaged a total of 15, eight, five and five qualified subcontractors, respectively. We maintain business relationships with a number of subcontractors for gas pipeline construction services, but are not obliged to procure services from any one of them. Our long-term relationships with the subcontractors enable us to obtain stable subcontracting fees, which may potentially lead to higher margins on projects. We entered into the Hexiang Engineering Construction Agreement with Hexiang Engineering and continue using subcontractors to meet the additional capacity required for the growth of our business.

During the Track Record Period, payment terms of the agreements with our property developers and end-users varied according to different Operating Cities.

The following table sets forth the payment prices and payment terms of our gas pipeline connections operation for our individual residential users during the Track Record Period:

Operating City	Payment price	Payment terms
Hebi City	RMB2,400	Full payment before commencement of construction
Xuchang City	RMB2,800	Full payment before commencement of construction
Shangjie District	RMB3,500	Full payment before commencement of construction

The following table sets forth the payment prices and terms for our property developers, which are part of our industrial and commercial users, for work carried out in each of our Operating Cities during the Track Record Period:

Operating City	Payment price range	Payment terms ⁽¹⁾
Hebi City	RMB0.8 million – RMB2.7 million	typically paid in two installments of up to 70% prior to construction and the remainder paid prior the “fire ignition ceremony”
Xuchang City	RMB0.6 million – RMB2.4 million	typically paid in three installments of 30% within three-day period upon entering into the contract, 50% prior to construction and 20% prior the “fire ignition ceremony”
Shangjie District	RMB1.3 million – RMB5.4 million	typically paid in two installments of up to 70% prior to construction and the remainder paid prior the “fire ignition ceremony”

Note:

(1) The “fire ignition ceremony” is a final and essential step to ascertain that the gas pipeline built is functioning properly and is acceptable to users.

BUSINESS

The following table sets forth the payment prices and terms for our industrial and commercial customers, excluding individual residential end-users who are required to make one-off payments, for work carried out in each of our Operating Cities during the Track Record Period:

Operating City	Payment price range	Payment terms ⁽¹⁾
Hebi City	RMB0.7 million – RMB5.3 million	typically paid in two installments of up to 70% prior to construction and the remainder paid prior the “fire ignition ceremony”
Xuchang City	RMB0.2 million – RMB2.4 million	typically paid in two installments of at least 30% within three days of entering into the contract and up to 70% prior the “fire ignition ceremony”
Shangjie District	RMB0.3 million – RMB5.4 million	typically paid as a one-off payment

Note:

(1) The “fire ignition ceremony” is a final and essential step to ascertain that the gas pipeline built is functioning properly and is acceptable to users.

Payment settlement with industrial and commercial customers, including the property developers, and end-users were made in both cash and bank transfers during the Track Record Period.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our total engagement of construction and design services fee was RMB3.9 million, RMB5.9 million, RMB6.5 million and RMB5.1 million, respectively. Our purchase of construction service from Hexiang Engineering was RMB0.3 million, RMB4.5 million, RMB5.2 million and RMB3.4 million, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

Sales and Marketing

We are an investor and operator for the urban gas pipeline networks in our Operating Cities. In order to expand the gas pipeline connections operation, we expect that we will continue to emphasize the quality of our construction work. Pursuant to the terms of the contracts, we will collect a connection fee from the property developers, property management companies or end-users prior to connecting each property or residential estate to our pipeline networks and related installation works. Such connection fee is typically paid in installments or as a one-off payment and is compulsory for all of our new users. The connection fee structure for our gas pipeline connections operation is different between the structure for our residential users and that for our industrial and commercial users. Generally we price our connection fee by taking into consideration the following factors: (i) the local economic development level; (ii) the consumption ability of local residents; and (iii) the cost of installation for each of the Project Companies. The connection fee for our residential users is based on a set fee per connection. The majority of our gas pipeline connections for residential users are contracted through the property developers. These property developers will be responsible to settle the connection fees with us. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, the average connection fee per residential connection was RMB2,750, RMB2,792, RMB2,792 and RMB2,792, respectively. As to the connection fee for our industrial and commercial users, the fee of each project is determined based on various factors,

BUSINESS

including the construction and installation plan, the raw materials specified by the customers and the size of the project.

Permits and Approvals

As advised by Grandall Legal Group, businesses that conduct the gas pipeline construction and connections operation should obtain the “Construction Enterprises Qualification Certificate” to comply with the relevant regulations. Our Project Companies subcontract and engage only those authorized subcontractors who have obtained the “Construction Enterprises Qualification Certificate” to conduct gas pipeline construction and connections operation by providing laying and installation to our residential, commercial, industrial and other users. As advised by Grandall Legal Group, we are not required to hold the relevant certificate to operate our gas pipeline connections operation.

We act as a project manager to provide overall project management, including project supervision to ensure that the construction of the required pipeline network is carried out in accordance with all the relevant standards and regulations. As a project manager, we are also responsible for the supervision of subcontractors and for ensuring that the construction carried out by subcontractors is in accordance with contract specifications.

For details on our material licenses, permits and certificates, see “— Compliance with Laws, Rules and Regulations in the PRC” in this Prospectus.

KEY CUSTOMERS AND SUPPLIERS

Customers

We have a large and stable customer base and have no significant reliance on any of our users. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, sales to our largest five customers collectively were RMB8.6 million, RMB17.1 million, RMB22.4 million and RMB18.5 million, respectively, and accounted for 13.0%, 13.4%, 12.5% and 16.1%, respectively, of our total revenue. During the same periods, sales made to our largest customer for the respective year/period amounted to RMB3.7 million, RMB4.4 million, RMB7.3 million and RMB5.3 million, respectively, and accounted for only 5.5%, 3.4%, 4.1% and 4.6%, respectively, of our total revenue.

Our five largest customers for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were as follows:

For the year ended 31 December				For the six months ended 30 June			
2007		2008		2009		2010	
Customers	Nature of transaction	Customers	Nature of transaction	Customers	Nature of transaction	Customers	Nature of transaction
Wanxiang Property Management Co., Ltd* (萬象物業管理公司)	gas pipeline connections	China Great Wall Aluminum Corporation* (中國長城鋁業公司)	consumption of coal gas	Hebi Coal Mining Subsidiary Comprehensive Management Office* (鶴壁市採煤沉陷綜合治理工作辦公室)	gas pipeline connections	Shenyi Branch Company of Henan Yaxing Real Estate Co., Ltd.* (河南省亞星房地產有限公司申顧分公司)	gas pipeline connections
Hebi Tianpeng Real Estate Development Co., Ltd* (鶴壁市天鵬房地產開發有限公司)	gas pipeline connections	Xuchang Hengfeng Industries Co., Ltd* (許昌恒豐實業有限公司)	consumption of natural gas	Lincoln Electric Heli (Zhengzhou) Welding Materials Co., Ltd* (林肯電氣合力(鄭州)焊材有限公司)	consumption of coal gas	Xuchang Zhongyuan Real Estate Development Co., Ltd.* (許昌中原房地產開發有限公司)	gas pipeline connections
Hebi Hotel * (鶴壁迎賓館)	consumption of natural gas	Zhengzhou Research Institute of CHALCO* (中國鋁業股份有限公司鄭州研究院)	consumption of coal gas	Zhengzhou Research Institute of CHALCO* (中國鋁業股份有限公司鄭州研究院)	consumption of coal gas	Lincoln Electric Heli (Zhengzhou) Welding Materials Co., Ltd.* (林肯電氣合力(鄭州)焊材有限公司)	consumption of coal gas
Xuchang Guangjie Real Estate Construction & Development Co., Ltd* (許昌廣傑房地產建築開發有限公司)	gas pipeline connections	Lincoln Electric Heli (Zhengzhou) Welding Materials Co., Ltd* (林肯電氣合力(鄭州)焊材有限公司)	consumption of coal gas	China Great Wall Aluminum Corporation* (中國長城鋁業公司)	consumption of coal gas	Hebi Coal Mining Subsidiary Comprehensive Management Office* (鶴壁市沉陷區綜合治理辦公室)	gas pipeline connections
Xuchang Rebecca Real Estate Development Co., Ltd* (許昌瑞貝卡房地產開發有限公司)	gas pipeline connections	Henan Yongda Property Co., Ltd * (河南永達地產有限公司)	gas pipeline connections	Xuchang Hengfeng Industries Co., Ltd* (許昌恒豐實業有限公司)	consumption of natural gas	Hebi Lulou County Guxian Villagers' Committee* (鶴壁市鹿樓鄉故縣村民委員會)	gas pipeline connections

None of our Directors, senior management, their associates, or any shareholders holding more than 5% of the issued share capital of our Company held any interest in any of our five largest customers for the three years ended 31 December 2009 and the six months ended 30 June 2010.

Suppliers

Our key suppliers mainly consist of the transporters and distributors of natural gas and coal gas, as well as the suppliers of pipe materials and gas equipment. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, purchases from our five largest suppliers collectively were RMB29.9 million, RMB61.2 million, RMB81.1 million and RMB50.9 million, respectively, and accounted for 71.4%, 80.0%, 80.1% and 82.9%, respectively, of our total purchases of raw materials and consumables. During the same periods, purchases from our largest supplier for the respective year/period amounted to RMB11.1 million, RMB23.4 million, RMB29.7 million and RMB16.8 million, respectively, and accounted for 26.5%, 30.6%, 29.3% and 27.4%, respectively, of our total purchases of raw materials and consumables.

BUSINESS

Our five largest suppliers for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were as follows:

For the year ended 31 December			For the six months ended 30 June		
2007	2008		2009		2010
Suppliers	Nature of transaction	Suppliers	Nature of transaction	Suppliers	Nature of transaction
Henan Ancai Energy Co., Ltd.* (河南安彩能源股份有限公司)	supply of natural gas	Henan Gas (Group) Limited Pipeline Branch* (河南省煤氣 (集團) 有限責任公司 管道輸氣分公司)	supply of coal gas	Henan Gas (Group) Limited Pipeline Branch* (河南省煤氣 (集團) 有限責任公司 管道輸氣分公司)	Henan Lantian Gas Co., Ltd.* (河南藍天燃氣股份有限公司)
Henan Gas (Group) Limited Pipeline Branch* (河南省煤氣 (集團) 有限責任公司 管道輸氣分公司)	supply of coal gas	Henan Ancai Energy Co., Ltd.* (河南安彩能源股份有限公司)	supply of natural gas	Henan Lantian Gas Co., Ltd.* (河南藍天燃氣股份有限公司)	supply of coal gas
Henan Lantian Gas Co., Ltd.* (河南藍天燃氣股份有限公司)	supply of natural gas	Henan Lantian Gas Co., Ltd.* (河南藍天燃氣股份有限公司)	supply of natural gas	Henan Ancai Energy Co., Ltd.* (河南安彩能源股份有限公司)	supply of natural gas
Cangzhou Mingzhu Plastic Co., Ltd.* (滄州明珠塑料股份有限公司)	supply of polyethylene pipe	Cangzhou Mingzhu Plastic Co., Ltd.* (滄州明珠塑料股份有限公司)	supply of polyethylene pipe	Hexiang Engineering	supply of raw materials for construction project
Tianjin Chen Xing Gas Meter Equipment Technology Co., Ltd.* (天津辰星燃氣表具技術有限公司)	gas equipment	Hexiang Engineering	supply of raw materials for construction project	Yada Plastic Product Co., Ltd.* (亞大塑膠製品有限公司)	supply of polyethylene pipe

BUSINESS

Other than Hexiang Engineering, none of our Directors, senior management, their associates, or any shareholders holding more than 5% of the issued share capital of our Company held any interest in any of our five largest suppliers for the three years ended 31 December 2009 and the six months ended 30 June 2010.

SAFETY MAINTENANCE AND QUALITY CONTROL

We strictly follow government regulations when adopting our own safety rules and emergency recovery plans, which are to be followed by all of our employees. We also provide safety-related education and training to employees and have established safety standards in connection with the operation of existing facilities.

We have established strict quality control standards on various aspects of our gas supply, pipeline laying, facilities repairs and maintenance. In respect of our gas supply, we take certain measures by adding odorizing substance and by integrating purification process and pressure adjustment functions to our gas processing stations, so as to ensure the immediate detection in case of gas leakages and the steady supply of our gas. We select high-quality materials for our pipelines from reputable suppliers and subcontract to qualified subcontractors for our pipeline laying and installation. We patrol and make full records at our gas processing stations, as well as daily inspection of our urban branch pipeline networks, to implement repairs and maintenance. Due to the nature of our business, we place great emphasis on the maintenance of pipeline networks and storage and distribution facilities. As at the Latest Practicable Date, we had a team of 113 technicians (including employees from our department of safety and technology, department of pipeline network and the chief officers of our CNG filling stations, as well as its managers and operations technicians) who are engaged in safety, maintenance and technical upgrade in respect of the following areas: (i) maintenance of the urban branch pipeline networks and end-user pipeline networks; (ii) maintenance of natural gas storage and distribution stations; (iii) deployment of safety monitoring systems; and (iv) methods to increase operating efficiency and safety standards. In respect of our distribution and sales of CNG, our technicians are also responsible for the repair and maintenance of our equipments and facilities in accordance with our safety rules and quality control standards. As at the Latest Practicable Date, our team of technicians comprises 11 licensed engineers and the remaining were technical workers. Their industry experience range from new joiners to experienced technicians with over 20 years of industry experience. As at the Latest Practicable Date, we had 32 technicians with over 10 years of industry experience, 21 of whom have over 20 years of industry experience.

We have taken the following measures to ensure normal gas safety and supply of within our Operating Cities:

- (i) established measures and systems such as safety checking, fixing and maintenance, timely reporting of malfunctions and accidents of the gas facilities, emergency repairs and other measures and systems as required by the relevant laws and regulations;
- (ii) established and implemented the 24-hour watch system to monitor any possible gas accidents;
- (iii) established rules to conduct regular training on gas safety to periodically train our pool of qualified professional management and technical personnel;
- (iv) established safety rules on gas usages for its users and provide regular educational publicity and instructions to the end-users based on common knowledge gas usages; and

BUSINESS

- (v) stipulated in the gas supply contracts entered into between the end-users and us that no gas user is permitted to, without prior authorization by us, connect to the pipeline to use gas or alter the nature of usage or the user's name and address.

The Directors confirm that, during the Track Record Period, we have not experienced any material losses or claims from failure to distribute gas or lay and install pipelines.

During the Track Record Period, we experienced certain litigations in relation to safety accidents. Please refer to “— Legal Compliance and Proceedings” in this Prospectus for details. Save as disclosed above, we have not experienced any accidents which have had a material impact on our financial conditions or results of operation during the Track Record Period.

COMPLIANCE WITH LAWS, RULES AND REGULATIONS IN THE PRC

Licenses, Permits and Certificates for the Operation of Our Business

The following table sets forth our material licenses, permits and certificates, including those under the Concession Agreements, in compliance with the regulations of the PRC, for the operation of our business effective during the Track Record Period:

Company	License/Permit/ Certificate	Granting Authority	Date of Grant	Expiry Date
Hebi Tian Lun	Business License (企業法人營業執照)	Hebi Municipal Administration for Industry and Commerce (鶴壁市工商行政管理局)	23 August 2004	19 August 2029
	Gas Enterprise Qualification Certificate (燃氣經營許可證)	Hebi Municipal Construction Committee (鶴壁市建設局)	28 July 2009	28 July 2014
Hebi Tian Lun Vehicle	Business License (企業法人營業執照)	Hebi Municipal Administration for Industry and Commerce (鶴壁市工商行政管理局)	18 April 2008	16 April 2012
	Gas Enterprise Qualification Certificate (燃氣企業經營許可證)	Hebi Municipal Housing and Urban- Rural Development Bureau (鶴壁市住房和城鄉建設局)	5 January 2010	5 January 2016
	Pressured Pipeline Use Registration Certificate (壓力管道使用登記證)	Hebi Municipal Bureau of Quality and Technical Supervision (鶴壁市質量技術監督局)	20 January 2008	20 December 2013
	Fire Control Acceptance Letter of Construction Project (建設工程消防驗收意見書)	Hebi Municipal Fire Department (鶴壁市公安消防支隊)	11 May 2008	Not applicable ⁽¹⁾

BUSINESS

Company	License/Permit/ Certificate	Granting Authority	Date of Grant	Expiry Date
	Hazardous Chemicals Operation Permit (危險化學品經營許可證)	Henan Provincial Administration of Work Safety (河南省安全生產監督管理局)	18 September 2009	22 September 2011
	Gas Bottle Filling Permit (氣瓶充裝許可證)	Henan Provincial Bureau of Quality and Technical Supervision (河南省質量技術監督局)	11 August 2008	10 August 2012
	Application Registration Card for Environment Acceptance of Construction Project (建設項目竣工環境保護 驗收申請登記卡)	Hebi Environment Protection Bureau (鶴壁市環境保護局)	16 December 2008	Not applicable ⁽¹⁾
Xuchang Tian Lun	Business License (企業法人營業執照)	Xuchang Municipal Administration for Industry and Commerce (許昌市工商行政管理局)	11 April 2008	17 April 2018
	Gas Enterprise Qualification Certificate (燃氣企業經營許可證)	Xuchang Municipal Construction Committee (許昌市建設委員會)	21 May 2008	21 May 2011
Xuchang Tian Lun Vehicle	Business License (企業法人營業執照)	Xuchang Administration for Industry and Commerce (許昌市工商行政管理局)	12 September 2008	19 May 2018
	Gas Enterprise Qualification Certificate (燃氣經營許可證)	Xuchang Municipal Construction Committee (許昌市建設委員會)	5 August 2009	5 August 2012
	Hazardous Chemicals Operation Permit (危險化學品經營許可證)	Henan Provincial Administration of Work Safety (河南省安全生產監督管理局)	28 July 2009	27 July 2012
	Fire Control Acceptance Letter of Construction Project (建設工程消防驗收意見書)	Xuchang Municipal Fire Department (許昌市公安消防支隊)	22 June 2009	Not applicable ⁽¹⁾

BUSINESS

Company	License/Permit/ Certificate	Granting Authority	Date of Grant	Expiry Date
	Application Registration Card for Environment Acceptance of Construction Project (建設項目竣工環境保護驗 收申請登記卡)	Xuchang Municipal Environment Protection Bureau (許昌市環境保護局)	4 August 2009	Not applicable ⁽¹⁾
	Pressured Pipeline Use Registration Certificate (壓力管道使用登記證)	Xuchang Municipal Bureau of Quality and Technical Supervision (許昌市質量技術監督局)	4 June 2009	4 June 2012
	Gas Bottle Filling Permit (氣瓶充裝許可證)	Henan Provincial Bureau of Quality and Technical Supervision (河南省質量技術監督局)	29 July 2009	28 July 2013
	Permission of Water-Intaking (取水許可證)	Water Conservancy Bureau of Xuchang County (許昌縣水利局)	13 November 2008	13 November 2013
Shangjie Tian Lun	Business License (企業法人營業執照)	Shangjie District Branch of Zhengzhou Administration for Industry and Commerce (鄭州市工 商行政管理局上街分局)	18 July 2007	17 July 2017
	Gas Enterprise Qualification Certificate (燃氣經營許可證)	Zhengzhou City Administration Bureau (鄭州市城市管理局)	2 January 2010	31 December 2010
	Construction Enterprises Qualification Certificate (建築企業資質證書) ⁽²⁾	Zhengzhou City Bureau of Municipal Administration (鄭州市市政管理執法局)	18 November 2008	18 November 2013
Hebi New Energy	Business License (企業法人營業執照)	Hebi Municipal Administration for Industry and Commerce (鶴壁市工商行政管理局)	13 May 2010	12 May 2016

BUSINESS

Company	License/Permit/ Certificate	Granting Authority	Date of Grant	Expiry Date
	Gas Enterprise Qualification Certificate (燃氣企業經營許可證)	Hebi Municipal Housing and Urban- Rural Development Bureau (鶴壁市住房和城鄉建設局)	12 May 2010	12 May 2016

Notes:

- (1) A one-time application is required for our application of the relevant Gas Enterprise Qualification Certificate for our CNG filling stations.
- (2) The Certificate only applies to gas appliance installation.

The relevance and implications of the relevant rules and regulations to our business and operations are set forth below:

- (i) the obtaining and the renewal of concession rights by us shall be in compliance with *The Measures on the Administration of the Franchising of Municipal Public Utilities* (《市政公用事業特許經營管理辦法》) and regulations on the administration of gas within territory of Henan Province.
- (ii) the obtaining of Gas Enterprise Qualification Certificate for our business and operations shall follow the stipulations of *The Administrative Measures on Urban Fuel Gas Utilization* (《城市燃氣管理辦法》) and regulations on the administration of gas within territory of Henan Province.
- (iii) we shall observe the stipulations of *The Administrative Measures on Urban Fuel Gas Utilization* and regulations on the administration of gas within territory of Henan Province in our daily business and operations.

We had receivables due from Henan Tian Lun Real Estate of RMB11.7 million as at 31 December 2007, 2008 and 2009, respectively, which bore interest at annual rates ranging from 7.5% to 8.6%. As advised by Grandall Legal Group, such advances to Henan Tian Lun Real Estate were not in compliance with the *General Principles of Loan* (《貸款通則》) in the PRC. Please refer to the paragraph headed “— Legal Compliance and Proceedings — Advances to related parties” in the section for further details.

As advised by Grandall Legal Group, our Company has obtained all the necessary licenses, permits and certificates from the appropriate and competent authorities as required under the laws, rules and regulations of the PRC to operate our business under the Concessions, and has been in full compliance with all relevant laws and regulations since the incorporation of the respective companies in our Group.

OTHER RULES AND REGULATIONS OF THE PRC RELATED TO OUR BUSINESS

Certain rules and regulations on the property market may have implications to our Group’s business as we place significant reliance on revenue generated from our gas pipeline connections operation. Our gas pipeline connections operation is substantially for the pipeline connections for residential users dwelling in residential property developments. Recently promulgated rules and regulations that are related to the property market include the *Circular on Facilitate Stable and*

BUSINESS

Sound Development of the Real Estate Market (《國務院辦公廳關於促進房地產市場平穩健康發展的通知》), the *Notice on Resolutely Curbing the Soaring of Housing Prices in Some Cities* (《關於堅決遏制部分城市房價過快上漲的通知》) and *Notice on Regulating the Identification Criteria on the Second House related to Individual Housing Loan from Commercial Banks* (《關於規範商業性個人住房貸款中第二套住房認定標準的通知》). Our Directors confirm that there has not been any noticeable effect on our business since the promulgation of such laws and regulations.

For details of the rules and regulations related to our business or the PRC, please refer to the section headed “Regulations” in this Prospectus.

PROPERTIES

Our facilities are located in Hebi City, Xuchang City and Zhengzhou City of Henan Province, and mainly comprise high-, mid- and low-pressure urban branch pipeline networks, natural gas processing stations as well as natural gas storage and distribution stations. Please refer to “— Transportation and Sales of Pipelined Gas Operation — Facilities” in this Prospectus. As at the Latest Practicable Date, we owned the land use rights in respect of a total land area of 18,688 m². We are advised by Grandall Legal Group that, pursuant to the laws of PRC, we are not required to acquire the land use right to the land above our underground urban branch pipeline networks for the purpose of operating such pipeline networks. Therefore, no approvals from the relevant government land administrative authorities are required for our operation of the pipelines.

Our principal executive offices, including our administration, sales and marketing departments, are located at our headquarters in Zhengzhou City of Henan Province, China. We have already obtained building ownership certificates for some of our buildings. We also operate some of our businesses in one leased property, including part of our corporate office space and operating facility. As at the Latest Practicable Date, we were not in breach of any lease agreement.

As at the Latest Practicable Date, we owned and/or used nine parcels of land and 21 buildings, covering an aggregate site area of approximately 35,194 m² and an aggregate floor area of approximately 12,083 m², respectively. Of these properties, the right to use three parcels of land, covering an aggregate site area of approximately 3,884 m², was administratively allocated to us by the relevant government authorities in China.

As at the Latest Practicable Date, we operated some of our businesses in one leased property, which covers an aggregate site area of approximately 6,910 m² (approximately 10.4 mu). The lease is for a period of 30 years from 10 August 2005 at an annual rental fee of the cash equivalent of 1,000 kg of wheat per mu.

As at the Latest Practicable Date, we had not obtained the necessary approvals, permits and certificates for a total aggregate floor area of 432 m² of buildings, mainly used as shelters for our staff and facilities, built on the parcels of land we owned and/or used. We expect that we will obtain the necessary approvals, permits and certificates for the aforesaid buildings in approximately 24 months. Our Directors consider that it is impractical to single out the revenue and profit contributions of these properties as our revenue is not directly generated by or traceable from these properties. Our Directors confirm that these buildings are not crucial to our business.

As advised by Grandall Legal Group, pursuant to the confirmations issued in June 2010 by the *Housing and Construction Bureaux* in the cities where those buildings are located, the responsible government authorities, it was confirmed that: (i) we are entitled to use such buildings without

BUSINESS

obtaining the relevant approvals, permits and/or certificates; and (ii) we will not be penalized for not obtaining the relevant approvals, permits and/or certificates. Furthermore, as advised by Grandall Legal Group, the maximum penalty for the properties with defective title is an order for demolition. We intend to apply for the relevant approvals, permits and certificates in respect of a portion of these properties. The Controlling Shareholders of our Company entered into a deed of indemnity to indemnify us, among others, any loss or damages suffered by us arising from the penalty or order for demolition imposed by the competent authority on the properties with defective title.

Our Directors and Grandall Legal Group have confirmed that, save as disclosed above, we have obtained all title certificates regarding the parcels of land and buildings we owned and/or used, including those parcels of land which were administratively allocated to us, and our leased property has been properly registered with the relevant authorities.

INTELLECTUAL PROPERTY

As at the Latest Practicable Date, we have applied for one trademark in Hong Kong and we did not own any patents or other intellectual property rights. Once the trademark is protected by registration, we will have adequate legal protection for the trademark. If in the future we are aware of any other intellectual property rights which are material to our business, we will also register such rights. For further information in relation to our intellectual property rights, please refer to “Statutory and General Information — Further Information about the Business — Intellectual property rights” included in Appendix VI to this Prospectus.

COMPETITION

We encounter limited competition when conducting our transportation and sales of pipelined gas operation, other than our distribution and sales of CNG, as well as gas pipeline connections operation under the Concession Agreements, which has resulted in an exclusive right for our Project Companies to operate in our Operating Cities. Accordingly, as at the Latest Practicable Date, we were in a dominant position in respect of our transportation and sales of pipelined gas operation and gas pipeline connections operation in newly-constructed residential areas in our Operating Cities. During the period of the Concession, we are in a monopolistic position. However, our Concessions in Shangjie District of Zhengzhou City may be terminated prior to the expiration. Please refer to the paragraph headed “— Areas of Operation and the Concessions — The Concessions” in this section and the paragraph headed “Risk Factors — Risks Relating to our Business — We rely on Concessions for the operation of our business, which will expire or may be terminated before expiration.” for further details.

Rapid economic development in China has caused demand for pipelined gas to exceed domestic production. Strong domestic demand may lead to potential lack of capacity of existing network operators and may attract new entrants to invest in new infrastructure. The increase in capacity resulted from the new investments may create competition or lead to increased competition among pipelined gas network operators. Due to the tremendous demand for natural gas in China, it may also attract more natural gas network operators from the international markets to operate in China.

With respect to our distribution and sales of CNG, currently, there are two CNG filling stations in Hebi City, both of which are owned by us, and three CNG filling stations in Xuchang City, one of which is operated by us. The other two CNG filling stations in Xuchang City are privately owned by single station operators. Owing to our exclusive natural gas pipeline networks in the cities we sell CNG, we are more cost-effective than our competitors who transport CNG by truck. We believe that

BUSINESS

we can effectively compete with the other stations based upon our strong organization, experience and financial resources.

INSURANCE

We do not currently maintain fire, casualty or other property insurance covering our facilities, properties or equipment other than with respect to vehicles. In addition, we do not maintain any business interruption insurance or any third-party liability insurance to cover claims in respect of personal injury, property or environmental damage arising from accidents on our properties or relating to our operations, other than third-party liability insurance with respect to vehicles and insurance as required under the *Labor Law of the PRC* (《中華人民共和國勞動法》) referred to below. We do maintain personal injury insurance for certain of our employees who are outdoor workers. Please refer to “Risk Factors — Risks Relating to Our Business — Accidents or occurrences of public safety concerns may occur; we lack adequate insurance coverage” in this Prospectus.

Our insurance coverage includes social insurance, medical and accident insurance for our staff in accordance with the *Labor Law of the PRC*. Our Directors believe that we have adequate insurance coverage as we have maintained policies which are mandatory under relevant PRC laws and regulations and in accordance with industry practice.

LEGAL COMPLIANCE AND PROCEEDINGS

As at the latest Practicable Date, we have been involved in the following material litigations:

Personal Injury Case

On 29 December 2005, Li Shiqun (李士群) brought a proceeding to the People’s Court of Shan Cheng District, Hebi (鶴壁市山城區人民法院) against Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司), Hebi Tian Lun and the *Bureau of Labor and Social Security of Hebi* (鶴壁市勞動和社會保障局) for compensation of personal injury (the “Personal Injury Case”). The complainant claimed that the injury was due to the poor road conditions arising from improper construction work carried out by Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司) and Hebi Tian Lun.

On 23 August 2009, pursuant to Civil Ruling ((2009) Shan Min Chu Zi No. 533) (民事判決書[(2009)山民初字第533號]), the People’s Court of Shan Cheng District, Hebi (鶴壁市山城區人民法院) ruled that Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司), Hebi Tian Lun and the *Bureau of Labor and Social Security of Hebi* (鶴壁市勞動和社會保障局) shall, jointly and severally, compensate the complainant in the amount of RMB53,325.80. Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司), Hebi Tian Lun and the *Bureau of Labor and Social Security of Hebi* (鶴壁市勞動和社會保障局) filed an appeal to the Intermediate Peoples’ Court of Hebi, Henan (河南省鶴壁市中級人民法院). On 11 May 2010, the Intermediate Peoples’ Court of Hebi, Henan (河南省鶴壁市中級人民法院) upheld the ruling in the Civil Ruling ((2009) Shan Min Chu Zi No. 533) (民事判決書[(2009)山民初字第533號]). As advised by Grandall Legal Group, as at 9 July 2010, Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司), Hebi Tian Lun and the *Bureau of Labor and Social Security of Hebi* (鶴壁市勞動和社會保障局) had fulfilled their respective compensation obligations, of a total amount of RMB53,325.80, as ruled by the Civil Ruling ((2009) Shan Min Chu Zi No. 533) (民事判決書[(2009)山民初字第533號]). An amount of RMB17,775.26 to be paid by Hebi Tian Lun, out of RMB53,325.80, was paid to the complainant as compensation.

We aim at maintaining a high standard of work in connection with our construction work, including engaging contractors with sufficient expertise and qualifications to carry out the laying

BUSINESS

and maintenance of pipelines, and implementing evaluation and on-site checking processes after completion of the relevant work. We have also arranged daily on-site checking on our pipeline network. We intend to step-up our efforts in ensuring the safe operation of our pipelines, which include increasing the number of our routine on-site checks to twice a day and conducting ad hoc examinations of the on-site checking records by our managers.

Our Directors have confirmed that the Personal Injury Case was a one-off occurrence since our establishment and up to the Latest Practicable Date. Taking into account of the fact that we have fully fulfilled our compensation obligations under the Personal Injury Case, the amount we have paid for any personal injury case so far and the likelihood of re-occurrence of similar events in the future, our Directors consider that the Personal Injury Case will not have a material impact on our business or our financial position.

Gas Leakage Case

On 30 December 2009, Wang Sizhao (王思照) and Zhang Jinfeng (張金鳳) brought a proceeding to the People's Court of Shangjie, Zhengzhou (鄭州市上街區人民法院) against Henan Ya Xing Property Group Limited* (河南亞星置業集團有限公司) and Shangjie Tian Lun for a compensation of RMB497,782 for the death of the two complainants' daughter (the "Gas Leakage Case"). The complainants claimed that the deceased was poisoned due to gas leakage in the apartment bought from Henan Ya Xing Property Group Limited* (河南亞星置業集團有限公司). The Gas Leaking Case was heard before the People's Court of Shangjie, Zhengzhou (鄭州市上街區人民法院) on 9 March 2010. In our defense submitted to the People's Court of Shangjie, Zhengzhou (鄭州市上街區人民法院), the relevant gas leakage was due to unauthorized alteration of the lay-out of the installed pipelines. As at the Latest Practicable Date, no ruling has been laid down in respect of the Gas Leakage Case. As advised by Grandall Legal Group, the maximum liability of Shangjie Tian Lun under the Gas Leakage Case will not exceed RMB497,782.

We understand the importance of preventing gas leakage in our operations. We have implemented a 24-hour reporting hotline and gas leakage alarm system, and, during the monthly routine visits to our customers to take the gas-meter readings, our staff are required to conduct safety checks on the gas facilities at the same time, including but not limited to, whether there is any aging or unauthorized alteration of the gas facilities. For every identified case of unauthorized alteration, we will issue written notification to the relevant customer and require the customer to remedy the authorized alteration within the period specified in the written notice, and our on-site inspection will be carried out upon expiry of the period specified for the remedial actions to be taken by the customer. If the customer fails to take remedial actions to our satisfaction upon our on-site inspection, we will temporarily suspend the supply of gas to such customer after our on-site inspection. We have also arranged promotional leaflets on gas safety to be distributed to our customers and check on their understanding on gas safety during our routine visits to our customers.

Our Directors have confirmed that the Gas Leaking Case was a one-off occurrence since our establishment and up to the Latest Practicable Date. Taking into account the actions taken and to be taken by us regarding the prevention of gas leakage and the reinforcement of gas safety, and the potential liability under the Gas Leaking Case, our Directors consider that the Gas Leaking Case will not have a material impact on our business or our financial position.

Our Directors have further confirmed that, due to the remoteness of outflow and the insignificant impact the maximum liability under the relevant legal proceedings is to have on our financial statements, there is no provision made in our accounts regarding the liabilities arising or to be arising from the Personal Injury Case and the Gas Leaking Case.

BUSINESS

As at the Latest Practicable Date, except as disclosed above, we were not involved in any legal or arbitral proceedings, which imposed a significant adverse effect on our financial position, and we were not aware of any material proceedings pending or threatened.

Advances to Related Parties

During the Track Record Period, we have made certain advances to Henan Tian Lun Real Estate, a company which was effectively owned as to 50% as at 1 January 2007 and as to 50% as at the Latest Practicable Date by Mr. Zhang. The advances made to Henan Tian Lun Real Estate, which amounted to approximately RMB11,662,000 as at 31 December 2007, 2008 and 2009, was for its general working capital purposes and bore interest at annual interest rates between 7.52% and 8.61%. The interest income from such receivables amounted to RMB0.9 million, RMB1.0 million, RMB1.0 million and RMB0.5 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

Grandall Legal Group has advised us that such advances to Henan Tian Lun Real Estate are not in compliance with the *General Principles of Loan* (《貸款通則》) promulgated by the PBOC and we may be liable to a penalty of up to five times of the interest income received from such advances. As at 30 June 2010, all such advances to Henan Tian Lun Real Estate had been discontinued and all amount due from Henan Tian Lun Real Estate had been fully settled by Henan Tian Lun Real Estate.

As at the Latest Practicable Date, we have not received any notice from the PBOC that any relevant penalty had been or will be imposed. Our Controlling Shareholders have provided an indemnity in our favor to indemnify us for all possible penalties or liabilities arising from such advances. Our Directors confirm that any possible penalty in connection with such advances will not have any material effect on our financial position. Our Directors also confirm and undertake that such loan advancing activities will not continue after the Listing.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Our Controlling Shareholder — Mr. Zhang

Immediately upon completion of the Capitalization Issue and the Global Offering, without taking into account any Share to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option, Mr. Zhang, through his associates, will hold, approximately 70% of the entire issued share capital of our Company.

Mr. Zhang is interested in a number of companies which have been excluded from our Group but are either related to the Group because of their existing or prior equity interests in, or business relationship with, our Group or engaged in businesses that may compete (directly or indirectly) with our Group's business. The principal activities of such companies are summarized as follows:

Name of company	Principal activities	Mr. Zhang's effective interest
Chequers Development ⁽¹⁾	Investment holding	100%
Gold Shine Development ⁽²⁾	Investment holding	60%
Henan Tian Lun Engineering Investment ⁽³⁾	Investment in gas business; investment in mining business	50%
Henan Tian Lun Holdings ⁽⁴⁾	Investment in real estate business, gas business in cities, commerce and service business	50%
Henan Tian Lun Real Estate ⁽⁵⁾	Development and operation of real estate	50%
Hexiang Engineering ⁽⁶⁾	Installation of pipelines and installation of water, electricity and heat supply	50%
Puyang Tian Lun ⁽⁷⁾	Management services for gas and heat supply in cities; investment in gas business; development and application of new gas technology; leasing of property	55%
Tian Lun Group ⁽⁸⁾	Investment holding	60%

Notes:

- (1) Chequers Development was incorporated in the BVI on 8 January 2010 and is wholly-owned by Mr. Zhang. Chequers Development is a Shareholder of our Company. Mr. Zhang is also the sole director of Chequers Development.
- (2) Gold Shine Development was incorporated in the BVI on 6 April 2010 and is owned as to 60% by Mr. Zhang, 20% by Mr. Zhang DY and 20% by Ms. Sun. Gold Shine Development is a shareholder of Tian Lun Group. Mr. Zhang is also the sole director of Gold Shine Development.
- (3) Henan Tian Lun Engineering Investment was established in the PRC on 10 May 2002 and is owned as to 80% by Henan Tian Lun Holdings and 20% by Henan Tian Lun Real Estate. Henan Tian Lun Holdings and Henan Tian Lun Real Estate are controlled by Mr. Zhang. Mr. Zhang is also a director of Henan Tian Lun Engineering Investment.
- (4) Henan Tian Lun Holdings was established in the PRC on 21 August 2009 and is owned as to 50% by Mr. Zhang, 25% by Mr. Zhang DY and 25% by Ms. Sun. Mr. Zhang is a director of Henan Tian Lun Holdings.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

- (5) Henan Tian Lun Real Estate was established in the PRC on 15 May 1997 and is owned as to 80% by Henan Tian Lun Holdings and 20% by Henan Tian Lun Engineering Investment. Henan Tian Lun Holdings and Henan Tian Lun Engineering Investment are controlled by Mr. Zhang. Mr. Zhang is also a director of Henan Tian Lun Real Estate.
- (6) Hexiang Engineering was established in the PRC on 23 December 2005 and is owned as to 80% by Henan Tian Lun Holdings and 20% by Henan Tian Lun Engineering Investment. Henan Tian Lun Holdings and Henan Tian Lun Engineering Investment are controlled by Mr. Zhang.
- (7) Puyang Tian Lun was established in the PRC on 9 November 2009 and is owned as to 90% by Henan Tian Lun Engineering Investment and 10% by Mr. Zhang. Henan Tian Lun Engineering Investment is controlled by Mr. Zhang. Mr. Zhang is also a director of Puyang Tian Lun.
- (8) Tian Lun Group was incorporated in the BVI on 8 July 2003 and is wholly-owned by Gold Shine Development. Tian Lun Group is a Shareholder of our Company. Mr. Zhang is also a director of Tian Lun Group.

As confirmed by Mr. Zhang and as demonstrated in the table above, save as: (i) Puyang Tian Lun which may engage in similar business of our Group, details of which are set out in the paragraph headed “Puyang Tian Lun” below; (ii) Henan Tian Lun Engineering Investment which holds 90% equity interest in Puyang Tian Lun and its operation in Puyang Hi-tech Industry Development Zone in Puyang, Henan (河南省濮陽高新技術產業開發區) since August 2010, details of which are set out in the paragraph headed “Henan Tian Lun Engineering Investment and Henan Tian Lun Holdings” and “Puyang Tian Lun” below; (iii) Henan Tian Lun Holdings which holds 80% equity interest in Henan Tian Lun Engineering Investment, details of which are set out in the paragraph headed “Henan Tian Lun Engineering Investment and Henan Tian Lun Holdings” below; and (iv) Hexiang Engineering which is and will continue to be a subcontractor of our Group, all the companies mentioned in the table above have engaged in businesses different from our business. Therefore, Mr. Zhang does not intend to include any of the companies mentioned in the table above into our Group.

Henan Tian Lun Engineering Investment and Henan Tian Lun Holdings

Henan Tian Lun Engineering Investment was established in the PRC on 10 May 2002 and was a former shareholder of all of our subsidiaries in the PRC. Henan Tian Lun Engineering Investment is one of the founders of our Group when Hebi Tian Lun was established by Henan Tian Lun Engineering Investment, Ms. Sun, Mr. Chen Huafeng (陳華峰先生) and Ms. Liu Jun (劉軍女士) on 1 November 2002.

The following table illustrates the equity interest holding structure of Henan Tian Lun Engineering Investment since the founding of our Group (i.e. the date of establishment of Hebi Tian Lun) and up to the end of the Track Record Period:

Date	Event of change of equity interests	Name of holder of equity interests (approximate holding of equity interests)	Ultimate controlling shareholder
1 November 2002 (the date of establishment of Hebi Tian Lun) . . .	Not applicable	Henan Tian Lun Real Estate ⁽¹⁾ (60%) Mr. Chen Huafeng ⁽²⁾ (陳華峰先生) (20%) Ms. Liu Jun (劉軍女士) (20%)	Mr. Zhang

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Date	Event of change of equity interests	Name of holder of equity interests (approximate holding of equity interests)	Ultimate controlling shareholder
30 April 2003	Increase of registered capital ⁽³⁾	Mr. Zhang (40%) Henan Tian Lun Real Estate (24%) Henan Ren Hao Industrial Limited* (河南省仁豪實業有限公司) ("Henan Ren Hao") (20%) Mr. Chen Huafeng (陳華峰先生) (8%) Ms. Liu Jun (劉軍女士) (8%)	Mr. Zhang
9 July 2003	Increase of registered capital ⁽⁴⁾	Mr. Zhang (58.33%) Henan Tian Lun Real Estate (16.67%) Henan Ren Hao (13.88%) Mr. Chen Huafeng (陳華峰先生) (5.56%) Ms. Liu Jun (劉軍女士) (5.56%)	Mr. Zhang
19 November 2003	Increase of registered capital ⁽⁵⁾	Mr. Zhang (73.21%) Henan Tian Lun Real Estate (10.71%) Henan Ren Hao (8.93%) Mr. Chen Huafeng (陳華峰先生) (3.57%) Ms. Liu Jun (劉軍女士) (3.57%)	Mr. Zhang
30 October 2006	Transfer of equity interests ⁽⁶⁾	Mr. Zhang (44.64%) Mr. Zhang DY (22.32%) Ms. Sun (22.32%) Henan Tian Lun Real Estate (10.72%)	Mr. Zhang
1 December 2009	Transfer of equity interests ⁽⁷⁾	Henan Tian Lun Holdings ⁽⁸⁾ (80%) Henan Tian Lun Real Estate (20%)	Mr. Zhang

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Date	Event of change of equity interests	Name of holder of equity interests (approximate holding of equity interests)	Ultimate controlling shareholder
30 June 2010 (end date of the Track Record Period)	Not applicable	Henan Tian Lun Holdings (80%) Henan Tian Lun Real Estate (20%)	Mr. Zhang

Notes:

- (1) Henan Tian Lun Real Estate was owned as to Mr. Zhang, Mr. Zhang Xuehan (張學涵先生), Mr. Zhang Xuewen (張學溫先生), Mr. Shi Benqiang (史本強先生) and Henan Tian Lun Industrial Limited* (河南省天倫實業有限公司) as to 20%, 20%, 20%, 20% and 20%, respectively. Mr. Zhang Xuehan (張學涵先生) and Mr. Zhang Xuewen (張學溫先生) are the brothers of Mr. Zhang. Mr. Shi Benqiang (史本強先生) is an Independent Third Party. As at 1 November 2002, Henan Tian Lun Industrial Limited* (河南省天倫實業有限公司) was owned by Mr. Chen Huafeng (陳華峰先生), Mr. Zhang, Mr. Zhang Xuehan (張學涵先生), Mr. Zhang Xuewen (張學溫先生) and Henan Ren Hao as to 4.31%, 85.34%, 3.45%, 4.31% and 2.59%, respectively. As at 1 November 2002, Henan Ren Hao was owned by Mr. Zhang Xuepu (張學溥先生), the brother of Mr. Zhang, and other Independent Third Parties as to 50% and 50%, respectively.
- (2) Mr. Chen Huafeng (陳華峰先生) was a former equity holder of Hebi Tian Lun and Henan Tian Lun Engineering Investment, a former chairman and member of the board of directors of Hebi Tian Lun from September 2002 to April 2004, and is a member of the board of directors of Xuchang Tian Lun.
- (3) The registered capital of Henan Tian Lun Engineering Investment had been increased from RMB10 million to RMB25 million. The additional capital contribution of RMB15 million was contributed by Mr. Zhang and Henan Ren Hao as to RMB10 million and RMB5 million, respectively.
- (4) The registered capital of Henan Tian Lun Engineering Investment had been increased from RMB25 million to RMB36 million. The additional capital contribution of RMB11 million was contributed solely by Mr. Zhang.
- (5) The registered capital of Henan Tian Lun Engineering Investment had been increased from RMB36 million to RMB56 million. The additional capital contribution of RMB20 million was contributed solely by Mr. Zhang.
- (6) On 30 October 2006, Mr. Zhang transferred 18.75% of his equity interests in Henan Tian Lun Engineering Investment to Ms. Sun and 9.82% of his equity interests in Henan Tian Lun Engineering Investment to Mr. Zhang DY for a consideration of RMB10.5 million and RMB5.5 million, respectively. On 30 October 2006, Mr. Chen Huafeng (陳華峰先生) transferred 3.57% of his equity interests in Henan Tian Lun Engineering Investment to Ms. Sun for a consideration of RMB2 million. On 30 October 2006, Ms. Liu Jun (劉軍女士) and Henan Ren Hao transferred 3.58% and 8.93% of their respective equity interests in Henan Tian Lun Engineering Investment to Mr. Zhang DY for a consideration of RMB2 million and RMB5 million, respectively.
- (7) On 25 November 2009, Mr. Zhang entered into an equity transfer agreement with Henan Tian Lun Holdings to transfer 44.64% of his equity interests in Henan Tian Lun Engineering Investment to Henan Tian Lun Holdings for a consideration of RMB25 million. On 25 November 2009, Ms. Sun entered into an equity transfer agreement with Henan Tian Lun Holdings to transfer 22.32% of her equity interests in Henan Tian Lun Engineering Investment to Henan Tian Lun Holdings for a consideration of RMB12.5 million. On 25 November 2009, Mr. Zhang DY entered into an equity transfer agreement with Henan Tian Lun Holdings and Henan Tian Lun Real Estate to transfer 13.04% of his equity interests in Henan Tian Lun Engineering Investment to Henan Tian Lun Holdings and 9.29% of his equity interests in Henan Tian Lun Engineering Investment to Henan Tian Lun Real Estate for a consideration of RMB7.3 million and RMB5.2 million, respectively. The aforesaid equity transfers were completed on 1 December 2009.
- (8) As at 1 December 2009, Henan Tian Lun Holdings was owned by Henan Tian Lun Engineering Investment and Mr. Zhang as to 95% and 5%, respectively. On 5 January 2010, Henan Tian Lun Engineering Investment entered into an equity transfer agreement with Mr. Zhang to transfer 45% of its equity interests in Henan Tian Lun Holdings to Mr. Zhang for a consideration of RMB27 million. On 5 January 2010, Henan Tian Lun Engineering Investment entered into an equity transfer agreement with Ms. Sun to transfer 25% of its equity interests in Henan Tian Lun Holdings to Ms. Sun for a consideration of RMB15 million. On 5 January 2010, Henan Tian Lun Engineering Investment entered into an equity transfer agreement with Mr. Zhang DY to transfer 25% of its equity interests in Henan Tian Lun Holdings to Mr. Zhang DY for a consideration of RMB15 million. After the aforesaid transfer equity interests, Henan Tian Lun Holdings was owned by Mr. Zhang, Ms. Sun and Mr. Zhang DY as to 50%, 25% and 25%, respectively.

The business scope of Henan Tian Lun Engineering Investment includes: Investment in gas business and investment in mining business. Save as disclosed in the paragraphs headed “Puyang Tian Lun” and “Deed of Non-competition” below, Henan Tian Lun Engineering Investment had ceased to engage in any gas or gas-related business upon completion of the Corporate Reorganization.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

As at the Latest Practicable Date, Henan Tian Lun Engineering Investment owned and operated certain assets in Puyang for the supply of heat generated by hot water to certain residential and commercial users. As: (i) natural gas and coal gas distributed by our Group are primarily consumed as a burning fuel, which has wider applications, including but not limited to cooking and fuel for vehicles, and is materially different from the primary use of steam for heating purpose; (ii) the transmission of steam is circumscribed by an effective radius beyond which no steam can be supplied to users as condensation takes place and (iii) the heat supply operation of Henan Tian Lun Engineering Investment is only capable of supplying heat to approximately 2,600 end-users which is insignificant, in terms of number of end-users, as compared to our operation, our Directors believe that the heat supply business of Henan Tian Lun Engineering Investment in Puyang is not in competition with our business.

During the Track Record Period, there had been certain other receivables and other payables between our Group and Henan Tian Lun Engineering Investment, Henan Tian Lun Real Estate, Hexiang Engineering and Mr. Zhang. Henan Tian Lun Engineering Investment, Henan Tian Lun Real Estate and Mr. Zhang had also provided guarantees for certain bank borrowings of our Group, further details of which are set out in the paragraph headed “Indebtedness” under the section headed “Financial Information” in this Prospectus, and in Notes 17 and 31 to the Accountant’s Report set out in Appendix I to this Prospectus. Our Directors confirm that as at the Latest Practicable Date, all of the above receivables and payables had been fully settled and the relevant guarantees provided by Henan Tian Lun Engineering Investment, Henan Tian Lun Real Estate and Mr. Zhang had been released.

Henan Tian Lun Holdings is a company established in the PRC with limited liability on 21 August 2009. At the time of its establishment, Henan Tian Lun Holdings was owned by Henan Tian Lun Engineering Investment and Mr. Zhang as to 95% and 5%, respectively. On 5 January 2010, Henan Tian Lun Engineering Investment entered into an equity transfer agreement with Mr. Zhang to transfer 45% of its equity interests in Henan Tian Lun Holdings to Mr. Zhang for a consideration of RMB27 million. On 5 January 2010, Henan Tian Lun Engineering Investment entered into an equity transfer agreement with Ms. Sun to transfer 25% of its equity interests in Henan Tian Lun Holdings to Ms. Sun for a consideration of RMB15 million. On 5 January 2010, Henan Tian Lun Engineering Investment entered into an equity transfer agreement with Mr. Zhang DY to transfer 25% of its equity interests in Henan Tian Lun Holdings to Mr. Zhang DY for a consideration of RMB15 million. After the aforesaid transfer equity interests and up to 30 June 2010, the end date of the Track Record Period, Henan Tian Lun Holdings was owned by Mr. Zhang, Ms. Sun and Mr. Zhang DY as to 50%, 25% and 25%, respectively.

Henan Tian Lun Holdings is a company principally engaged in investment holding and its business scope includes: investment in real estate business, gas business in cities, commerce and service business. In addition to holding of 80% of the equity interests in each of Henan Tian Lun Engineering Investment, Henan Tian Lun Real Estate and Hexiang Engineering, Henan Tian Lun Holdings also holds interest in other companies which are principally engaged in education, property management and agriculture, all of which, as confirmed by Mr. Zhang and our Directors after making all reasonable enquiries, do not engage in any business that compete or may compete, directly or indirectly, with the business of our Group.

Save as disclosed above and in the paragraphs headed “Puyang Tian Lun” and “Deed of Non-competition” below, as confirmed by Mr. Zhang and our Directors after making all reasonable enquiries, Henan Tian Lun Holdings does not engage in any businesses or hold any interests in any companies engaging in any businesses which compete or may compete, directly or indirectly, with the business of our Group.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

As confirmed by each of our Directors and save for Mr. Zhang and Mr. Zhang DY, a minority shareholder holding 25% equity interests in Henan Tian Lun Holdings, our Directors do not have any interests in any businesses or in any companies engaging in any businesses which compete or may compete, directly or indirectly, with the business of our Group.

Puyang Tian Lun

Puyang Tian Lun was established in the PRC on 9 November 2009. Since its establishment, the equity interests in Puyang Tian Lun have been owned by Henan Tian Lun Engineering Investment and Mr. Zhang as to 90% and 10%, respectively. Puyang Tian Lun was established for the purpose of acquiring the gas-related assets previously operated and owned by the Water, Electricity, Gas and Communication Company of Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區水電氣訊公司), a Stated-owned enterprise, pursuant to an asset rights transfer agreement entered into between Henan Tian Lun Engineering Investment and the *Management Committee of Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區管理委員會) dated 5 February 2010. The consideration under the asset rights transfer agreement was RMB15 million which was determined with reference to the net asset value of the Water, Electricity, Gas and Communication Company of Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區水電氣訊公司) of RMB15,762,500 as at 18 November 2009 based on the audit report issued by a PRC accounting firm on 23 November 2009. It is estimated that approximately RMB90,000, mainly comprising the service fees charged by the relevant asset transfer organization and taxes, will be incurred as additional cost in connection with the acquisition of the gas-related assets by Puyang Tian Lun. The major assets to be transferred to Puyang Tian Lun include approximately 11 kilometers of constructed gas pipelines and a building with a total floor area of approximately 1,646 sq m for commercial and office use. All the pipelines and the building are located in Puyang Hi-tech Industry Development Zone in Puyang, Henan (河南省濮陽高新技術產業開發區). In order to secure the continuous supply of gas in Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區), the aforesaid assets have been under the operation by Henan Tian Lun Engineering Investment which supplied gas to approximately 8,000 end-users in Puyang Hi-tech Industry Development Zone in Puyang, Henan (河南省濮陽高新技術產業開發區) since August 2010. The local government had given written approval to Henan Tian Lun Engineering Investment, despite its lacking of the required Gas Operation Permit (燃氣經營許可證), for operation of the gas-related assets in Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區) until completion of the assets transfer to Puyang Tian Lun and Puyang Tian Lun has obtained the Gas Operation Permit (燃氣經營許可證) for its commencement of operation. Taking into account: (i) the operation of the gas-related assets by Henan Tian Lun Engineering Investment in Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區) is geographically different from our operation in our Operating Cities; (ii) such operation of Henan Tian Lun Engineering Investment is transitional in nature; and (iii) Henan Tian Lun Engineering Investment had entered into the Deed of Non-competition in favor of our Company, our Directors consider that the gas-related business of Henan Tian Lun Engineering Investment in Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區) does not and will not have any direct competition with our business.

Puyang Tian Lun has obtained the transfer confirmation (產權轉讓成交確認書) issued by the relevant asset transfer organization and is in the process of completing relevant registration procedures for such transfer. Upon completion of the transfer, Puyang Tian Lun intends to (i) conduct a thorough check and valuation on the assets being transferred to ascertain the value of the assets; and (ii) carry out the necessary repair and maintenance to, or replacement of, the assets to

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

eliminate any potential safety threat or defect, and to bring the level of transporting loss to the desired standard; and (iii) to evaluate the scale and extent of maintenance and repair required to be done on the pipelines in question. Upon completion of the above procedures, Puyang Tian Lun has to apply to the *Bureau of Housing and Urban-Rural Development of Puyang* (濮陽市住房和城鄉建設局) for the Gas Operation Permit (燃氣經營許可證) before Puyang Tian Lun can commence operation. As advised by Grandall Legal Group, whether the *Bureau of Housing and Urban-Rural Development of Puyang* (濮陽市住房和城鄉建設局) will grant the Gas Operation Permit (燃氣經營許可證) to Puyang Tian Lun and the time required to complete the application procedures is uncertain.

Given that the abovementioned permit is necessary for the operation of Puyang Tian Lun and there is no certainty that such permit can be obtained, Puyang Tian Lun has not been included in our Group. Upon Puyang Tian Lun's obtaining of the necessary permit and certificate to commence its operation, our Company intends to exercise the option under the Deed of Non-competition to acquire Puyang Tian Lun, subject to the approval of our Board, our independent non-executive Directors and the independent Shareholders, if applicable. Further details of the Deed of Non-competition are set out in the paragraph headed "Deed of Non-competition" below.

As Puyang Tian Lun was not in operation as at the Latest Practicable Date, there does not exist any competition between our Group and Puyang Tian Lun.

On 20 October 2010, Mr. Zhang, Mr. Zhang DY, Ms. Sun, Chequers Development, Gold Shine Development, Tian Lun Group and Henan Tian Lun Engineering Investment entered into the Deed of Non-competition in favor of our Company (for itself and for the benefit of its subsidiaries), pursuant to which, among others, Mr. Zhang, Mr. Zhang DY, Ms. Sun and Henan Tian Lun Engineering Investment have granted our Company an option to acquire the entire equity interests in Puyang Tian Lun. Further details of the Deed of Non-competition are set out below.

DEED OF NON-COMPETITION

Mr. Zhang, Mr. Zhang DY, Ms. Sun, Chequers Development, Gold Shine Development, Tian Lun Group (collectively the "Covenantors") and Henan Tian Lun Engineering Investment, have entered into the Deed of Non-competition in favor of our Company. Pursuant to the Deed of Non-competition, each of the Covenantors has undertaken to our Company (for itself and for the benefit of its subsidiaries) that, save and except that disclosed in this Prospectus, he/she/it will not, and would procure that his/her/its associates (except any member of our Group) would not, during the restricted periods set out below, directly or indirectly, either on his/her/its own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or hold interests in or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any gas, gas filling stations and gas pipeline connections operation related business in the PRC (the "Restricted Business"). Each of the Covenantors further undertakes that if he/she/it or his/her/its associates other than any member of our Group is offered or becomes aware of any investment or business opportunity which is in competition, directly or indirectly, or may lead to direct or indirect competition, with our Group in connection with any of the Restricted Business ("Business Opportunity"), he/she/it will and he/she/it shall procure that his/her/its associates will notify us of the Business Opportunity and use his/her/its best endeavors to procure that the Business Opportunity is first offered to our Group on terms and conditions no less favorable than those offered to the Covenantors or their associates. Within 30 days after receipt of written notice concerning offer of any Business Opportunity from the Covenantors, our Company shall notify the Covenantors whether we intend to accept the offer. If our Group declines any such offer, the

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

Covenantor or their associates who offered the Business Opportunity shall then be allowed to acquire the interests offered on terms no more favorable than those offered to our Group.

Whether we shall accept or decline the offer of Business Opportunity shall be decided by our Board and upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors or potential conflicting Directors (if any, including our independent non-executive Directors) shall abstain from participating in all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our Board for considering whether or not to accept the offer of Business Opportunity. Upon request by our Directors, our Company will engage independent financial advisors at our own expense for advising on the proposed offer of Business Opportunity.

The non-competition undertakings under the Deed of Non-competition shall not restrict each of the Covenantors (or any of their respective associates), either by itself or any other person, from holding interests in the shares of a company which is listed on a recognized stock exchange provided that:

- (a) 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
- (b) 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 who holds more shares in the company than such Covenantors and/or their respective associates in aggregate.

Mr. Zhang, Ms. Sun, Mr. Zhang DY and Henan Tian Lun Engineering Investment (collectively the "Grantors") have granted to our Company (i) an option (the "Option") under which our Company has the right to acquire the entire equity interests in Puyang Tian Lun, at or not more than the fair market value of Puyang Tian Lun with reference to the independent valuation to be determined by a valuer agreed by our Company and the Covenantors subject to the terms of the Deed of Non-competition and (ii) a right of first refusal if the Grantors intend to sell any of the equity interest in Puyang Tian Lun to a third party.

The Option and the right of first refusal shall cease to have effect when the obligations of the Covenantors cease under the Deed of Non-competition. The Option for our Company to acquire Puyang Tian Lun shall be exercisable when our Directors, including all our independent non-executive Directors, decide that, for the future development of our Group, it is in the best interest of our Company for the Option or the first right of refusal to be exercised. Once the aforementioned obstacle is removed, in other words, when Puyang Tian Lun obtains the necessary permit and certificate to commence its operation, our Company intends to exercise the Option under the Deed of Non-competition to acquire Puyang Tian Lun, subject to the approval of our independent non-executive Directors and the independent Shareholders, if applicable. In the event that our Company decides to exercise or not to exercise the Option or the right of refusal, our Company will where necessary under the Listing Rules disclose such decision by way of announcement.

The obligations of the Covenantors under the Deed of Non-competition will cease (i) upon the cessation of trading of our Shares on the Stock Exchange (except suspension of trading of our Shares

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

pursuant to the Listing Rules); or (ii) when such Covenantor(s) and/or its/his/her associate(s) cease to exercise or control the exercise of 30% or more (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 our Company; or (iii) when the Covenantors in aggregate cease to exercise or control the exercise of 30% or more (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 our Company.

The Company will adopt the following procedure to monitor that the Deed of Non-competition are being observed:

- (a) our independent non-executive Directors shall annually review and decide whether our Company shall exercise the Option and/or right of first refusal and provide the opinion, basis and reason in exercising the judgment relating to the exercise of the Option and right of first refusal in our Company's annual report;
- (b) each of the Covenantors undertakes to provide, upon our Company's request, any information to our Company or the committee comprising our independent non-executive Directors in relation to Puyang Tian Lun, as a basis to decide whether to exercise the Option and the right of first refusal by our Company from time to time; and
- (c) Each of the Covenantors undertakes to provide, upon the Independent Board Committee's request, all information necessary for the execution of the Deed of Non-competition, and to provide an annual confirmation in relation to the compliance of the non-competition undertaking in the annual report of our Company, such disclosure shall correspond with the voluntary disclosure principle set out in the corporate governance report in Appendix 23 of the Listing Rules.

The undertakings contained in the Deed of Non-competition are conditional upon, amongst other things, the Stock Exchange granting approval for the listing of and permission to deal in our Shares.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS AND THEIR RESPECTIVE ASSOCIATES

Our Directors are satisfied that our Group can carry on our business independently of our Controlling Shareholders and their respective associates.

Management Independence

The Board comprises four executive Directors, one non-executive Director and four independent non-executive Directors. Mr. Zhang, a Controlling Shareholder, is an executive Director. He is also a director of Tian Lun Group, Gold Shine Development and Chequers Development, all being our corporate Shareholders or holding companies of our corporate Shareholders in which he has an interest. Save as disclosed above, none of our executive Directors or senior management serves any executive or management role in our Controlling Shareholders or any of their respective associates.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In particular, Mr. Zhang will not attend any board meetings in respect of those matters or transactions relating to Hexiang Engineering or which may otherwise give rise to potential conflicts of interest and would not be counted as quorum in the relevant meetings so far as required by the Listing Rules or other applicable laws and regulations. Furthermore, Mr. Zhang and his associates will not attend, or be counted as quorum of, any meeting of our Shareholders for consideration and approval of matters which may give rise to potential conflicts of interest so far as required by the Listing Rules or other applicable laws and regulations. In addition, our Group has an independent senior management team, none of whom has any managerial role or beneficial interest in our Controlling Shareholders or any of their respective associates, to carry out the business decisions of our Group independently.

Four of the members of the Board are independent non-executive Directors who are either well-educated, having extensive experience in different areas or professionals and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Furthermore, the Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by the Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective associates after the Listing.

Operational Independence

We have established our own organizational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Other than the transactions entered into with Hexiang Engineering as set out in the paragraphs headed “Non-exempt continuing connected transactions” under the section headed “Connected Transactions” in this Prospectus, no services and facilities are intended to be provided by our Controlling Shareholders and/or their associates to our Group. For the three years ended 31 December 2009 and the six months ended 30 June 2010, the construction and installation fees paid to Hexiang Engineering amounted to approximately RMB344,000, RMB4,493,000, RMB5,237,000 and RMB3,409,000, representing approximately 6.6%, 45.8%, 43.6% and 59.0% of our total fees paid to our subcontractors for the same period, respectively. As we have independent contractors capable of carrying out construction and installation work with comparable quality and price to those offered by Hexiang Engineering, our Group is able to operate independently from our Controlling Shareholders after the Listing.

Our Group has established a bidding process for selecting our subcontractors. We will invite candidates to bid for our projects based on the candidates’ qualification and reputation. There will be at least two bidders for each bidding. We will not have access to the tender bids submitted by the bidders before the submission deadline. We will proceed the bidding process only if at least two bidders, all having competent qualifications and the ability to undertake our projects, have submitted tender bids. Should there be fewer than two tender bids submitted, such tender shall not be proceeded and shall be withdrawn and the bidding process for that project shall be re-started all over

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

again. The background and the proposals submitted by the bidders will be reviewed by our designated committee (the “Committee”). Although the members of the Committee may vary according to the nature of the projects, its members will normally include Mr. Feng, Mr. Sun, Mr. Du Qin (杜欽先生), Mr. Xie Chaoyang (謝朝陽先生), Mr. Wang Jun (王軍先生) and two other staff from our audit department. Mr. Feng and Mr. Sun are our executive Directors. Mr. Du Qin (杜欽先生), the general manager of Xuchang Tian Lun and Mr. Xie Chaoyang (謝朝陽先生), the general manager of Shangjie Tian Lun and Xuchang Tian Lun Vehicle, have more than 10 years’ experience in corporate management or gas operation. Mr. Wang Jun (王軍先生) is the chief engineering of our Group who has over 20 years’ experience in technical support and engineering for gas corporations. The designated staff from our audit department are qualified PRC accountants.

Taking into account the selection process and qualification of the members of the Committee as set out above, our Directors consider that a minimum of two bidders is sufficient to ensure a fair bidding process for selecting our subcontractors. The decision making will be conducted by a vote of majority, for which any member of the Committee who has a conflict of interest or potential conflict of interest will have to abstain from such voting. We will select our subcontractors based on their qualification, experience and bidding prices.

To better safeguard our Company’s interest and for better corporate governance practice, we will implement the following major measures to ensure a fair disclosure of information to Hexiang Engineering and other bidders:

- (1) a designated team of our procurement department will be responsible to ensure all information which is reasonably necessary to enable a bidder for our construction project to appraise the position of making a tender will be released simultaneously to other bidders and Hexiang Engineering; and
- (2) all members of the Committee undertake that they will not disclose any information not available to all the bidders, for example, the estimated financial returns of the project (the “Restricted Information”) to the management and staff of some bidder(s) (including but not limited to Hexiang Engineering) whether or not the bidding process for that particular project has completed or withdrawn.

Mr. Zhang is not a director or member of the senior management of Hexiang Engineering. Mr. Zhang is not a member of the Committee. As confirmed by Mr. Zhang, save as being the ultimate controlling shareholder of Hexiang Engineering, he has not involved and will not involve in the daily management and operation of Hexiang Engineering. In any event if Mr. Zhang is in possession of any Restricted Information because of his position as our executive Director, he undertakes that he will not disclose any of the Restricted Information to the management and staff of Hexiang Engineering until the bidding process for that particular project has been completed or withdrawn.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. The non-trade related amounts due to or from our Controlling Shareholder, Mr. Zhang, or companies controlled by him, had been fully settled. Our Group has procured the release of all guarantees provided to us by Mr. Zhang and his associates before the 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.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in note 31 to the Accountant's Report set out in Appendix I to this Prospectus. Our Directors have confirmed that these related party transactions were conducted on terms agreed with counter parties in the ordinary course of business. Save as described below, these related party transactions have discontinued before the Latest Practicable Date. These related party transactions, if continue after the Listing, may constitute connected transactions under the Listing Rules.

Following the Listing, the following transactions will continue between our Group and the relevant connected person (as defined in the Listing Rules), which will constitute continuing connected transactions under the Listing Rules.

Non-Exempt Continuing Connected Transactions

The following transactions have been carried out by our Group and its connected person (as defined in the Listing Rules) which constitute continuing connected transactions which are not exempt from the reporting and announcement requirements set out in Chapter 14A of the Listing Rules, and are expected to continue following the Listing:

Transactions with Hexiang Engineering

Hexiang Engineering is principally engaged in installation of pipelines and installation of water, electricity and heat supply. It is owned as to 80% and 20% by Henan Tian Lun Holdings and Henan Tian Lun Engineering Investment, respectively. Henan Tian Lun Holdings is owned as to 50%, 25% and 25% by Mr. Zhang, Mr. Zhang DY and Ms. Sun, respectively. Henan Tian Lun Engineering Investment is owned as to 80% and 20% by Henan Tian Lun Holdings and Henan Tian Lun Real Estate, respectively. Mr. Zhang is one of the Controlling Shareholders and an executive Director. Therefore, Hexiang Engineering is a connected person of our Company under the Listing Rules.

During the Track Record Period, our Group had engaged Hexiang Engineering for the construction and installation of our Group's pipelines, including the pipelines for the urban branch pipeline networks and for the pipeline connection operation. The construction and installation fees paid by our Group to Hexiang Engineering were determined on a case by case basis with reference to the scale and complexity of work carried out by Hexiang Engineering, the fixed price relating to construction and installation set by the local government, the market rate and terms with Independent Third Parties previously engaged by our Group in similar transactions. For the three years ended 31 December 2009 and the six months ended 30 June 2010, the construction and installation fees paid to Hexiang Engineering amounted to approximately RMB344,000, RMB4,493,000, RMB5,237,000 and RMB3,409,000, representing approximately 0.9%, 5.8%, 5.2% and 5.4% of our total cost of sales during the same periods and representing approximately 6.6%, 45.8%, 43.6% and 59.0% of our total fees paid to our subcontractors for the same periods. Our Directors confirmed that the transactions with Hexiang Engineering during the Track Record Period were (i) conducted on normal commercial terms; (ii) carried out in our Group's ordinary and usual course of business, and in accordance with the terms and agreements governing the transactions; and (iii) fair and reasonable, and in the interest of our Shareholders as a whole.

During the Track Record Period, the transaction amount with Hexiang Engineering had substantially increased since 2007. For each of the three years ended 31 December 2009 and the six

CONNECTED TRANSACTIONS

months ended 30 June 2010, the length of the main pipelines constructed or installed by Hexiang Engineering for our residential end-users, which are the main target we engaged Hexiang Engineering to provide service for, was approximately 10 kilometers, 21 kilometers, 24 kilometers and 10 kilometers, respectively. For the same periods, the number of our residential end-users for which we engaged Hexiang Engineering to provide pipeline construction and installation work was approximately 3,000, 13,000, 31,000 and 23,000, respectively. The substantial increase in our transactions with Hexiang Engineering was primarily due to our recognition of the quality of the installation work carried out by Hexiang Engineering which effectively improves the reliability and safety of our operations. Our Directors have taken into account the above factors when considering whether to continue our business relationship with Hexiang Engineering after the Listing.

As advised by Grandall Legal Group, if we were to acquire Hexiang Engineering which will change Hexiang Engineering into a domestic enterprise invested by foreign-invested enterprise, Hexiang Engineering will only be allowed to conduct the following construction projects in accordance with the prevailing PRC laws and regulations:

- (i) those projects which are wholly foreign invested or funded; or
- (ii) those projects which are funded by international financial institution through international bidding pursuant to the terms of relevant loans; or
- (iii) Sino-foreign joint venture projects with 50% or more of the investment being invested by foreign investors or Sino-foreign joint venture projects with less than 50% foreign investment which cannot be carried out independently by domestic enterprises due to technical difficulties and require approval from the government; or
- (iv) domestic projects which cannot be carried out independently by domestic enterprises due to technical difficulties and require approval from the government.

As Hexiang Engineering is principally engaged in domestic construction projects and wishes to continue such business as its major business in the future, Mr. Zhang does not intend to include Hexiang Engineering into our Group.

On 13 October 2010, our Group and Hexiang Engineering entered into the Hexiang Engineering Construction Agreement for the engagement of Hexiang Engineering to carry out the construction and installation of pipelines for our Group for a term ending on 31 December 2012, pursuant to which the construction and installation fees payable by our Group will be determined on a case by case basis with reference to the scale and complexity of work carried out by Hexiang Engineering, the fixed prices relating to construction and installation laid down by the local government, the market rate and terms with Independent Third Parties previously engaged by our Group in similar transactions. It is expected that the consideration paid by our Group to Hexiang Engineering on an annual basis under the Hexiang Engineering Construction Agreement will not be more than RMB8,200,000, RMB9,500,000 and RMB11,000,000 for the three years ending 31 December 2012, respectively. In arriving at the above annual caps, our Directors had considered:

- (i) the historic transaction amounts with Hexiang Engineering and as the percentage of total transaction amounts with our subcontractors;
- (ii) the transaction amounts with Hexiang Engineering of approximately RMB3,409,000 as set out in the audit financial information of our Group for the six months ended 30 June 2010 and the transaction amounts with Hexiang Engineering of approximately RMB1,815,000 as set out in the unaudited financial statements of our Group for the two months ended 31 August 2010;

CONNECTED TRANSACTIONS

- (iii) the estimated transaction amount with our subcontractors to perform gas pipeline connection for our new users for the three years ending 31 December 2012, which is estimated based on:
- (a) the expected number of new users during the relevant period;
 - (b) the expected connection fees to be received by our Group during the relevant period; and
 - (c) fees payable to our subcontractors as percentage of the connection fee historically;
- (iv) the estimated length of urban branch pipeline networks of approximately 180 km needed to be constructed for the three years ending 31 December 2012, which is estimated based on our expansion plan (further details of which are set out in the paragraphs headed “Expansion plan” under the section headed “Summary” and the section headed “Business” in this Prospectus) to expand into uncovered areas in our Operating Cities and represents an increased of approximately 177% as compared to 65 km of constructed urban branch pipeline networks for the three years ended 31 December 2009; and
- (v) the construction cost of urban branch pipeline networks is more expensive as it involves construction and laying of gas pipelines in larger diameters which requires longer construction hours.

The following table sets out the actual and estimated number of new users, length of urban branch pipeline networks, transaction amount with all subcontractors and transaction amount with Hexiang Engineering for the three years ended 31 December 2009 and the three years ending 31 December 2012:

	For the year ended 31 December 2007	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ending 31 December 2010 (estimated)	For the year ending 31 December 2011 (estimated)	For the year ending 31 December 2012 (estimated)
Number of new users during the indicated period	17,000	22,000	42,000	35,000	36,000	38,000
Urban branch pipeline networks	19.2 km	20.3 km	25.3 km	40 km	60 km	80 km
Actual/estimated transaction amount with all subcontractors	RMB5,178,000	RMB9,804,000	RMB12,021,000	RMB14,770,740	RMB21,073,180	RMB25,818,040
Actual/estimated transaction amount with Hexiang Engineering	RMB344,000	RMB4,493,000	RMB5,237,000	RMB8,200,000*	RMB9,500,000*	RMB11,000,000*

* Annual Caps

Our Directors (including our independent non-executive Directors) and the Sole Sponsor are of the view that the Hexiang Engineering Construction Agreement had been entered into on normal commercial terms, and in the ordinary and usual course of business of our Group and that the terms of the Hexiang Engineering Construction Agreement, including the annual caps, are fair and reasonable and in the interests of our Company and Shareholders as a whole.

Our Directors expect that the consideration ratio, being the applicable percentage ratio under Rule 14.07 of the Listing Rules, for the Hexiang Engineering Construction Agreement on an annual basis will be less than 5%. Therefore, the Hexiang Engineering Construction Agreement is only

CONNECTED TRANSACTIONS

subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange

We have applied to the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver to us from strict compliance with the announcement requirement under the Listing Rules, relating to the continuing connected transactions mentioned in the paragraph headed "Non-Exempt continuing connected transactions" above on the condition that the aggregate value of the non-exempt continuing connected transactions for each financial year does not exceed the relevant cap as stated above.

Our Directors confirm that we will comply with the requirements set out in Chapter 14A of the Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36 to 14A.40, 14A.45 and 14A.46 of the Listing Rules in relation to non-exempted continuing connected transactions with Hexiang Engineering mentioned above and that the aggregate values of the non-exempted continuing transactions are not expected to exceed the annual caps, and will re-comply with Rules 14A.35(3) and (4) of the Listing Rules, as applicable, if any of the respective annual caps is exceeded, or when the Hexiang Engineering Construction Agreement is renewed or when there is a material change to the terms of the Hexiang Engineering Construction Agreement.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

GENERAL

The following table sets forth information regarding our current Directors and senior officers:

Name	Age	Position
Directors		
Mr. Zhang Yingcen (張瀛岑先生)	47	Chairman and executive Director
Mr. Xian Zhenyuan (冼振源先生)	35	Executive Director
Mr. Feng Yi (馮毅先生)	31	Executive Director
Mr. Sun Heng (孫恒先生)	52	Executive Director
Mr. Zhang Daoyuan (張道遠先生)	24	Non-executive Director
Mr. Chang Zongxian (常宗賢先生)	51	Independent non-executive Director
Mr. Li Liuqing (李留慶先生)	36	Independent non-executive Director
Mr. Zhang Jiaming (張家銘先生)	29	Independent non-executive Director
Ms. Zhao Jun (趙軍女士)	47	Independent non-executive Director
Senior Management		
Mr. Du Qin (杜欽先生)	58	Director and general manager of Xuchang Tian Lun
Mr. Xie Chaoyang (謝朝陽先生)	47	Chairman and general manager of Xuchang Tian Lun Vehicle, and general manager of Shangjie Tian Lun
Mr. Wang Jun (王軍先生)	59	Chief engineer of our Group
Mr. Li Xinjian (李新建先生)	39	Manager of the finance department of our Group

BOARD OF DIRECTORS

Our Board consists of nine Directors, comprising four executive Directors, one non-executive Directors and four independent non-executive Directors. The powers and duties of our Board include convening shareholders' meetings and reporting the Board's work at shareholders' meetings, implementing resolutions passed at shareholders' meetings, determining our business plans and investment plans, formulating our annual budget and final accounts, formulating our proposals for profit distributions and for the increase or reduction of registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. All our Directors have entered into service contracts with our Company.

Save as disclosed in this Prospectus, none of our Directors has any other directorships in listed companies during the three years immediately prior to the date of this Prospectus.

Chairman

Mr. Zhang Yingcen (張瀛岑先生), aged 47, the founder and the chairman of Board of Directors. Mr. Zhang was appointed as a Director on 20 May 2010 and redesignated as an executive Director on 13 October 2010. Mr. Zhang is also the chairman of the remuneration committee and the nomination committee of our Company. He is responsible for the overall strategic planning of our Group and has involved in leading the development and investment of the business of our Group in the PRC. Mr. Zhang has around eight years of experience in the management of gas enterprises since he founded our Group and more than 13 years of management experience gained from his employment with Henan Zhengzhou Jinshui District Sugar and Alcoholic Beverages Co., Ltd.* (河南省鄭州市金水區糖酒公司) as its manager for the overall management and operation of the company. Mr. Zhang is the chairman of certain subsidiaries of our Company, including the chairman of Xuchang Tian Lun since September 2003, the chairman of Shangjie Tian Lun since July 2007, and the chairman of Hebi Tian Lun since March 2010. Since May 2002, he has served as the chairman of

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Henan Tian Lun Engineering Investment and has been responsible for its strategic planning in the development of its gas business. From December 1982 to July 1995, he was the manager of Henan Zhengzhou Jinshui District Sugar and Alcoholic Beverages Co., Ltd* (河南省鄭州市金水區糖酒公司), a state-owned company in Zhengzhou, Henan Province, responsible for the overall management and operation of this company. Since 1997, Mr. Zhang has also engaged in real estate business and has been the director and chairman of Henan Tian Lun Real Estate, responsible for making decisions on operation plan, development scheme and investment strategy. In January 2001, Mr. Zhang received the certificate of graduation in advanced EMBA program from Enterprise Research Center of Peking University* (北京大學企業研究中心EMBA課程高級研修班結業證書). In June 2006, he received the certificate of the 6th national graduate course in business and administration for entrepreneurs of private-owned company from the External Training Center of Party School of the CPC Central Committee* (中華人民共和國中共中央黨校對外培訓中心). Mr. Zhang cares for the society and holds positions in other associations and national authorities. He was appointed as a representative of the 11th National People's Congress of the PRC* (中華人民共和國第十一屆全國人民代表大會代表) since January 2008 and is currently the vice chairman of the Industrial and Business Association in Henan Province* (河南省工商業聯合會副主席).

Mr. Zhang has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Executive Directors

Mr. Xian Zhenyuan (洗振源先生), aged 35, is an executive Director and the general manager of our Company. Mr. Xian was appointed as an executive Director on 13 October 2010. He is responsible for the overall management of our Group. Mr. Xian has seven years of experience in the management of gas enterprises. He joined Henan Tian Lun Engineering Investment as its chief financial officer and general manager immediately after returning to China from Australia in January 2003, responsible for its operational management and business development planning. Mr. Xian then joined our Group in September 2003 as a director of Xuchang Tian Lun. Mr. Xian has served as a director of other subsidiaries of our Company, including as a director of Hebi Tian Lun since April 2004 and as a director of Shangjie Tian Lun since July 2007. Mr. Xian left Henan Tian Lun Engineering Investment in November 2009. Mr. Xian obtained a bachelor's degree majoring in international trade from Southeast University* (東南大學) in the PRC in July 1997 and obtained a master's degree majoring in Accounting from Macquarie University in Australia in April 2003. Mr. Xian has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Mr. Feng Yi (馮毅先生), aged 31, was appointed as an executive Director and the deputy general manager of our Company on 13 October 2010. He joined our Group in March 2008 as deputy general manager of Hebi Tian Lun. He is responsible for the strategic investment planning and corporate financing activities of our Group. Mr. Feng has eight years of experience in corporate investment and financing from his employment with Zhengzhou Yutong Bus Co., Ltd* (鄭州宇通客車股份有限公司) and Henan Yatai Commercial Consultation Co., Ltd* (河南雅泰商務諮詢服務有限公司). He has been a director of Hebi Tian Lun since March 2010, responsible for investment planning and financing. Prior to joining our Group, he served as an investment specialist in the strategic investment department of Zhengzhou Yutong Bus Co., Ltd* (鄭州宇通客車股份有限公司) between July 2002 and April 2005 and was responsible for the external investment, mergers and acquisitions, capital management, strategic planning management and external financing. He was the assistant to chairman and vice general manager of Henan Yatai Commercial Consultation Co., Ltd* (河南雅泰商務諮詢服務有限公司) in Henan Province (the Zhengzhou Branch of 21 Century Real Estate in the PRC* (21世紀不動產〔中國〕鄭州區域分部)) from April 2005 to August 2006, responsible for initiating and developing derivative investment business of the Company, including project

DIRECTORS, SENIOR MANAGEMENT AND STAFF

investment, loans and financial investment. Mr. Feng was the assistant to the general manager and the vice general manager of Henan Tian Lun Engineering Investment between September 2006 to November 2009, responsible for capital operation such as major project investments and external investments. Mr. Feng obtained a bachelor's degree in International Trade from Southwestern University of Finance and Economics* (西南財經大學) in the PRC in July 2002. Mr. Feng has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Mr. Sun Heng (孫恒先生), aged 52, was appointed as an executive Director and the deputy general manager of our Company on 13 October 2010. He joined our Group in November 2004. He is responsible for the operation and management of Hebi Tian Lun, Hebi Tian Lun Vehicle and Hebi New Energy. Mr. Sun is also the director and general manager of certain subsidiaries of our Company, including as a director of Hebi Tian Lun Vehicle since October 2007, as a director and a general manager of Hebi New Energy since May 2010, and the general manager of Hebi Tian Lun since May 2006. Prior to joining our Group, Mr. Sun worked in Luoyang Liquidified Gas Co., Ltd* (洛陽市液化氣公司) and was appointed as the chief officer of its operation and sales department in August 1993 and the vice secretary of the CPC branch of its operation and sales department in March 1994. Mr. Sun was then appointed as the vice manager of Luoyang Liquidified Gas Co., Ltd* (洛陽市液化氣公司) in March 1995 until his resignation in October 2004. He was responsible for users development, users archives management, gas source purchase, coordination and sales during the period he worked in Luoyang Liquidified Gas Co., Ltd*. In June 2006, Mr. Sun was qualified as a Registered Senior Consultant for Oil and Gas Business* (石油燃氣註冊高級諮詢師) by Henan Consultation Association of Science & Technology* (河南省科技諮詢業協會) upon the confirmation of Henan Provincial Department of Science and Technology* (河南省科學技術廳). He received a diploma of Economics* (經濟專業班) from Party School of the Henan Committee of CPC* (中國共產黨河南省委黨校) through correspondence course in July 1991. Mr. Sun has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Non-executive Directors

Mr. Zhang Daoyuan (張道遠先生), aged 24, is the son of Mr. Zhang and one of our Controlling Shareholders. Mr. Zhang DY was appointed as a non-executive Director on 13 October 2010. Mr. Zhang DY has served as an assistant to general manager of Henan Tian Lun Real Estate since December 2007 and is responsible for assisting general manager in overall management of the company. Mr. Zhang DY graduated from Griffith University in Australia in November 2007 and obtained a bachelor's degree majoring in finance. With the overseas experience of Mr. Zhang DY and his familiarity with the English language, we believe Mr. Zhang DY will be able to make valuable contributions to our Group by acting as the bridge between our Company and our overseas investors. Mr. Zhang DY has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Independent Non-executive Directors

Mr. Chang Zongxian (常宗賢先生), aged 51, was appointed as the independent non-executive Director on 13 October 2010. Mr. Chang is also a committee member of the audit committee and the nomination committee of our Company. Mr. Chang has extensive management experience in the gas industry. Mr. Chang was the chairman of Zhengzhou Gas (Group) Co., Ltd* (鄭州燃氣集團有限公司) from 2000 to 2007, responsible for general management. He was also a non-executive director between 2001 and 2005, and a supervisor between 2005 and 2007 of Zhengzhou Gas Company Limited* (鄭州燃氣股份有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 3928), responsible for deciding operation plan and investment scheme, formulating annual

DIRECTORS, SENIOR MANAGEMENT AND STAFF

budget, supervising financial management and directors and management activities. Mr. Chang was also the chairman of White Dove Group Co., Ltd* (白鴿集團有限責任公司) from 2001 to 2003, responsible for operational management and making decisions on material matters. Mr. Chang has been the chief executive officer of Samost Photoelectrical Scientific Stock Co., Ltd* (生茂光電科技股份有限公司) since January 2010, responsible for general management. Mr. Chang graduated from School of Business of Hunan University* (湖南大學商學院) in the PRC in January 1996 and obtained a master's degree in science.

Mr. Chang was appointed as the deputy general secretary of People's Congress of Zhengzhou City* (鄭州市人大常委會) since March 2009. He was also appointed as a representative of the Tenth People's Congress of Henan Province (河南省第十屆人民代表大會) in December 2002.

Mr. Chang has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Mr. Li Liuqing (李留慶先生), aged 36, was appointed as the independent non-executive Director on 13 October 2010. Mr. Li is also the chairman of the audit committee of our Company. Mr. Li has over eight years of experience in accounting and auditing, gained from his employment with Henan Suntront Tech Co., Ltd* (河南新天科技股份有限公司) and Henan branch of Ascenda Certified Public Accountants Ltd.* (天健正信會計師事務所有限公司). Mr. Li is a director and chief financial officer of Henan Suntront Tech Co., Ltd* (河南新天科技股份有限公司) since October 2009, responsible for overall financial management of such company. He served as a senior manager and a vice branch manager of Henan branch of Ascenda Certified Public Accountants Ltd.* (天健正信會計師事務所有限公司) from January 2000 to November 2009 where he has carried out audits for listed companies and listing applicants in the PRC, and provided accounting related consultation to such companies. Mr. Li graduated from Henan University of Finance and Economics (河南財經學院) in December 1998 with a bachelor's degree in accounting by way of self-studied examination. He then obtained a postgraduate certificate majoring in corporate management from Tianjin University of Finance and Economics* (天津財經大學) in July 2000. Mr. Li has passed the certified public accountant examination in the PRC in May 1998.

Mr. Li has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Mr. Zhang Jiaming (張家銘先生), aged 29, was appointed as the independent non-executive Director on 13 October 2010. Mr. Zhang is also a committee member of the remuneration committee of our Company. Mr. Zhang served as an assistant head of a department in T&T Supermarket Inc, responsible for team management, merchandising, developing and conducting operational training, handling customer enquiring and complaints and staff scheduling, in Canada from February 2008 to September 2009. He has served as an assistant to general manager and vice general manager of Henan Huaxing Investment Co., Ltd* (河南華星投資有限公司) since September 2009 and is responsible for administration and management, including formulating and implementing overall business plans, administration and management systems as well as development and strategic planning of the company. Mr. Zhang obtained a bachelor of management degree from the University of Lethbridge in Alberta, Canada in May 2008. With the overseas experience of Mr. Zhang and his familiarity with the English language, we believe Mr. Zhang will be able to be make valuable contributions to our Group as the contact person for our independent non-executive Directors to communicate with our overseas investors and professional parties, such as our compliance advisors and independent financial advisers, if any.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Mr. Zhang is not in any way connected or associated with Mr. Zhang Yingcen. Mr. Zhang has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Ms. Zhao Jun (趙軍女士), aged 47, was appointed as the independent non-executive Director on 13 October 2010. Ms. Zhao is also a committee member of the audit committee, remuneration committee and the nomination committee of our Company. Ms. Zhao worked in the *Post Office of Zhengzhou City** (鄭州市郵政局) and *Postal Transportation Bureau of Henan Province** (河南省郵政運輸局) and served as a lecturer, education officer (教育主管) and occupational testing officer (職業技能鑒定站主任) successively from April 1986 to April 2010, and was primarily responsible for staff education and training as well as occupational testing of non-communication sector (非通信工種職業技能鑒定工作) of postal industry in Henan Province. Ms. Zhao has served as a director of human resources in Shanghai Shibang Machinery Co., Ltd.* (上海世邦機器有限公司) since April 2010, responsible for human resources management. She obtained a bachelor's degree majoring in agricultural machinery repair from Agricultural Machinery Department of Henan Agricultural University* (河南省農學院) in the PRC in July 1984.

Ms. Zhao has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

SENIOR MANAGEMENT

Mr. Du Qin (杜欽先生), aged 58, has been a director and general manager of Xuchang Tian Lun since he joined our Group in July 2009, and is responsible for the overall operational management of Xuchang Tian Lun. Mr. Du has 35 years of experience in operational management of large state-owned corporations gained from his experience with Luoyang Copper Group* (洛陽銅加工集團有限公司). Prior to joining the Group, he worked for Luoyang Copper Group* (洛陽銅加工集團有限公司) from December 1975 to June 2009, and served as an assistant to general manager of Luoyang Copper Group*, and was responsible for the construction, property management and back-office duties of the company. Mr. Du obtained a master degree in economics from Renmin University of China* (中國人民大學) in the PRC in January 1998. Mr. Du has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Mr. Xie Chaoyang (謝朝陽先生), aged 47, joined our Group in 2002. Since joining our Group, he has served as the vice general manager and chief engineer of Hebi Tian Lun from December 2002 to August 2004, the general manager of Xuchang Tian Lun from August 2004 to June 2009, the chairman and general manager of Xuchang Tian Lun Vehicle since March 2009 and the general manager of Shangjie Tian Lun since June 2009. Mr. Xie is responsible for operation management of Shangjie Tian Lun of the Group. Prior to joining the Group, he worked for Hebi Coal Gas Co., Ltd* (鶴壁市煤氣公司) and acted as vice manager and vice secretary of CPC General Branch and was responsible for the operation and management of the company from May 1998 to December 2002. He obtained a diploma in Mathematics* (數學系數學專業) from Zhengzhou University* (鄭州大學) in the PRC through correspondence course in July 1986. Mr. Xie has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Mr. Wang Jun (王軍先生), aged 59, joined our Group in January 2010 and served as the chief engineer of Hebi Tian Lun, responsible for its general technology and engineering management. Prior to joining our Group, Mr. Wang was the chief engineer of Henan Tian Lun Engineering Investment since February 2009 and is responsible for providing technical support for the

DIRECTORS, SENIOR MANAGEMENT AND STAFF

development of gas business of the Group. Mr. Wang has extensive experience in technical services and business planning of large gas corporation. Prior to joining our Group, Mr. Wang served as the senior engineer and the head of equipment management department for Zhengzhou Gas Company Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 3928), from May 1987 to April 2004, and was responsible for its overall technical planning, technical management and equipment management. Mr. Wang also served as a technical consultant for Zhongyu Gas Holdings Ltd, a company listed on GEM on the Stock Exchange (Stock Code: 8070) from August 2004 to October 2008, and was responsible for the technical support of gas business of the company. He obtained a bachelor's degree majoring in chemical machinery from Zhengzhou University of Technology* (鄭州工學院) in the PRC in September 1975. Mr. Wang has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

Mr. Li Xinjian (李新建先生), aged 39, the chief financial officer of our Company, joined our Group on December 2009 and served as manager of the finance department of Hebi Tian Lun and was responsible for financial management of Hebi Tian Lun. He has been the manager of the financial department of Henan Tian Lun Engineering Investment since May 2004 until December 2009, and is responsible for the overall financial management for our Group. Mr. Li has extensive experience in corporate financial management. Prior to joining the Group, Mr. Li served various positions such as head and deputy head of capital division of financial department and the head of financial department of White Dove (Group) Company Limited* (白鴿(集團)股份有限公司), (now known as Zhong Yuan Environmental Protection Co., Ltd* (中原環保股份有限公司), a company listed on Shenzhen Stock Exchange, Stock Code: 000544), from February 2002 to April 2004, and was responsible for auditing and financial management of this company. Mr. Li obtained a diploma in foreign accounting from Xian University of Technology (西安理工大學) in the PRC in July 1994 and a master degree in business administration from the Guangxi University (廣西大學) in the PRC in June 2009. Mr. Li has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

COMPANY SECRETARY

Mr. HUNG, Man Yuk Dicson (洪旻旭先生), aged 35, was appointed as the company secretary of our Company in October 2010. Mr. Hung obtained a master's degree majoring in finance from The Curtin University of Technology in November 2002. Mr. Hung was admitted as an associate member of Hong Kong Institute of Certified Public Accountants (previously, The Hong Kong Society of Accountants) in July 2004 and a fellow member of The Association of Chartered Certified Accountants in United Kingdom in November 2006.

From May 2007 to December 2008, Mr. Hung was the qualified accountant and the company secretary of Zhongtian International Limited, a company listed on the Stock Exchange (stock code: 2379). Since December 2007, he has been the general manager of Lead & Partners Limited, a company secretarial company in Hong Kong, and has been responsible for the company's overall and general management. Since December 2009, Mr. Hung has been the director to the professional consultancy and advisory services department of LEAD CPA Limited, a chartered public accountant firm in Hong Kong, and has been responsible for supervising and overseeing the department. Since July 2010, he has been the company secretary of Come Sure Group (Holdings) Limited, a company listed on the Stock Exchange (stock code: 794).

Mr. Hung has not at any time during the three years immediately prior to the date of this Prospectus served nor is currently serving as a director of any other listed companies.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

AUDIT COMMITTEE

Our Company has established an audit committee pursuant to a resolution of our Directors passed on 13 October 2010 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C3 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The audit committee consists of three independent non-executive Directors, namely, Mr. Li Liuqing, an independent non-executive Director with the appropriate professional qualifications who shall serve as chairman of the committee, Mr. Chang Zongxian and Ms. Zhao Jun. The primary duties of the audit committee are to assist our Board in providing an independent view of the effectiveness of our financial reporting process, internal control and risk management system, to oversee the audit process and to perform other duties and responsibilities as assigned by our Board.

REMUNERATION COMMITTEE

Our Company has established a remuneration committee pursuant to a resolution of our Directors passed on 13 October 2010 with written terms of reference in compliance with paragraph B1 of the Code on Corporate Governance Practices, as set out in Appendix 14 to the Listing Rules. The remuneration committee consists of two independent non-executive Directors, namely Ms. Zhao Jun and Mr. Zhang Jiaming and one executive Director, namely Mr. Zhang, who is the chairman of the remuneration committee. The primary duties of the remuneration committee are to evaluate the performance and make recommendations on the remuneration package of our Directors and senior management and evaluate and make recommendations on employee benefit arrangements.

NOMINATION COMMITTEE

Our Company has established a nomination committee pursuant to a resolution of our Directors passed on 13 October 2010 with written terms of reference as recommended under the Code on Corporate Governance Practices, set out in Appendix 14 to the Listing Rules. The nomination committee consists of two independent non-executive Directors, namely, Mr. Chang Zongxian and Ms. Zhao Jun and one executive Director, namely, Mr. Zhang, who is the chairman of the nomination committee. The primary function of the nomination committee is to make recommendations to our Board on the appointment and removal of Directors of our Company.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have sufficient management presence in Hong Kong, normally meaning at least two of the issuer's executive Directors must be ordinarily resident in Hong Kong. Currently, none of our executive Directors resides in Hong Kong. Since our principal operations are located in the PRC, our Company do not and, for the foreseeable future, will not have a sufficient management presence in Hong Kong. Accordingly, our Company has applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements under Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Stock Exchange. Please refer to the section headed "Waivers from Compliance with the Listing Rules" in this Prospectus for details.

Our Company has appointed two authorized representatives, namely Mr. Feng Yi, our executive Director, and Mr. Hung, Man Yuk Dicson, our company secretary, who will act at all times as our principal channel of communication with the Stock Exchange. The authorized representatives will be readily contactable by telephone, facsimile and email to deal promptly with inquiries from the Stock Exchange.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Each of our authorized representatives has access to our Board and senior management at all times. One of our authorized representatives, Mr. Hung, Man Yuk Dicson, ordinarily resides in Hong Kong and will be able to meet with the Stock Exchange as and when required. Each of our executive Directors, through the authorized representatives, will be readily contactable by telephone, facsimile or email. Each of our executive Directors, non-executive Directors and independent non-executive Directors who are not ordinarily residents of Hong Kong holds a valid travel document for travel to Hong Kong, and will make themselves available in Hong Kong if required to meet with the Stock Exchange at a reasonable period of time.

COMPLIANCE ADVISOR

Our Company will, in compliance with Rule 3A.19 of the Listing Rules, appoint CCBI as our compliance advisor who will, among other things, act as our additional channel of communication with the Stock Exchange, in addition to our two authorized representatives. The contact persons of our compliance advisor will be fully available to respond to enquiries from the Stock Exchange.

In addition, the compliance advisor will assist and advise our Company in connection with the Listing Rules and guidelines. Specifically, pursuant to Rule 3A.23 of the Listing Rules, our compliance advisor will also advise our Company on the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- where our Company proposes to use the proceeds of the Global Offering in a manner different from that detailed in this Prospectus or where our business activities, developments or results deviated from any forecast, estimate or other information in this Prospectus; and
- where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The terms of the appointment shall commence on the Listing Date and end on the date which our Company distributes the annual report in respect of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation in the form of fees, salaries, allowances, benefits in kind and/or discretionary bonuses relating to the performance of our Group. We also reimburse our Directors and senior management for expenses which are necessarily and reasonably incurred for providing services to us or discharging their duties in relation to our operations. When reviewing and determining the specific remuneration packages for our executive Directors and senior management, our remuneration committee takes into consideration factors such as salaries paid by comparable companies, time commitment and responsibilities of our Directors, employment elsewhere in our Group and desirability of performance-based remuneration.

The aggregate amount of remuneration (including basic, salaries and allowances, discretionary bonuses and retirement benefit contribution) paid to our Directors for the years ended 31 December 2007, 2008 and 2009 was RMB81,000, RMB166,000, and RMB243,000, respectively, and was RMB94,000 for the six months ended 30 June 2010.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

During the Track Record Period, three of our Directors, namely, Mr. Zhang, Mr. Zhang DY and Mr. Xian, received remuneration from our connected persons, Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, for their services provided to us. The amount paid to Mr. Zhang, Mr. Zhang DY and Mr. Xian amounted to RMB254,000, RMB330,000 and RMB414,000, respectively, the years ended 31 December 2007, 2008 and 2009, and was RMB191,000 and was RMB205,000 for the six months ended 30 June 2009 and 2010.

The aggregate amount of basic salaries and allowances, discretionary bonuses and retirement benefit contribution paid to our five highest paid individuals, including Directors, for the years ended 31 December 2007, 2008 and 2009 was approximately RMB271,000, RMB414,000 and RMB477,000, respectively, and was RMB228,000 for the six months ended 30 June 2010.

Our Company has not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2010. Furthermore, none of our Directors have waived any remuneration during the same periods.

Save as disclosed above, no other payments have been paid or are payable, in respect of the years ended 31 December 2007, 2008 and 2009, and for the six months ended 30 June 2010, by us or any of our subsidiaries to our Directors.

Under the arrangements currently in force, the aggregate amount of remuneration (excluding any discretionary bonus which may be paid) and benefits in kind (including the retirement benefit contribution) payable by us to our Directors for the year ending 31 December 2010 is estimated to be approximately RMB331,000.

As at the Latest Practicable Date, each of our Directors has entered into a service contract with our Company and that their remuneration for their services provided to our Group will be paid by our Group. As at the Latest Practicable Date, Henan Tian Lun Engineering Investment has ceased to pay remuneration to our Directors for their services provided to our Group.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section headed “Statutory and General Information — Share Option Scheme” as set out in Appendix VI to this Prospectus.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

EMPLOYEES

As at the Latest Practicable Date, our Group had 261 full-time employees. Set out below is a breakdown of the number of our full-time employees by function:

Departments	Number of Employees
Office of General Manager	10
Department of General Affairs	21
Department of Finance	17
Department of Pipeline Network	76
Department of Safety and Technology	26
Department of Customer Service	48
Department of Marketing	8
Department of Procurement	9
CNG Stations	46
Total	261

During the Track Record Period, we have complied, in all material respects, with relevant PRC labor laws and regulations in all material respects, including contributing to employee retirement benefit schemes, medical and social security insurance schemes and housing provident fund.

SHARE CAPITAL

The authorized and issued share capital of our Company is as follows:

Authorized share capital:

	HK\$
<u>2,000,000,000</u> Shares	<u>20,000,000</u>

Assuming the Over-allotment Option is not exercised and without taking into account any Share which may be issued upon exercise of any options that may be granted under the Share Option Scheme, our share capital immediately following the Capitalization Issue and the Global Offering will be as follows:

**Shares issued or to be issued, fully paid or credited
as fully paid upon completion of the Capitalization Issue
and the Global Offering:**

Shares	HK\$
1,000,000 Shares in issue as at the date of this Prospectus	10,000
597,500,000 Shares to be issued pursuant to the Capitalization Issue	5,975,000
199,500,000 Shares to be issued pursuant to the Global Offering	1,995,000
<u>798,000,000</u>	<u>7,980,000</u>

Assuming the Over-allotment Option is exercised in full and without taking into account any Share which may be issued upon exercise of any options that may be granted under the Share Option Scheme, our Company's share capital immediately following the Capitalization Issue and the Global Offering will be as follows:

**Shares issued or to be issued, fully paid or credited
as fully paid upon completion of the Capitalization Issue
and the Global Offering:**

Shares	HK\$
1,000,000 Shares in issue as at the date of this Prospectus	10,000
597,500,000 Shares to be issued pursuant to the Capitalization Issue	5,975,000
199,500,000 Shares to be issued pursuant to the Global Offering	1,995,000
29,925,000 Shares to be issued pursuant to the Over-allotment Option	299,250
<u>827,925,000</u>	<u>8,279,250</u>

According to Rule 8.08 of the Listing Rules, at the time of the listing and at all times thereafter, we must maintain the "minimum prescribed percentage" of 25% of our issued share capital in the hands of the public.

RANKING

The Public Offer Shares will rank *pari passu* in all respects with all our Shares now in issue or to be issued as mentioned in this Prospectus, and, in particular, will qualify in full for all dividends or other distributions declared, made or paid on our Shares in respect of a record date which falls after the date of Listing other than participation in the Capitalization Issue.

SHARE CAPITAL

CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 13 October 2010, subject to the share premium account of our Company being credited as a result of the issue of Offer Shares pursuant to the Global Offering, our Directors are authorized to allot and issue a total of 597,500,000 Shares credited as fully paid at par to the holders of Shares on the register of members of our Company at the close of business on 13 October 2010 (or as they may direct) in proportion to their respective shareholdings (save that no Shareholder shall be entitled to be allotted or issued any fraction of a Share) by way of capitalization of the sum of HK\$5,975,000 standing to the credit of the share premium account of our Company, and our Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the existing issued Shares.

GENERAL MANDATE TO ISSUE SHARES

Conditional on the conditions as stated in the section headed “Structure of the Global Offering” of this Prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares and to make or grant offers, agreements or options which might require such Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of our Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued (otherwise than pursuant to a rights issue, or scrip dividend scheme or similar arrangements, or a specific authority granted by our Shareholders) shall not exceed:

- (a) 20% of the aggregate nominal value of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Global Offering; and
- (b) the aggregate nominal value of the share capital of our Company repurchased pursuant to the authority granted to our Directors referred to in “— General Mandate to Repurchase Shares” below.

This mandate does not cover Shares to be allotted, issued, or dealt with under a rights issue or upon the exercise of the Over-allotment Option or the options which may be granted under the Share Option Scheme. This general mandate to issue Shares will remain in effect until:

- (a) the conclusion of our Company’s next annual general meeting;
- (b) the expiration of the period within which our Company’s next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (c) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed “Statutory and General Information — Further Information about Our Company — Written resolutions of our Shareholders passed on 13 October 2010” in Appendix VI to this Prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Conditional on conditions as stated in the section headed “Structure of the Global Offering” of this Prospectus, our Directors have been granted a general unconditional mandate to exercise all our

SHARE CAPITAL

powers to repurchase Shares (Shares which may be listed on the Stock Exchange or on any other stock exchange which is recognized by the SFC and the Stock Exchange for this purpose) with an aggregate nominal value of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering (excluding Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares may be listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in connection with all applicable laws and regulations and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in the paragraph headed "Statutory and General Information — Further Information about our Company — Repurchase of our Shares by our Company" in Appendix VI to this Prospectus.

The general mandate to repurchase Shares will remain in effect until:

- (i) the conclusion of our Company's next annual general meeting; or
- (ii) the expiration of the period within which our Company's next annual general meeting is required to be held by any applicable laws or the Memorandum of Association and Articles of Association; or
- (iii) it is varied or revoked by an ordinary resolution of our Shareholders at general meeting,

whichever is the earliest.

For further details of this general mandate, please refer to the paragraph headed "Statutory and General Information — Further Information about Our Company — Written resolutions of our Shareholders passed on 13 October 2010" in Appendix VI to this Prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. Details of the principal terms of the Share Option Scheme are summarized in the paragraph headed "Statutory and General Information — Share Option Scheme" as set out in Appendix VI to this Prospectus.

Our Group does not have any outstanding share options, warrants, convertible instruments, or similar rights convertible into the Shares as at the Latest Practicable Date.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately after completion of the Capitalization Issue and the Global Offering (without taking into account any Shares that may be issued pursuant to the exercise of any options that may be granted under the Share Option Scheme or the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement), the following persons will have interests or short positions in our Shares or underlying Shares which will fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Long Positions in Our Shares

Name	Capacity/Nature	Number of Shares	Approximate percentage of issued Shares
Tian Lun Group	Beneficial owner	508,725,000	63.75
Chequers Development	Beneficial owner	49,675,500	6.23
Gold Shine Development ⁽¹⁾	Interest of controlled corporation	508,725,000	63.75
Mr. Zhang ⁽²⁾	Interest of controlled corporation	558,400,500	69.98
Ms. Sun ⁽³⁾	Interest of spouse	558,400,500	69.98
Pleasant New	Beneficial owner	40,099,500	5.02
Mr. Xian ⁽⁴⁾	Interest of controlled corporation	40,099,500	5.02
Ms. Qiao Yu (喬瑜女士) ⁽⁵⁾	Interest of spouse	40,099,500	5.02

Notes:

- (1) The entire issued share capital of Tian Lun Group is held by Gold Shine Development. Therefore, Gold Shine Development is deemed or taken to be interested in all our Shares held by Tian Lun Group for the purposes of the SFO.
- (2) Mr. Zhang owns 60% of the equity interests in Gold Shine Development, which in turn owns the entire issued share capital of Tian Lun Group. Therefore, Mr. Zhang is deemed or taken to be interested in all our Shares held by Tian Lun Group for the purposes of the SFO. The remaining 40% of the equity interests in Gold Shine Development is held as to 20% by Ms. Sun and 20% by Mr. Zhang DY. Furthermore, Mr. Zhang owns the entire issued share capital of Chequers Development and therefore, Mr. Zhang is also deemed or taken to be interested in all our Shares held by Chequers Development for the purposes of the SFO. Mr. Zhang is an executive Director and the Chairman of the Board. Mr. Zhang is also the sole director of Gold Shine Development and Chequers Development, and Mr. Zhang and his spouse Ms. Sun are directors of Tian Lun Group.
- (3) Ms. Sun is the spouse of Mr. Zhang. Therefore, Ms. Sun is deemed or taken to be interested in all our Shares in which Mr. Zhang is interested for the purposes of the SFO.
- (4) Mr. Xian beneficially owns 80% of the equity interests in Pleasant New. Therefore, Mr. Xian is deemed or taken to be interested in all our Shares held by Pleasant New for the purposes of the SFO. Mr. Xian is the sole director of Pleasant New. The remaining 20% of the equity interests in Pleasant New is beneficially held as to 10% by Mr. Feng and 10% by Mr. Sun.
- (5) Ms. Qiao Yu (喬瑜女士) is the spouse of Mr. Xian. Therefore, Ms. Qiao Yu (喬瑜女士) is deemed or taken to be interested in all our Shares in which Mr. Xian is interested for the purposes of the SFO.

Interest in the Shares of Our Subsidiaries

Zhengzhou Chengxin owns 10% of the equity interests in Shangjie Tian Lun, a non wholly-owned subsidiary of our Company.

SUBSTANTIAL SHAREHOLDERS

Save as disclosed above, our Directors are not aware of any other persons who will, immediately following completion of the Capitalization Issue and the Global Offering (without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted under the Share Option Scheme, and without taking into account the arrangement under the Stock Borrowing Agreement), have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

FINANCIAL INFORMATION

You should read the following discussion and analysis of our financial condition and results of operations together with our combined financial information as at and for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 and the accompanying notes included in the Accountant's Report set out in Appendix I to this Prospectus. The Accountant's Report has been prepared in accordance with HKFRS. Potential investors should read the whole of the Accountant's Report set out in Appendix I to this Prospectus and not rely merely on the information contained in this section. The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. For additional information regarding these risks and uncertainties, please refer to the section headed "Risk Factors" in this Prospectus.

Unless the context otherwise indicated, all financial data, whether presented on a combined basis or by segment, are net of inter-company transactions, if any.

SELECTED FINANCIAL INFORMATION AND OPERATING DATA

Selected Combined Financial Information

The selected summary information of our combined statements of comprehensive income and combined statements of cash flows for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 and the selected summary information of our combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010 set forth below are derived from our financial information included in this Prospectus and are qualified in their entirety by reference to such financial information, including the notes thereto, and should be read in conjunction with them and with "— Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein.

FINANCIAL INFORMATION

The following table sets forth the summary information of our combined statements of comprehensive income for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Combined statements of comprehensive income					
Revenue	65,888	127,657	179,223	81,869	114,950
Cost of sales	(37,185)	(77,623)	(100,393)	(46,366)	(62,976)
Gross profit	28,703	50,034	78,830	35,503	51,974
Distribution cost	(1,978)	(1,553)	(2,236)	(715)	(1,402)
Administrative expenses	(5,489)	(8,318)	(9,723)	(4,580)	(5,490)
Other gains, net	824	5	671	195	32
Operating profit	22,060	40,168	67,542	30,403	45,114
Finance income	1,893	1,874	1,066	527	589
Finance costs	(11,465)	(9,625)	(7,063)	(3,913)	(2,805)
Finance costs, net	(9,572)	(7,751)	(5,997)	(3,386)	(2,216)
Profit before income tax	12,488	32,417	61,545	27,017	42,898
Income tax expense	(4,198)	(6,866)	(13,992)	(6,235)	(10,048)
Profit for the year/period	8,290	25,551	47,553	20,782	32,850
Other comprehensive income for the year/period, net of tax	—	—	—	—	—
Total comprehensive income for the year/ period	<u>8,290</u>	<u>25,551</u>	<u>47,553</u>	<u>20,782</u>	<u>32,850</u>
Profit and total comprehensive income attributable to:					
Equity holders of the Company	7,540	23,538	44,299	19,228	32,443
Minority interest	750	2,013	3,254	1,554	407
	<u>8,290</u>	<u>25,551</u>	<u>47,553</u>	<u>20,782</u>	<u>32,850</u>
Dividends	—	—	—	—	33,087

FINANCIAL INFORMATION

The following table sets forth the summary information of our combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Combined balance sheets				
Assets				
Non-current assets	169,392	173,236	167,691	172,226
Current assets	74,188	76,251	103,312	110,128
Total assets	<u>243,580</u>	<u>249,487</u>	<u>271,003</u>	<u>282,354</u>
Equity and Liabilities				
Total equity	27,519	63,070	110,623	117,927
Non-current liabilities	85,472	60,258	35,827	35,397
Current liabilities	130,589	126,159	124,553	129,030
Total equity and liabilities	<u>243,580</u>	<u>249,487</u>	<u>271,003</u>	<u>282,354</u>
Net current liabilities	<u>(56,401)</u>	<u>(49,908)</u>	<u>(21,241)</u>	<u>(18,902)</u>
Total assets less current liabilities	<u>112,991</u>	<u>123,328</u>	<u>146,450</u>	<u>153,324</u>

The following table sets forth the summary information of our combined statements of cash flows for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Combined statements of cash flows					
Cash and cash equivalents at beginning of the year/period	4,045	7,716	11,371	11,371	14,860
Net cash generated from operating activities	15,342	45,228	51,019	26,144	35,459
Net cash generated from/(used in) investing activities	12,446	(8,778)	(34,606)	(30,800)	41,725
Net cash (used in)/generated from financing activities	<u>(24,117)</u>	<u>(32,795)</u>	<u>(12,924)</u>	<u>9,651</u>	<u>(9,182)</u>
Cash and cash equivalents at end of the year/period	<u>7,716</u>	<u>11,371</u>	<u>14,860</u>	<u>16,366</u>	<u>82,862</u>

FINANCIAL INFORMATION

Selected Historical Operating Data

The following table sets forth the breakdown of our revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Revenue (RMB million)					
Transportation and Sales of Pipelined Gas Operation	26.2	57.7	84.9	39.5	50.6
Gas Pipeline Connections Operation	37.8	67.6	90.6	41.3	58.7
Others	1.9	2.4	3.7	1.1	5.7
Total revenue	65.9	127.7	179.2	81.9	115.0

The following tables set forth the breakdown of revenue of our transportation and sales of pipelined gas operation by user category and by Operating City, the breakdown of our volume of pipelined gas sold and the breakdown of our users' connections for our transportation and sales of pipelined gas operation for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Breakdown by user category (RMB million)					
Residential	8.1	12.4	17.6	8.8	12.4
Commercial	9.6	13.5	22.4	9.6	15.2
Industrial	5.4	19.4	22.4	10.5	10.9
CNG	—	2.4	11.5	4.0	8.8
Others ⁽¹⁾	3.1	10.0	11.0	6.6	3.3
Total revenue	26.2	57.7	84.9	39.5	50.6

Breakdown by Operating City (RMB million)					
Hebi City	11.4	17.1	27.5	12.2	17.0
Xuchang City	7.8	15.9	29.1	11.7	21.6
Shangjie District, Zhengzhou City	7.0	24.7	28.3	15.6	12.0
Total revenue	26.2	57.7	84.9	39.5	50.6

Note:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
Volume of pipelined gas sold (m³)					
Natural gas	11,166,918	17,535,939	24,236,111	11,403,565	15,447,183
Coal gas	7,479,835	26,996,077	24,647,173	14,831,616	10,094,113
CNG	— ⁽²⁾	781,405	3,877,685	1,294,599	3,232,765
Total sales volume	18,646,753	45,313,421	52,760,969	27,529,780	28,774,061

FINANCIAL INFORMATION

	As at 31 December			As at 30 June
	2007	2008	2009	2010
Users' connections for our transportation and sales of pipelined gas operation (units)				
Residential users	45,053	66,852	108,929	135,825
Commercial users	287	405	541	620
Industrial users	16	30	51	60
Other users ⁽¹⁾	77	96	121	140
Total connections	45,433	67,383	109,642	136,645
Constructed pipelines (kilometers)	488.8	612.7	750.6	837.1
CNG filling station (units)	0⁽²⁾	1	2	2⁽³⁾

Notes:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

(2) We commenced our distribution and sales of CNG in April 2008.

(3) The second CNG filling station in Hebi City commenced operation in the third quarter of 2010, which has not been included in this figure.

The following table sets forth the breakdown of our revenue of our gas pipeline connections operation by user category for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
				(unaudited)	
Revenue (RMB million)					
Residential users	35.5	60.2	78.1	36.6	52.4
Commercial users ⁽¹⁾	1.8	4.7	8.7	3.7	5.8
Industrial users	0.5	2.7	3.8	1.0	0.5
Total revenue	37.8	67.6	90.6	41.3	58.7

Note:

(1) Include other users.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

During the Track Record Period, our business mainly consisted of two operations: (i) gas pipeline connections operation; and (ii) transportation and sales of pipelined gas operation.

Gas pipeline connections operation

We conduct gas pipeline connections operation by providing property developers and commercial and industrial users with laying and installation in our Operating Cities. Our new users generally engage us to provide gas pipeline connections prior to our transportation and distribution

FINANCIAL INFORMATION

of natural gas or coal gas to them. During the Track Record Period, we placed significant reliance on the substantial revenue and gross profit generated from this business. Our gas pipeline connections operation generated substantial revenue, received from one-off connection fees, representing 57.3%, 52.9%, 50.6% and 51.1%, respectively, of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our gross profit generated from our gas pipeline connections operation was RMB27.1 million, RMB44.6 million, RMB64.6 million and RMB41.9 million, respectively, representing approximately 94.4%, 89.1%, 81.9% and 80.7% of our total gross profit during the same periods. Our gross profit margin of our gas pipeline connections operation was 71.7%, 66.0%, 71.3% and 71.4%, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

Transportation and sales of pipelined gas operation

We are one of the principal pipelined gas transporters and distributors in Henan Province, pursuant to Concessions of 30 years or longer. We transport, distribute and sell pipelined natural gas or coal gas in our Operating Cities. Our revenue generated from our transportation and sales of pipelined gas operation accounted for approximately 39.8%, 45.2%, 47.4% and 44.0% of our total revenue for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, our gross profit generated from our transportation and sales of pipelined gas operation amounted to approximately RMB0.5 million, RMB5.1 million, RMB12.0 million and RMB6.3 million, respectively, representing approximately 1.8%, 10.2%, 15.2% and 12.1% of our total gross profit during the same periods. Our gross profit margin of our transportation and sales of pipelined gas operation was 1.9%, 8.8%, 14.1% and 12.4%, respectively, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010.

We also distribute and sell compressed natural gas as vehicular fuel, or CNG, through the CNG filling stations operated by us in two of our Operating Cities. We commenced our distribution and sales of CNG in April 2008. CNG sold from our CNG filling stations is compressed by our own facilities from the pipelined natural gas supplied to us by our suppliers. As at 30 June 2010, we owned and operated one CNG filling station in Hebi City and another in Xuchang City. In the third quarter of 2010, our second CNG filling station in Hebi City commenced operation and brought the total number of CNG filling stations we owned and operated to three. Total revenue generated from our transportation and sales of pipelined gas operation for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 was RMB26.2 million, RMB57.7 million, RMB84.9 million, RMB39.5 million and RMB50.6 million, respectively.

Taking into account our current strategic expansion plan and our business model, we do not expect that our product mix, and therefore revenue mix, to change significantly in the foreseeable future. Please refer to the paragraph headed “— Management’s Discussion and Analysis of Financial Condition and Results of Operations” in this Prospectus for a breakdown of the revenue during the Track Record Period by our major product category and by Operating City.

Basis of Presentation

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 20 May 2010. In anticipation of the Listing of our Shares on the Stock Exchange, we underwent a reorganization in 2010 as detailed under “History and Corporate Structure” in this Prospectus, and “Statutory and General Information — Further Information about Our Company — Incorporation of our Company” and “Statutory and General

FINANCIAL INFORMATION

Information — Further Information about Our Company — Changes in share capital of our Company”, each included in Appendix VI to this Prospectus.

The Controlling Shareholders owned and controlled the companies now comprising our Group before the Corporate Reorganization and continue to control these companies after the Corporate Reorganization. For the purpose of the financial information set out in Appendix I to this Prospectus, the Corporate Reorganization is considered as a business combination under common control in a manner similar to the principles of merger accounting. The financial information includes the combined financial position, results and cash flows of the companies now comprising our Group as if the existing group structure had been in existence throughout the Track Record Period or since the respective dates of incorporation/establishment or acquisition, whichever is the shorter period. All significant intra-company transactions and balances have been eliminated on combination.

Factors Affecting Our Results of Operations and Financial Condition

Our results of operations and the period-to-period comparability of our financial results are affected by a number of external factors. Our combined financial statements may not be indicative of our future earnings, cash flows or financial position for numerous reasons, including those described below.

The urbanization and industrialization level in China

The demand for natural gas has recently grown in large cities. In consideration of the trends, China has set out a policy to raise the share of natural gas in the country’s *Eleventh Five-Year Plan* (2006-2010).

We focus our operations in Henan Province. In recent years, citizens of Henan Province have been experiencing an unprecedented urbanization process. The percentage of urban population within Henan Province increased from approximately 30.7% in 2005 to approximately 37.7% in 2009. The large urban population ensures the demand for pipelined natural gas.

As part of its plan to reduce pollution and to enhance energy utilization rate, the PRC Government has, by implementing policies and constructing infrastructures over the past few years, encouraged the use of natural gas in some of the large and medium-sized cities and the use of LPG in suburban areas where there are no access to natural gas supply networks. The statistics published by the *Ministry of Construction of China* indicates that, in 2008, the total natural gas supply in urban areas was 36.8 billion m³. Natural gas supply in urban areas maintained a higher growth compared to other gases, an increase of approximately three times between 2000 and 2008, indicating the country’s steady progress in replacing other gas energy, such as coal gas, with natural gas in urban areas in recent years. If similar policies are to be implemented in more large and medium-sized cities throughout China, the demand for natural gas will increase.

As a result of the rapid urbanization and industrialization, our revenue and gross profit generated from each of our operations increased during Track Record Period.

FINANCIAL INFORMATION

Product mix

During the Track Record Period, our operations include transportation and sales of pipelined gas and gas pipeline connections. The following table sets forth the breakdown of our total revenue by operation for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Transportation and sales of pipelined gas operation	26,230	39.8	57,714	45.2	84,886	47.4	39,480	48.2	50,626	44.0
Gas pipeline connections operation	37,775	57.3	67,594	52.9	90,624	50.6	41,266	50.4	58,719	51.1
Others	1,883	2.9	2,349	1.9	3,713	2.0	1,123	1.4	5,605	4.9
Total revenue	65,888	100.0	127,657	100.0	179,223	100.0	81,869	100.0	114,950	100.0

The following table sets forth the breakdown of revenue of our transportation and sales of pipelined gas operation by user category and by Operating City for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Breakdown by user category (RMB million)					
Residential	8.1	12.4	17.6	8.8	12.4
Commercial	9.6	13.5	22.4	9.6	15.2
Industrial	5.4	19.4	22.4	10.5	10.9
CNG	—	2.4	11.5	4.0	8.8
Others ⁽¹⁾	3.1	10.0	11.0	6.6	3.3
Total revenue	26.2	57.7	84.9	39.5	50.6
Breakdown by Operating City (RMB million)					
Hebi City	11.4	17.1	27.5	12.2	17.0
Xuchang City	7.8	15.9	29.1	11.7	21.6
Shangjie District, Zhengzhou City	7.0	24.7	28.3	15.6	12.0
Total revenue	26.2	57.7	84.9	39.5	50.6

Note:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

The mix of products in our portfolio directly affects our results of operations and profitability. Taking into account our current strategic expansion plan and our business model, we do not expect that our product mix, and therefore revenue mix, to change significantly in the near future.

Product mix also affects margins as different products may result in differing margins depending on the market of each Operating City at a particular point in time. Our revenue generated from transportation and sales of pipelined gas operation depends on the demand and consumption of

FINANCIAL INFORMATION

the end-users, and revenue generated from the gas pipeline connections operation depends on our ability to secure the contracts. The proportion between the revenue generated from our transportation and sales of pipelined gas operation and our gas pipeline connections operation could have an impact on our margins. For example, there are significant differences between the gross profit margins of our transportation and sales of pipelined gas operation and that of our gas pipeline connections operation. During the Track Record Period, the gross profit margin of our transportation and sales of pipelined gas operation and our gas pipeline connections operation ranged from 1.9% to 14.1% and from 66.0% to 75.8%, respectively.

The approved retail prices of pipelined gas and the composition of our customers vary in our Operating Cities, which leads to different profit margins of our transportation and sales of pipelined gas operation in these Operating Cities. For our gas pipeline connections operation, because the connection costs in our Operating Cities are at a similar level, higher connection fees will result in higher profit margin. Furthermore, as the gross profit margin of our gas pipeline connections operation is substantially higher than that of our transportation and sales of pipelined gas operation, any changes in the proportion of the revenue generated from either of the operations may substantially affect our overall profit margin. As a result, our gross profit margin is determined by the sales price of natural gas, coal gas and CNG and our connection fee, and the cost of sales of each operation, as well as the combination of various products within and across our operations and Operating Cities.

Sales volume and price of pipelined gas

Our results of operations are directly affected by sales volume of pipelined gas, which in turn depends on market demand and our ability to widely transport and distribute pipelined gas, as well as our transportation and distribution capacity. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, revenue generated from our transportation and sales of pipelined gas operation accounted for approximately 39.8%, 45.2%, 47.4%, 48.2% and 44.0%, respectively, of our total revenue. The following table sets forth the sales volume of pipelined gas for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
Volume of pipelined gas sold (m³)					
Natural gas	11,166,918	17,535,939	24,236,111	11,403,565	15,447,183
Coal gas	7,479,835	26,996,077	24,647,173	14,831,616	10,094,113
CNG	— ⁽¹⁾	781,405	3,877,685	1,294,599	3,232,765
Total sales volume	18,646,753	45,313,421	52,760,969	27,529,780	28,774,061

Note:

(1) We commenced our distribution and sales of CNG in April 2008.

FINANCIAL INFORMATION

The retail prices of natural gas and coal gas are generally determined by the *Commodity Price Bureau* of each Operating City. Different natural gas tariff schedules apply to the four categories of users: residential, commercial, industrial and other users. Industrial and commercial users, on average, pay more than residential users and other users, including schools, government offices, military bases and hospitals. The following table sets forth the approved retail prices of natural gas and coal gas, including VAT, by category of users for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	Approximately RMB/m ³			
<i>Hebi City</i>				
Residential users	1.70	1.70	1.70	1.70
Commercial users	1.90	1.90	1.90/2.40 ⁽³⁾	2.40/2.82 ⁽³⁾
Industrial users	1.80/2.28 ⁽³⁾	2.28	2.28/2.40 ⁽³⁾	2.40/2.82 ⁽³⁾
Other users ⁽¹⁾	1.70	1.70	1.70	1.70
<i>Xuchang City</i>				
Residential users	1.82	1.82	1.82	1.82
Commercial users	2.17	2.17	2.17/2.85 ⁽³⁾	2.85/3.28 ⁽³⁾
Industrial users	1.99/2.45 ⁽³⁾	2.45	2.45/2.65 ⁽³⁾	2.65/2.98 ⁽³⁾
Other users ⁽¹⁾	1.82	1.82	1.82	1.82
<i>Shangjie District, Zhengzhou City⁽²⁾</i>				
Residential users	1.00	1.00	1.00	1.00
Commercial users	1.40	1.40/1.55 ⁽³⁾	1.55/1.85 ⁽³⁾	1.85
Industrial users	1.00	1.00/1.15 ⁽³⁾	1.15/1.45 ⁽³⁾	1.45
Other users ⁽¹⁾	1.00	1.00/1.15 ⁽³⁾	1.15/1.45 ⁽³⁾	1.45

Notes:

(1) Mainly consisting of schools, government offices, military bases and hospitals.

(2) Supplies coal gas.

(3) Prices were adjusted in their relevant year.

Currently, retail prices of natural gas and coal gas are subject to price control imposed by the PRC Government. There is no assurance that the prices will remain at recent or current levels or that they will increase in the future.

The following table sets forth the average selling prices for our distribution and sales of natural gas and coal gas, including VAT, for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
Average selling price of natural gas or coal gas per m ³ (RMB)				
<i>Hebi City</i>	1.88	1.86	1.99	2.05
<i>Xuchang City</i>	2.04	2.09	2.23	2.34
<i>Shangjie District, Zhengzhou City⁽¹⁾</i>	1.06	1.04	1.30	1.34

Note:

(1) Supplies coal gas.

FINANCIAL INFORMATION

The following table sets forth the average selling prices for our distribution and sales of CNG, including VAT, for the periods indicated:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
Average selling price of CNG per m ³ (RMB)				
<i>Hebi City</i>	— ⁽¹⁾	3.2	3.2	3.2
<i>Xuchang City</i>	— ⁽²⁾	— ⁽²⁾	3.3	3.3

Notes:

(1) We started to generate revenue from our distribution and sales of CNG in Hebi in April 2008.

(2) We started to generate revenue from our distribution and sales of CNG in Xuchang in May 2009.

Number of new connections completed

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our revenue generated from gas pipeline connections operation accounted for approximately 57.3%, 52.9%, 50.6%, 50.4% and 51.1%, respectively, of our total revenue. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, we successfully connected approximately 17,000, 22,000, 42,000, 12,000 and 27,000 units of new users, respectively.

The connection fee structure for our gas pipeline connections operation is different between the structure for our residential users and that for our industrial and commercial users. The connection fee for our residential users is based on a set fee per connection. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, the average connection fee per residential connection remained stable at RMB2,750, RMB2,792, RMB2,792, RMB2,792 and RMB2,792, respectively.

As to the connection fee for our industrial and commercial users, the fee of each project is determined based on various factors, including the construction and installation plan, the raw materials specified by the customers and the size of the project.

Our users range from residential, commercial and industrial sectors. We adopt different marketing strategies for different types of users. Commercial and industrial users are the most important users in terms of sales volume and profit margins. Due to the increasing number of new residential, commercial and industrial buildings adopting natural gas as the main energy source, we believe that our revenue from transportation and sales of pipelined gas operation, particularly those from sales of natural gas, will be on a growing trend. From 1 January 2007 to 30 June 2010, our total gas pipeline connections grew from approximately 28,000 units of users to 137,000 units of users.

Cost of sales

Cost of sales of our operations primarily includes: (i) raw materials and consumables used, including natural gas and coal gas; (ii) engagement of construction and design services; (iii) depreciation on property, plant and equipment; (iv) employee benefit expense; and (v) other expenses. The following factors will impact our cost of sales:

- prices of raw materials purchased from our suppliers and subcontracting costs;

FINANCIAL INFORMATION

- the effectiveness of our cost reduction measures; and
- the effect of economies of scale as we improve transportation and sales capacity.

Any increase in prices that we are required to pay for raw materials may result in a less competitive position that we can offer to the market, particularly if we are unable to successfully apply for the price adjustment and pass on the additional costs to the consumers. Our ability to pass on part or all of our raw material cost increases to our customers largely depends on the retail prices set by the *Commodity Price Bureau* of each Operating City, or the *Price Control Bureau*. The portion of the increased raw material costs may not be recovered by us if we do not increase the price of pipelined gas accordingly and pass on such additional cost to our consumers, hence reducing our profitability.

The following table sets forth the volume and purchase cost of our purchased gases in the periods indicated:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Purchased gases					
Total volume (m ³ in thousand)	20,156	45,861	53,999	28,274	30,313
Purchase cost (RMB'000)	21,243	45,959	64,843	31,681	39,335

Finance costs

We finance a portion of our business operations and capital projects with short-term and long-term borrowings. As at 30 June 2010, our outstanding short-term and long-term borrowings amounted to RMB87.9 million. See “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness” in this Prospectus. Our borrowings incur interest. Interest rate fluctuations and the balance of our total borrowings will have an impact on our finance costs. We assumed a foreign currency loan denominated in U.S. dollars from local government as a consideration to acquire the Concession in Xuchang. To the extent that the Renminbi depreciates against any of these currencies, our finance costs on such loan will increase. As at 30 June 2010, our foreign currency borrowing, denominated in U.S. dollars, amounted to RMB6.4 million. We had net foreign exchange gains of RMB0.9 million and RMB0.8 million, respectively, in 2007 and 2008, and incurred net foreign exchange loss of RMB47,000 in 2009. For the six months ended 30 June 2009 and 2010, we had foreign exchange gains of RMB6,000 and RMB68,000, respectively. These changes were mainly caused by fluctuations in the value of the U.S. dollars in recent years. Please refer to “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and qualitative disclosures about market risk” in this Prospectus.

Corporate income tax

All of the Company’s subsidiaries incorporated in the PRC are subject to PRC CIT, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the relevant periods as determined in accordance with the relevant PRC income tax rules and regulations. We did not derived any income from Hong Kong, the BVI and the Cayman Islands during the Track Record Period and hence, during the Track Record Period and as at the Latest Practicable Date, we were not subject to income taxes in such jurisdictions.

FINANCIAL INFORMATION

On 16 March 2007, the *National People's Congress* approved the *Corporate Income Tax Law of the People's Republic of China* (the new "CIT Law"). The applicable PRC CIT rates of Hebi Tian Lun Vehicle, Xuchang Tian Lun, Xuchang Tian Lun Vehicle and Shangjie Tian Lun were changed from 33% to 25% from 2008 onwards. Hebi Tian Lun became a sino-foreign joint venture in 2004, which was entitled to exemption from the PRC CIT for the two years commencing from its first profit making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter, entitled to a 50% relief from the enacted PRC CIT rate for the next three years (the "Five-Year Tax Concession"). As advised by Grandall Legal Group, the Five-Year Tax Concession was granted by *Hebi National Tax Bureau** (鶴壁市國家稅務局), which was the appropriate and competent authority granting such tax concession. As the Five-Year Tax Concession started from 2007, the enacted tax rate applicable to Hebi Tian Lun in 2007, 2008 and 2009 is 0%, 0%, and 12.5% (being 50% of the enacted PRC CIT rate for 2009), respectively. As advised by Grandall Legal Group, the expected tax rate for Hebi Tian Lun will be 12.5% for the year ending 31 December 2010.

The Directors have confirmed that the subsidiaries of the Company in the PRC have made all the required tax filings under the relevant tax laws and regulations in the PRC, have paid all outstanding tax liabilities and are not subject to any dispute or potential dispute with the tax authorities in the PRC.

As a result of the foregoing, our income tax expense in 2007, 2008 and 2009 and the six months ended 30 June 2010 was RMB4.2 million, RMB6.9 million, RMB14.0 million and RMB10.0 million, respectively; the effective tax rate for the same periods was 33.6%, 21.2%, 22.7% and 23.4%, respectively.

Government policies regarding pricing of natural gas and coal gas

Our results of operations and financial condition may be affected by government policies regarding pricing of natural gas and coal gas. Natural gas and coal gas prices charged by us are subject to the approval of the *Commodity Price Bureau* of each Operating City, or the *Commodity Price Bureau*. We are entitled to determine the retail price of natural gas and coal gas, subject to a ceiling price imposed by the local governments. However, the local governments may introduce policies to adjust the ceiling price from time to time. To operate in line with the local government's policies, we would re-adjust our selling prices in accordance with new ceiling price introduced from time to time. We currently price natural gas supplied to end-users by a cost-plus pricing method. The selling price chargeable to end-users of natural gas consists mainly of sum of ex-factory price and transportation cost, both of which are regulated by the authorities and reasonable profits. Accordingly, our results of operations and financial condition may be affected by government policies. During the Track Record Period, the approved retail prices, inclusive of VAT, of natural gas and coal gas sold to different categories of users remained stable or experienced different levels of increase.

Seasonality factors

A substantial portion of our revenue is derived from transportation and sales of pipelined gas operation. The demand for natural gas and coal gas sales to residential, commercial and industrial users is seasonal. Our revenue and results of operations are therefore subject to seasonality. In 2009, approximately 64% of the total sales volume of our natural gas and coal gas occurred in the first and fourth quarters. These patterns reflect the higher demand for natural gas and coal gas for heating purposes during those periods.

FINANCIAL INFORMATION

Critical Accounting Policies, Accounting Estimates and Judgments

The discussion and analysis of our results of operations and financial condition is based on our combined financial information, which has been prepared in accordance with HKFRS. Our results of operations and financial condition are sensitive to accounting methods, assumptions and estimates that underlie the preparation of our combined financial information. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Our management evaluates these estimates on an ongoing basis. Actual results may differ from these estimates as the facts, circumstances and conditions may experience change or as a result of different assumptions.

Our management team considers the following factors in reviewing the respective combined financial information:

- the selection of critical accounting policies; and
- the judgments and other uncertainties affecting the application of those critical accounting policies.

The selection of critical accounting policies, the judgments and other uncertainties affecting the application of those policies, as well as the sensitivity of reported results to changes in conditions and assumptions, are all factors to be considered when reviewing our financial information. Our significant accounting policies are summarized in Section II-2.2 to the Accountant's Report set out in Appendix I to this Prospectus. We believe the following critical accounting policy, estimates and judgments involve a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities:

Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of our activities. Revenue is shown net of VAT, return, rebates and discounts and after eliminating inter-company sales.

Gas pipeline connections operation

Revenue in respect of gas pipeline connections operation is recognized upon the completion of construction of pipelines for users and connection of the pipelines to our existing gas pipeline networks, which coincides with the "fire ignition ceremony". The "fire ignition ceremony" is a final and essential step to ascertain that the gas pipeline built is functioning properly and is acceptable to users. Upon the "fire ignition ceremony", the significant risks and rewards of ownership will be transferred to the customers and the economic benefits associated with the contracts will be passed to us. Generally, it takes up to approximately six months after we receive advances from our customers before construction will commence. It can take approximately two to four months from the commencement of the construction to the completion of the construction. Hence, the time between when we receive advances from our customers and when we recognize such advances as revenue is generally within a year.

Sale of gases

Revenue from the sale of gases is recognized on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the gas is delivered to customers and title has passed, and is based on the gas consumption derived from meter readings.

FINANCIAL INFORMATION

Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

Rental income

Rental income from investment properties is recognized in the combined statements of comprehensive income on a straight-line basis over the terms of leases.

Current income taxes and deferred tax

Our subsidiaries that operate in the PRC are subject to applicable PRC CIT in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as our management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and tax in the periods in which such estimate is changed.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had deferred tax assets of RMB4.5 million, RMB1.5 million, RMB1.2 million and RMB1.4 million, respectively. To the extent that it is probable that the taxable profit will be available against which the deductible temporary differences will be utilized, deferred tax assets are recognized for temporary differences arising from write-down of inventory and impairment provisions taken on receivables, accrued expenses, tax losses and depreciation. Should we be required to increase the tax rate, every 1% increment in tax rate will render a further write-up of deferred tax asset in the amount of RMB217,000, RMB100,000, RMB53,000 and RMB62,000, respectively.

Depreciation and amortization

Our management determines the estimated residual value, useful lives and related depreciation/amortization charges for the property, plant and equipment and intangible assets with reference to the estimated periods that we intend to derive future economic benefits from the use of these assets. Our management will revise the depreciation and amortization charge where useful lives are different to previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment of trade and other receivables

Provision for impairment of trade and other receivables is determined based on the evaluation of collectability of trade and other receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness, the past collection history of each counterparty and the current market condition.

FINANCIAL INFORMATION

Description of Components of Results of Operations

Revenue

During the Track Record Period, we generate our revenue from transportation and sales of pipelined gas operation and gas pipeline connections operation. The following table sets forth the breakdown of the sources of our revenue from external sales for the periods indicated:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Transportation and sales of pipelined gas operation	26,230	39.8	57,714	45.2	84,886	47.4	39,480	48.2	50,626	44.0
Gas pipeline connections operation	37,775	57.3	67,594	52.9	90,624	50.6	41,266	50.4	58,719	51.1
Others	1,883	2.9	2,349	1.9	3,713	2.0	1,123	1.4	5,605	4.9
Total revenue	<u>65,888</u>	<u>100.0</u>	<u>127,657</u>	<u>100.0</u>	<u>179,223</u>	<u>100.0</u>	<u>81,869</u>	<u>100.0</u>	<u>114,950</u>	<u>100.0</u>

Our revenue represents the net invoiced value of goods sold, after trade discounts (net of VAT). During the Track Record Period, we provided trade discounts for our large industrial and commercial users and CNG customers for our transportation and sales of pipelined gas operation.

Our principal subsidiaries are domiciled in China. All their revenues from external customers are domestically derived, and all the non-current assets are located in the PRC. There are no financial instruments, employment benefit assets or rights arising under insurance contracts.

Our revenue on a combined basis is presented after elimination of inter-company sales, if any. As a result, only income generated from sales made to external customers is accounted as our revenue in our combined results of operations.

FINANCIAL INFORMATION

Cost of sales

By type

Cost of sales represents the direct costs of production, which includes primarily raw materials costs, engagement of construction and design costs, depreciation and amortization expenses, employment benefit expense and other expenses. The following table sets forth the break down of our cost of sales, distribution cost and administrative expenses for the periods indicated:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Raw materials and consumables used	30,169	57,939	81,108	37,986	44,167
Changes in inventories of finished goods and work in progress	(3,433)	3,563	829	(59)	6,291
Depreciation on property, plant and equipment	4,645	6,023	6,574	3,173	3,798
Depreciation on investment properties	348	372	388	217	211
Amortization of lease prepayments	7	19	24	13	35
Amortization of intangible assets	729	746	717	360	360
Write-down of inventories	113	—	—	—	—
Employee benefit expense	2,754	4,039	5,317	2,445	3,300
Licensing fee for the exclusive operating rights for city pipeline network	—	1,100	1,100	550	550
Engagement of construction and design services	3,927	5,925	6,457	2,573	5,116
Transportation	320	329	419	96	229
Auditors' remuneration	43	42	54	20	34
Professional expenses	30	146	200	83	494
Advertising expenses	729	172	452	82	34
Entertainment expenses	190	357	484	158	356
Office expenses	505	610	719	246	170
Taxes	1,657	2,731	3,622	1,812	2,520
Other expenses	1,919	3,381	3,888	1,906	2,203
Total cost of sales, distribution cost and administrative expenses	<u>44,652</u>	<u>87,494</u>	<u>112,352</u>	<u>51,661</u>	<u>69,868</u>

The costs of raw materials and consumable used and change in inventories of finished goods and work-in-progress were the main component of our cost of sales, representing approximately 59.9%, 70.3%, 72.9%, 73.4% and 72.2%, respectively, of our total cost of sales for the year ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010. Raw materials and consumables used in our operations mainly include natural gas and coal gas, steel, pipelines, valves, pipeline connectors and accessories.

Engagement of construction and design services mainly comprises our subcontracting costs and the fees paid to our subcontractors, such as Hexiang Engineering, for construction and design services associated with our gas pipeline connections operation.

As to the costs of construction and installation of gas pipelines, if the gas pipelines were within the property lines of the properties belong to our customers, such costs were recognized as expenses. If the gas pipelines were outside of the property lines of our customers, the costs of construction and installation of such gas pipelines were capitalized as property, plant and equipment.

FINANCIAL INFORMATION

During the Track Record Period, our cost of sales also included traveling expenses, utilities and promotion expenses.

By operation

Costs of sales for each operation during the Track Record Period were as follows:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Cost of sales										
Transportation and sales of pipelined gas operation	25,724	69.2	52,624	67.8	72,899	72.6	35,519	76.6	44,340	70.4
Gas pipeline connections operation	10,679	28.7	22,993	29.6	26,028	25.9	9,996	21.6	16,799	26.7
Others	782	2.1	2,006	2.6	1,466	1.5	851	1.8	1,837	2.9
Total cost of sales	37,185	100.0	77,623	100.0	100,393	100.0	46,366	100.0	62,976	100.0

Our costs of sales on a combined basis are presented after elimination of inter-company transactions, if any. Hence, the costs of sales during the Track Record Period relating to our intra-company sale of CNG from Hebi Tian Lun to Hebi Tian Lun Vehicle and from Xuchang Tian Lun to Xuchang Tian Lun Vehicle have been eliminated.

The following table sets forth the per unit purchase price of natural gas and coal gas during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB/m ³	RMB/m ³	RMB/m ³	RMB/m ³
Natural Gas				
<i>Hebi City</i> ⁽¹⁾				
Residential	1.38	1.38	1.38/1.44/1.49 ⁽²⁾	1.49/1.44/1.69 ⁽²⁾
Commercial	1.38	1.38	1.38/1.44/1.49 ⁽²⁾	1.49/1.44/1.69 ⁽²⁾
Industrial	1.38	1.38/1.78 ⁽²⁾	1.78/1.86 ⁽²⁾	1.86/1.78/2.13 ⁽²⁾
<i>Xuchang City</i> ⁽¹⁾				
Residential	1.36	1.36	1.36/1.42 ⁽²⁾	1.42/1.67 ⁽²⁾
Commercial	1.36	1.36	1.36/1.42 ⁽²⁾	1.42/1.67 ⁽²⁾
Industrial	1.36	1.36/1.76 ⁽²⁾	1.76/1.82 ⁽²⁾	1.82/2.11 ⁽²⁾
Coal Gas ⁽¹⁾	0.85	0.85/1.00 ⁽²⁾	1.00/1.30 ⁽²⁾	1.30

Notes:

(1) Represented the predetermined ex-factory price and pipeline transportation cost set by the NDRC.

(2) Prices were adjusted in their relevant year.

During the Track Record Period, our cost of natural gas and coal gas has gradually increased due to the price adjustments by the NDRC.

FINANCIAL INFORMATION

Gross profit

Our gross profit was RMB28.7 million, RMB50.0 million, RMB78.8 million, RMB35.5 million and RMB52.0 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively. Our profit margin was 43.6%, 39.2%, 44.0%, 43.4% and 45.2% for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively.

The following table sets forth the breakdown of gross profit and gross profit margin by each business segment during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Gross profit (RMB'000)					
Transportation and sales of pipelined gas operation	506	5,090	11,987	3,961	6,286
Gas pipeline connections operation	27,096	44,601	64,596	31,270	41,920
Others	1,101	343	2,247	272	3,768
Total gross profit	28,703	50,034	78,830	35,503	51,974
Gross profit margin (%)					
Transportation and sales of pipelined gas operation	1.9	8.8	14.1	10.0	12.4
Gas pipeline connections operation	71.7	66.0	71.3	75.8	71.4
Others	58.5	14.6	60.5	24.2	67.2
Average gross profit margin	43.6	39.2	44.0	43.4	45.2

The improvement of our gross profit margin for our transportation and sales of pipelined gas operation during the Track Record Period was mainly due to the improved operating leverage with increase in sales, in particular, the increase in our sales of pipelined gas to our commercial and industrial users were greater than the increase in our sales of pipelined gas to our residential users during the same periods. Our commercial and industrial users had a higher profit margin as compared with our sales of pipelined gas to our residential users. To the best knowledge and belief of our Directors, our high gross profit margins from our operations during the Track Record Period, especially our high profit margins from our gas pipeline connections operation, were consistent with industry norm.

The profit margin for our gas pipeline connections operation during the Track Record Period was relatively stable except for the decrease for the year ended 31 December 2008 as the terms of the agreements signed with our customers for the years ended 31 December 2007 and 2009 and the six months ended 30 June 2010 were better than those signed in 2008.

FINANCIAL INFORMATION

The following table sets forth the breakdown of gross profit and gross profit margin by each Operating City during the Track Record Period:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009 (unaudited)	2010
Gross profit (RMB'000)					
Hebi City	5,663	11,465	23,583	9,157	19,044
Xuchang City	22,066	33,856	38,776	22,575	26,274
Shangjie District, Zhengzhou City	974	4,713	16,471	3,771	6,656
Total gross profit	<u>28,703</u>	<u>50,034</u>	<u>78,830</u>	<u>35,503</u>	<u>51,974</u>
Gross profit margin (%)					
Hebi City	25.3	32.7	44.0	41.1	44.8
Xuchang City	61.8	54.8	52.7	58.7	52.5
Shangjie District, Zhengzhou City	12.6	15.3	31.6	17.8	29.7
Average gross profit margin	<u>43.6</u>	<u>39.2</u>	<u>44.0</u>	<u>43.4</u>	<u>45.2</u>

The ceiling of our gas selling prices and our increased cost of sales contributed to the fluctuation in our gross profit margin during the Track Record Period.

Distribution cost

Our distribution cost consists primarily of remunerations for our sales personnel and the promotional expenses in certain Operating Cities. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our distribution cost was RMB2.0 million, RMB1.6 million, RMB2.2 million, RMB0.7 million and RMB1.4 million, respectively.

Administrative expenses

Administrative expenses consist primarily of salaries and benefits of administrative and management staff, depreciation for our offices and travel expenses for our staff. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our administrative expenses were RMB5.5 million, RMB8.3 million, RMB9.7 million, RMB4.6 million and RMB5.5 million, respectively.

Other gains — net

Other gains — net mainly consist of gains on disposal of assets and waivers of liabilities due to Independent Third Parties, which represented the deduction of trade payables provided by our supplier for Xuchang Tian Lun, due to the inferior quality of gas pipes supplied to us. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our other gains — net were RMB824,000, RMB5,000, RMB671,000, RMB195,000 and RMB32,000, respectively.

Finance income

Finance income consists of net foreign exchange gains and interest income derived from bank deposits. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our finance income was RMB1.9 million, RMB1.9 million, RMB1.1 million, RMB0.5 million and RMB0.6 million, respectively.

FINANCIAL INFORMATION

Finance costs

Finance costs consist of financing payments on: (i) interests of bank loans and other borrowings; (ii) applicable bank charges; and (iii) net foreign exchange losses. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our finance costs were RMB11.5 million, RMB9.6 million, RMB7.1 million, RMB3.9 million and RMB2.8 million, respectively.

Finance costs — net

Finance costs — net represent the balance of finance income and finance costs. For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, our finance costs net of finance income were RMB9.6 million, RMB7.8 million, RMB6.0 million, RMB3.4 million and RMB2.2 million, respectively.

Income tax expense

All the Company's subsidiaries incorporated in the PRC are subject to PRC CIT, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the relevant periods as determined in accordance with the relevant PRC income tax rules and regulations. The applicable PRC CIT rates of Hebi Tian Lun Vehicle, Xuchang Tian Lun, Xuchang Tian Lun Vehicle and Shangjie Tian Lun were changed from 33% to 25% from 2008 onwards. Hebi Tian Lun became a sino-foreign joint venture in 2004, which was entitled to the Five-Year Tax Concession. As the Five-Year Tax Concession started from 2007, the enacted tax rate applicable to Hebi Tian Lun in 2007, 2008 and 2009 was 0%, 0%, and 12.5% (being 50% of the enacted PRC CIT rate for 2009), respectively.

Withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. Before the Corporate Reorganization, 80% equity interest of one of our subsidiaries in the PRC is held by Upsky Holding, a company incorporated in British Virgin Islands, and is subject to 10% withholding tax. We are therefore liable to withholding taxes on dividends to be distributed by such subsidiary established in the PRC in respect of earnings generated from 1 January 2008.

As a result of the foregoing, our income tax expense for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 was RMB4.2 million, RMB6.9 million, RMB14.0 million, RMB6.2 million and RMB10.0 million, respectively; the effective tax rate for the same periods was 33.6%, 21.2%, 22.7%, 23.1% and 23.4%, respectively. The decrease in effective tax rate during the same periods was mainly due to the decrease in the applicable PRC CIT rates of Hebi Tian Lun Vehicle, Xuchang Tian Lun, Xuchang Tian Lun Vehicle and Shangjie Tian Lun from 33% to 25% since 1 January 2008.

We did not have deferred income tax liability as at 31 December 2007 and 2008. As at 31 December 2009, deferred income tax liability of approximately RMB0.6 million has been recognized as the withholding tax that will be payable on the unremitted earnings of such subsidiary in the PRC. As at 30 June 2010, the withholding tax payable by us was RMB1.5 million. Accumulated losses attributable to Upsky Holdings amounted to approximately RMB9.3 million and RMB5.3 million as at 31 December 2007 and 2008, respectively. Unremitted earnings attributable to Upsky Holdings amounted to approximately RMB5.8 million as at 31 December 2009.

FINANCIAL INFORMATION

Profit attributable to equity holders of our Company

Profit attributable to equity holders of our Company for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 was RMB7.5 million, RMB23.5 million, RMB44.3 million, RMB19.2 million and RMB32.4 million, respectively. The margin of profit attributable to equity holders of our Company increased from 11.4% for the year ended 31 December 2007 to 18.4% for the year ended 31 December 2008 and further to 24.7% for the year ended 31 December 2009, and also increased from 23.5% for the six months ended 30 June 2009 to 28.2% for the six months ended 30 June 2010. Our margin of profit attributable to equity holders of our Company has been increasing during the Track Record Period mainly due to the enlargement of our scale of business, allowing us to enjoy a higher margin from economies of scale. For a detailed analysis of the fluctuation of the profit attributable to equity holders of our Company during the Track Record Period, please refer to “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Results of our operations” in this Prospectus.

FINANCIAL INFORMATION

Results of Our Operations

The following table sets forth, for the periods indicated, information relating to certain income and expense items from our combined statements of comprehensive income:

	For the year ended 31 December						For the six months ended 30 June			
	2007		2008		2009		2009		2010	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Combined statements of comprehensive income										
Revenue	65,888	100.0	127,657	100.0	179,223	100.0	81,869	100.0	114,950	100.0
Cost of sales	(37,185)	(56.4)	(77,623)	(60.8)	(100,393)	(56.0)	(46,366)	(56.6)	(62,976)	(54.8)
Gross profit	28,703	43.6	50,034	39.2	78,830	44.0	35,503	43.4	51,974	45.2
Distribution cost	(1,978)	(3.0)	(1,553)	(1.2)	(2,236)	(1.2)	(715)	(0.9)	(1,402)	(1.2)
Administrative expenses	(5,489)	(8.3)	(8,318)	(6.5)	(9,723)	(5.4)	(4,580)	(5.6)	(5,490)	(4.8)
Other gains — net	824	1.3	5	0.0	671	0.4	195	0.2	32	0.0
Operating profit	22,060	33.5	40,168	31.5	67,542	37.7	30,403	37.1	45,114	39.2
Finance income	1,893	2.9	1,874	1.5	1,066	0.6	527	0.6	589	0.5
Finance costs	(11,465)	(17.4)	(9,625)	(7.5)	(7,063)	(3.9)	(3,913)	(4.8)	(2,805)	(2.4)
Finance costs — net	(9,572)	(14.5)	(7,751)	(6.1)	(5,997)	(3.3)	(3,386)	(4.1)	(2,216)	(1.9)
Profit before income tax	12,488	19.0	32,417	25.4	61,545	34.3	27,017	33.0	42,898	37.3
Income tax expense	(4,198)	(6.4)	(6,866)	(5.4)	(13,992)	(7.8)	(6,235)	(7.6)	(10,048)	(8.7)
Profit for the year/period	8,290	12.6	25,551	20.0	47,553	26.5	20,782	25.4	32,850	28.6
Other comprehensive income for the year/period, net of tax	—	—	—	—	—	—	—	—	—	—
Total comprehensive income for the year/period	<u>8,290</u>	<u>12.6</u>	<u>25,551</u>	<u>20.0</u>	<u>47,553</u>	<u>26.5</u>	<u>20,782</u>	<u>25.4</u>	<u>32,850</u>	<u>28.6</u>
Profit and total comprehensive income attributable to:										
Equity holders of the Company	7,540	11.4	23,538	18.4	44,229	24.7	19,228	23.5	32,443	28.2
Minority interest	<u>750</u>	<u>1.2</u>	<u>2,013</u>	<u>1.6</u>	<u>3,254</u>	<u>1.8</u>	<u>1,554</u>	<u>1.9</u>	<u>407</u>	<u>0.4</u>
	<u>8,290</u>	<u>12.6</u>	<u>25,551</u>	<u>20.0</u>	<u>47,553</u>	<u>26.5</u>	<u>20,782</u>	<u>25.4</u>	<u>32,850</u>	<u>28.6</u>

Six months ended 30 June 2010 compared with six months ended 30 June 2009

Revenue

Our total revenue increased by 40.4% from RMB81.9 million for the six months ended 30 June 2009 to RMB115.0 million for the six months ended 30 June 2010. This increase was attributable to increases in revenue from both of our operations.

FINANCIAL INFORMATION

The revenue from our transportation and sales of pipelined gas operation increased by 28.2% from RMB39.5 million for the six months ended 30 June 2009 to RMB50.6 million for the six months ended 30 June 2010. Although the average selling price of CNG remained stable for the six months ended 30 June 2009 and 2010 and the average selling price of natural gas and coal gas increased slightly for the same periods, the sales volume of natural gas and CNG increased substantially from 11.4 million m³ to 15.4 million m³ and 1.3 million m³ to 3.2 million m³ for the same periods, respectively, and the sales volume of coal gas decreased from 14.8 million m³ to 10.1 million m³ for the same periods, respectively. Increase in sales volume was caused by the increased number of connections in residential, commercial and industrial users due to market demands, as well as the increase in the number of our CNG filling stations and CNG users.

The revenue from gas pipeline connections operation increased by 42.3% from RMB41.3 million for the six months ended 30 June 2009 to RMB58.7 million for the six months ended 30 June 2010. While the average connection fee remained unchanged in the first half of 2009 and 2010, the increase in revenue was mainly due to the increase in the number of new connections. The number of new connections to our pipeline networks increased substantially from approximately 80,000 units of users as at 30 June 2009 to 137,000 units of users as at 30 June 2010 because of increased market demands and continuous development in our Operating Cities.

Cost of sales

Our cost of sales increased by 35.8% from RMB46.4 million for the six months ended 30 June 2009 to RMB63.0 million for the six months ended 30 June 2010. Among a number of cost items, our costs for raw materials and consumable used and changes in inventories of finished goods and work-in-progress together increased from RMB37.9 million in the six months ended 30 June 2009 to RMB50.5 million for the six months ended 30 June 2010. The increase was primarily due to the increased sales volume of pipelined gas and increased connections of users. Our engagement of construction and design services increased from RMB2.6 million for the six months ended 30 June 2009 to RMB5.1 million for the six months ended 30 June 2010, which was in line with the increase in our revenue for the same period. The depreciation on property, plant and equipment increased slightly from RMB2.7 million for the six months ended 30 June 2009 to RMB3.4 million for the six months ended 30 June 2010.

The cost of sales from transportation and sales of pipelined gas operation increased by 24.8% from RMB35.5 million for the six months ended 30 June 2009 to RMB44.3 million for the six months ended 30 June 2010, mainly due to increased sales volume of pipelined gas, which further resulted in the increase in purchases for natural gas and coal gas.

The cost of sales for our gas pipeline connections operation increased by 68.1% from RMB10.0 million for the six months ended 30 June 2009 to RMB16.8 million for the six months ended 30 June 2010. The increase in cost of sales was because of an increase in the materials, labors and expenses used in the operation due to increased demand for the gas pipeline connections in our Operating Cities.

Gross profit

As a result of the foregoing, our gross profit increased by 46.4% from RMB35.5 million for the six months ended 30 June 2009 to RMB52.0 million for the six months ended 30 June 2010. Our gross profit margin increased from 43.4% for the six months ended 30 June 2009 to 45.2% for the six months ended 30 June 2010.

FINANCIAL INFORMATION

Gross profit for our transportation and sales of pipelined gas operation increased from RMB4.0 million for the six months ended 30 June 2009 to RMB6.3 million for the six months ended 30 June 2010, and the gross profit margin increased from 10.0% to 12.4% in the same period. The increase in the gross profit was primarily caused by an increase in our sales. The increase in gross profit margin was caused by: (i) the enlargement of our scale of business, allowing us to enjoy a higher margin from economies of scale; and (ii) the increase in our sales proportion of CNG, which has a relatively higher margin compared to our other gas products that we also sell as part of our transportation and sales of pipelined gas operation.

Gross profit for our gas pipeline connections operation increased from RMB31.3 million for the six months ended 30 June 2009 to RMB41.9 million for the six months ended 30 June 2010, and the gross profit margin decreased from 75.8% to 71.4% in the same period. The increase in the gross profit was primarily caused by increased connections of users from the six months ended 30 June 2009 to the six months ended 30 June 2010. The decrease in gross profit margin was caused by the increased connections in Hebi, which generally had the lowest gross profit margin among our Operating Cities.

Distribution cost

Our distribution cost increased by 96.1% from RMB0.7 million for the six months ended 30 June 2009 to RMB1.4 million for the six months ended 30 June 2010. The increase was primarily due to an increase in salary and benefits of our sales and marketing personnel.

Administrative expenses

Our administrative expenses increased by 19.9% from RMB4.6 million for the six months ended 30 June 2009 to RMB5.5 million for the six months ended 30 June 2010. The increase was primarily due to increases in headcounts and the average salaries and benefits of our administrative personnel.

Other gains — net

Other gains net of other expenses decreased significantly from RMB195,000 for the six months ended 30 June 2009 to RMB32,000 for the six months ended 30 June 2010. The decrease was primarily because of losses on disposal of property, plant and equipment of RMB18,000 during the period as compared to a gain of RMB115,000 for the six months ended 30 June 2009.

Finance income

Our finance income slightly increased by 11.8% from RMB0.5 million for the six months ended 30 June 2009 to RMB0.6 million for the six months ended 30 June 2010. The increase in finance income was primarily due to the increase in foreign exchange gains.

Finance costs

Our finance costs decreased by 28.3% from RMB3.9 million for the six months ended 30 June 2009 to RMB2.8 million for the six months ended 30 June 2010. The decrease in finance costs was primarily due to the decrease in average interest rate of outstanding balances of bank borrowings.

FINANCIAL INFORMATION

Finance costs — net

As a result of the foregoing two line items, our finance costs net of finance income decreased by 34.6% from RMB3.4 million for the six months ended 30 June 2009 to RMB2.2 million for the six months ended 30 June 2010.

Income tax expense

Our income tax expense increased by 61.2% from RMB6.2 million for the six months ended 30 June 2009 to RMB10.0 million for the six months ended 30 June 2010, which was primarily due to our increased taxable income for the six months ended 30 June 2010. Please refer to “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Description of components of results of operations — Income tax expense” in this Prospectus. Our effective income tax rate increased slightly from 23.1% for the six months ended 30 June 2009 to 23.4% for the six months ended 30 June 2010.

Profit for the year/period

As a result of the foregoing factors, our profit for the year/period increased by 58.1%, or RMB12.1 million, from RMB20.8 million for the six months ended 30 June 2009 to RMB32.9 million for the six months ended 30 June 2010.

Year ended 31 December 2009 compared with year ended 31 December 2008

Revenue

Our total revenue increased by 40.4% from RMB127.7 million for the year ended 31 December 2008 to RMB179.2 million for the year ended 31 December 2009. This increase was attributable to increases in revenue from both of our operations.

The revenue from our transportation and sales of pipelined gas operation increased by 47.1% from RMB57.7 million for the year ended 31 December 2008 to RMB84.9 million for the year ended 31 December 2009. Although the average selling price of CNG remained stable for the years ended 31 December 2008 and 2009 and the average selling price of natural gas and coal gas increased slightly for the same periods, the sales volume of natural gas and CNG increased substantially from 17.5 million m³ to 24.2 million m³ and 0.8 million m³ to 3.9 million m³ for the same periods, respectively, and the sales volume of coal gas decreased from 27.0 million m³ to 24.6 million m³ for the same periods, respectively. Increase in sales volume was caused by the increased number of connections in residential, commercial and industrial users due to market demands, as well as the increase in the number of our CNG filling stations and CNG users.

The revenue from gas pipeline connections operation increased by 34.1% from RMB67.6 million for the year ended 31 December 2008 to RMB90.6 million for the year ended 31 December 2009. While the average connection fee remained unchanged in 2008 and 2009, the increase in revenue was mainly due to the increase in the number of new connections. The number of new connections to our pipeline networks increased substantially from 67,383 units of users as at 31 December 2008 to 109,642 units of users as at 31 December 2009 because of increased market demands and continuous development in our Operating Cities.

Cost of sales

Our cost of sales increased by 29.3% from RMB77.6 million for the year ended 31 December 2008 to RMB100.4 million for the year ended 31 December 2009. Among a number of cost items,

FINANCIAL INFORMATION

our costs for raw materials and consumable used and changes in inventories of finished goods and work-in-progress together increased from RMB61.5 million in 2008 to RMB81.9 million in 2009. The increase was primarily due to the increased sales volume of pipelined gas and increased connections of users. Our engagement of construction and design services increased from RMB5.9 million in 2008 to RMB6.5 million in 2009, which was in line with the increase in our revenue for the same period. The depreciation on property, plant and equipment increased slightly from RMB4.9 million in 2008 to RMB5.7 million in 2009.

The cost of sales from our transportation and sales of pipelined gas operation increased by 38.5% from RMB52.6 million for the year ended 31 December 2008 to RMB72.9 million for the year ended 31 December 2009. Such an increase was mainly due to increased sales volume of pipelined gas, which further resulted in the increase in purchases for natural gas and coal gas.

The cost of sales for our gas pipeline connections operation increased by 13.2% from RMB23.0 million for the year ended 31 December 2008 to RMB26.0 million for the year ended 31 December 2009. The increase in cost of sales was because of an increase in the materials, labors and expenses used in the operation due to increased demand for the gas pipeline connections in our Operating Cities.

Gross profit

As a result of the foregoing, our gross profit increased by 57.6% from RMB50.0 million for the year ended 31 December 2008 to RMB78.8 million for the year ended 31 December 2009. Our gross profit margin increased from 39.2% for the year ended 31 December 2008 to 44.0% for the year ended 31 December 2009.

Gross profit for our transportation and sales of pipelined gas operation increased from RMB5.1 million in 2008 to RMB12.0 million in 2009, and the gross profit margin increased from 8.8% to 14.1% in the same period. The increase in the gross profit was primarily caused by an increase in our sales. The increase in gross profit margin was caused by: (i) the enlargement of our scale of business, allowing us to enjoy a higher margin from economies of scale; (ii) less transporting loss we incurred in Hebi in 2009, compared to 2008 after refurbishment of certain damaged pipelines; (iii) increased selling price of our pipelined gases in 2009; and (iv) increase in our sales proportion of CNG, which has a relatively higher margin compared to our other gas products that we also sell as part of our transportation and sales of pipelined gas operation.

Gross profit for our gas pipeline connections operation increased from RMB44.6 million in 2008 to RMB64.6 million in 2009, and the gross profit margin increased from 66.0% to 71.3% in the same period. The increase in the gross profit was primarily caused by increased connections of users from 2008 to 2009. The increase in gross profit margin was caused by the increased connections in Xuchang, which generally incurred the highest gross profit margin among our Operating Cities.

Distribution cost

Our distribution cost increased by 44% from RMB1.6 million for the year ended 31 December 2008 to RMB2.2 million for the year ended 31 December 2009. The increase was primarily due to an increase in salary and benefits of our sales and marketing personnel.

Administrative expenses

Our administrative expenses increased by 16.9% from RMB8.3 million for the year ended 31 December 2008 to RMB9.7 million for the year ended 31 December 2009. The increase was

FINANCIAL INFORMATION

primarily due to increases in headcounts and the average salaries and benefits of our administrative personnel.

Other gains — net

Other gains net of other expenses increased significantly from RMB5,000 for the year ended 31 December 2008 to RMB671,000 for the year ended 31 December 2009. The increase was primarily because the waiver of trade payables deduction of RMB444,000 in 2009, which were provided by our supplier to Xuchang Tian Lun, due to the inferior quality of gas pipes supplied to us.

Finance income

Our finance income decreased by 43.1% from RMB1.9 million for the year ended 31 December 2008 to RMB1.1 million for the year ended 31 December 2009. The decrease in finance income was primarily due to the decrease in foreign exchange gains.

Finance costs

Our finance costs decreased by 26.6% from RMB9.6 million for the year ended 31 December 2008 to RMB7.1 million for the year ended 31 December 2009. The decrease in finance costs was primarily due to the decrease in interests expenses as a result of reduction in on outstanding balances of bank borrowings.

Finance costs — net

As a result of the foregoing two line items, our finance costs net of finance income decreased by 22.6% from RMB7.8 million for the year ended 31 December 2008 to RMB6.0 million for the year ended 31 December 2009.

Income tax expense

Our income tax expense increased by 103.8% from RMB6.9 million for the year ended 31 December 2008 to RMB14.0 million for the year ended 31 December 2009, which was primarily due to our increased taxable income for the year ended 31 December 2009. Please refer to “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Description of components of results of operations — Income tax expense” in this Prospectus. Our effective income tax rate increased slightly from 21.2% for the year ended 31 December 2008 to 22.7% for the year ended 31 December 2009.

Profit for the year/period

As a result of the foregoing factors, our profit for the year/period increased by 86.1%, or RMB22.0 million, from RMB25.6 million for the year ended 31 December 2008 to RMB47.6 million for the year ended 31 December 2009.

Year ended 31 December 2008 compared with year ended 31 December 2007

Revenue

Our total revenue increased by 93.7% from RMB65.9 million for the year ended 31 December 2007 to RMB127.7 million for the year ended 31 December 2008. This increase was attributable to

FINANCIAL INFORMATION

increases in revenue from our transportation and sales of pipelined gas operation, including commencement of our distribution and sales of CNG, and gas pipeline connections operation.

The revenue from our transportation and sales of pipelined gas operation increased by 120.0% from RMB26.2 million for the year ended 31 December 2007 to RMB57.7 million for the year ended 31 December 2008. Although the average selling price of natural gas increased slightly for the years ended 31 December 2007 and 2008 and the average selling price of coal gas decreased slightly for the same periods mainly due to the increase in sales to residential users, sales volume of natural gas increased substantially from 11.2 million m³ to 17.5 million m³ and sales volume of coal gas increased substantially from 7.5 million m³ to 27.0 million m³. Increase in sales volume was caused by the increased connection in residential, commercial and industrial users due to market demands and continuous urbanization of our Operating Cities. We also started to generate revenue from our distribution and sales of CNG in April 2008.

The revenue from our gas pipeline connections operation increased from RMB37.8 million for the year ended 31 December 2007 to RMB67.6 million for the year ended 31 December 2008. The increase in revenue was mainly due to the increase in the number of new connections. The connections to pipeline networks increased substantially from approximately 45,000 units of users as at 31 December 2007 to 67,000 units of users as at 31 December 2008 because of increased market demands and continuous development in our Operating Cities.

Cost of sales

Our cost of sales increased by 108.7% from RMB37.2 million for the year ended 31 December 2007 to RMB77.6 million for the year ended 31 December 2008. Among a number of cost items, our costs for raw materials and consumable used and changes in inventories of finished goods and work-in-progress together increased from RMB26.7 million in 2007 to RMB61.5 million in 2008. The increase was primarily due to the increased sales volume of pipelined gas and increased connections of users. In addition, our engagement of construction and design services increased from RMB3.9 million in 2007 to RMB5.9 million in 2008, which was in line with the increase in our revenue in 2009. The depreciation of property, plant and equipment increased from RMB3.6 million in 2007 to RMB4.9 million in 2008 also contributed to the increases in cost of sales during this period.

The cost of sales from our transportation and sales of pipelined gas operation increased by 104.6% from RMB25.7 million for the year ended 31 December 2007 to RMB52.6 million for the year ended 31 December 2008. Such an increase was mainly due to increased sales volume of pipelined gas, which further resulted in the increase in purchases of natural gas and coal gas. In addition, we were requested by local government in Shangjie in 2008 to refurbish our pipelines, which was a one-off cost and amounted to RMB1.0 million. Such request from the Shangjie District government was in relation to the celebration of its 50th anniversary of the establishment of the district for uplifting the environment of the city.

The cost of sales from our gas pipeline connections operation increased by 115.3% from RMB10.7 million for the year ended 31 December 2007 to RMB23.0 million for the year ended 31 December 2008. The increase in cost of sales was because of an increase in the materials, labors and expenses used in the operation due to increased demand for our gas pipeline connections in our Operating Cities.

Gross profit

As a result of the foregoing, our gross profit increased by 74.3% from RMB28.7 million for the year ended 31 December 2007 to RMB50.0 million for the year ended 31 December 2008. Our gross

FINANCIAL INFORMATION

profit margin decreased from 43.6% for the year ended 31 December 2007 to 39.2% for the year ended 31 December 2008 because of a decrease in gross profit margin of our gas pipeline connections operation.

Gross profit for our transportation and sales of pipelined gas operation increased from RMB506,000 in 2007 to RMB5.1 million in 2008, and the gross profit margin increased from 1.9% to 8.8% in the same period. The increase in the gross profit was primarily caused by an increase in our pipelined gas sales volume from 2007 to 2008. The increase in gross profit margin was caused by the enlargement of our scale of business, allowing us to enjoy a higher margin from economies of scale.

Gross profit for our gas pipeline connections operation increased from RMB27.1 million in 2007 to RMB44.6 million in 2008, and the gross profit margin decreased from 71.7% to 66.0% in the same period. The increase in the gross profit was primarily caused by the increased connections of new users from 2007 to 2008. The decrease in gross profit margin was caused by the increase in the gas pipeline connections in Hebi City, which generally incurred lowest gross profit margin among three Operating Cities.

Distribution cost

Our distribution cost decreased by 21.5% from RMB2.0 million for the year ended 31 December 2007 to RMB1.6 million for the year ended 31 December 2008. The decrease was primarily because we ceased the promotional activities in Xuchang City in 2008, which was provided to our users upon commencement of our operations in Xuchang.

Administrative expenses

Our administrative expenses increased by 51.5% from RMB5.5 million for the year ended 31 December 2007 to RMB8.3 million for the year ended 31 December 2008. The increase was primarily due to an increase in headcounts and the average salaries and benefits of our administrative personnel.

Other gains — net

Other gains net of other expenses decreased by 99.4% from RMB824,000 for the year ended 31 December 2007 to RMB5,000 for the year ended 31 December 2008. The decrease was primarily because we made a business acquisition in 2007 and recorded the negative goodwill in the combined statements of comprehensive income for RMB293,000, and recorded gains on disposal of fixed assets of RMB514,000 in 2007 but incurred losses of RMB72,000 in 2008.

Finance income

Our finance income was RMB1.9 million for both the years ended 31 December 2007 and 2008.

Finance costs

Our finance costs decreased by 16.0% from RMB11.5 million for the year ended 31 December 2007 to RMB9.6 million for the year ended 31 December 2008. The decrease in finance costs was primarily due to a decrease in the interest expenses as a result of the decreased outstanding bank borrowing balances.

FINANCIAL INFORMATION

Finance costs — net

As a result of the foregoing two line items, our finance costs net of finance income decreased by 19.0% from RMB9.6 million for the year ended 31 December 2007 to RMB7.8 million for the year ended 31 December 2008.

Income tax expense

Our income tax expense increased by 63.6% from RMB4.2 million for the year ended 31 December 2007 to RMB6.9 million for the year ended 31 December 2008, which was primarily due to our increased taxable income for the year ended 31 December 2008. Please refer to “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Description of components of results of operations — Income tax expense” in this Prospectus. Our effective income tax rate decreased from 33.6% for the year ended 31 December 2007 to 21.2% for the year ended 31 December 2008.

Profit for the year/period

As a result of the foregoing factors, our profit for the year/period increased by 208.2%, or RMB17.3 million, from RMB8.3 million for the year ended 31 December 2007 to RMB25.6 million for the year ended 31 December 2008.

Accumulated deficit

As at 31 December 2007, we have an accumulated deficit of RMB20.3 million. Such deficit represented the net loss prior to our Track Record Period, which was carried forward to 2007.

Financial Position, Liquidity and Capital Resources

Our primary liquidity requirements are to use cash to invest in additional facilities and equipment, service our indebtedness, and fund working capital and normal recurring expenses. To date, we have financed our cash requirements through a combination of cash generated from operating activities, bank borrowings and proceeds of capital contributions from our shareholders. In the future, we expect to continue relying principally on cash flows from operations and bank borrowings to fund our working capital needs and will use the proceeds from the Global Offering to finance part of our business expansion.

Cash flow

Cash flows from operating activities represent the inflows of cash generated from our operations and the outflows of interest and income tax paid. Cash flows from investing activities primarily represent purchases of property, plant and equipment and investment properties and net cash outflow for an acquisition of business. Cash flows from financing activities primarily represent the proceeds from borrowings, capital injection and repayments of borrowings.

FINANCIAL INFORMATION

As at 30 June 2010, we had cash and cash equivalents of RMB82.9 million for the purpose of the combined statements of cash flows. Our cash and cash equivalents increased by RMB68.0 million as at 30 June 2010 as compared with RMB14.9 million as at 31 December 2009 was mainly due to the settlement of receivables from related parties. The following table sets forth the changes in cash flows for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010:

	For the year ended 31 December			For the six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Combined statements of cash flows					
Cash and cash equivalents at beginning of the year/period	4,045	7,716	11,371	11,371	14,860
Net cash generated from operating activities	15,342	45,228	51,019	26,144	35,459
Net cash generated from/(used in) investing activities	12,446	(8,778)	(34,606)	(30,800)	41,725
Net cash (used in)/generated from financing activities	(24,117)	(32,795)	(12,924)	9,651	(9,182)
Cash and cash equivalents at end of the year/period . . .	<u>7,716</u>	<u>11,371</u>	<u>14,860</u>	<u>16,366</u>	<u>82,862</u>

Cash flows from operating activities

For the six months ended 30 June 2010, we had net cash generated from operating activities of RMB35.5 million, consisting of cash generating from operations of RMB50.4 million, subtracted by income tax paid of RMB12.2 million and interest paid of RMB2.8 million. Our cash generated from operations consisted of cash flow from operating activities before adjustment for changes in working capital of RMB49.5 million and net adjustments for changes in working capital of RMB1.0 million. Net working capital adjustments reflected primarily on a decrease in advance from customers amounting to RMB7.2 million. Such adjustments were partly offset by: (i) a decrease in inventories amounting to RMB5.9 million; and (ii) a decrease in trade and other receivables amounting to RMB2.7 million.

For the six months ended 30 June 2009, we had net cash generated from operating activities of RMB26.1 million, consisting of cash generating from operations of RMB32.2 million, subtracted by income tax paid of RMB2.7 million and interest paid of RMB3.4 million. Our cash generated from operations consisted of cash flow from operating activities before adjustment for changes in working capital of RMB34.0 million and net negative adjustments for changes in working capital of RMB1.8 million. Net negative working capital adjustments reflected primarily on an increase of trade and other receivables amounting to RMB6.3 million. Such negative adjustments were partly offset by: (i) an increase in advance from customers amounting to RMB2.4 million; and (ii) an increase in trade and other payables amounting to RMB1.5 million.

For the year ended 31 December 2009, we had net cash generated from operating activities of RMB51.0 million, consisting of cash generating from operations of RMB69.9 million, subtracted by income tax paid of RMB11.9 million and interest paid of RMB7.0 million. Our cash generated from operations consisted of cash flow from operating activities before adjustment for changes in working capital of RMB74.6 million and net negative adjustments for changes in working capital of RMB4.7 million. Net negative working capital adjustments reflected primarily on: (i) an increase in trade and other receivables amounting to RMB0.6 million; (ii) a decrease in trade and other payables

FINANCIAL INFORMATION

amounting to RMB0.3 million; and (iii) a decrease in advance from customers amounting to RMB5.6 million. Such negative adjustments were partly offset by a decrease in inventories amounting to RMB1.8 million.

For the year ended 31 December 2008, we had net cash generated from operating activities of RMB45.2 million, consisting of cash generating from operations of RMB58.5 million, subtracted by interest paid of RMB9.5 million and income tax paid of RMB3.8 million. Our cash generated from operations consisted of cash flow from operating activities before adjustment for changes in working capital of RMB47.3 million and net positive adjustments for changes in working capital of RMB11.2 million. Net positive working capital adjustments reflected primarily on: (i) a decrease in inventories amounting to RMB2.9 million, mainly consisting of gas pipeline materials; (ii) an increase in trade and other payables amounting to RMB7.5 million; and (iii) an increase in advance from customers amounting to RMB3.0 million.

For the year ended 31 December 2007, we had net cash generated from operating activities of RMB15.3 million, consisting of cash generating from operations of RMB26.7 million, subtracted by interest paid of RMB11.4 million and income tax paid of RMB9,000. Our cash generated from operations consisted of cash flow from operating activities before adjustment for changes in working capital of RMB27.0 million and net negative adjustments for changes in working capital of RMB0.3 million. Net negative working capital adjustments reflected primarily on: (i) an increase in trade and other receivables amounting to RMB3.7 million; (ii) a decrease in trade and other payables amounting to RMB1.3 million; (iii) an increase in inventories amounting to RMB3.2 million; and (iv) an increase in advance from customers amounting to RMB7.8 million.

Cash flows from investing activities

For the six months ended 30 June 2010, our net cash inflow from investing activities was RMB41.7 million. Our net cash inflow from investing activities mainly consists of net repayments from related parties amounting to RMB50.8 million, partly offset by purchase of property, plant and equipment and investment properties amounting to RMB9.1 million.

For the six months ended 30 June 2009, our net cash used in investing activities was RMB30.8 million. Our net cash outflow for investing activities mainly consists of net repayments to related parties amounting to RMB24.3 million and purchase of property, plant and equipment and investment properties amounting to RMB6.8 million.

For the year ended 31 December 2009, our net cash used in investing activities was RMB34.6 million. Our net cash outflow for investing activities mainly consists of purchase of property, plant and equipment and investment properties amounting to RMB13.5 million, and net repayments to related parties amounting to RMB21.3 million.

For the year ended 31 December 2008, our net cash used in investing activities was RMB8.8 million. Our net cash outflow for investing activities mainly consists of purchase of property, plant and equipment and investment properties amounting to RMB13.2 million, partly offset by net repayments from related parties amounting to RMB5.4 million.

For the year ended 31 December 2007, our net cash received from investing activities was RMB12.4 million. Our net cash inflow from investing activities mainly consists of: (i) purchase of property, plant and equipment and investment properties amounting to RMB14.1 million; (ii) net repayments from related parties amounting to RMB35.3 million; and (iii) net cash outflow for an

FINANCIAL INFORMATION

acquisition of a business of RMB9.5 million for the business acquisition of Zhengzhou Shangjie Gas Limited on 31 July 2007.

Cash flow from financing activities

For the six months ended 30 June 2010, our net cash used in financing activities was RMB9.2 million. Our net cash used in financing activities mainly consists of: (i) payment of dividends amounting to RMB30.5 million; and (ii) repayment of borrowing amounting to RMB22.7 million; partly offset by proceeds from borrowing of RMB35.0 million.

For the six months ended 30 June 2009, our net cash generated from financing activities was RMB9.7 million. Our net cash generated from financing activities mainly consists of proceeds from borrowings amounting to RMB19.5 million, partly offset by repayment of borrowings of RMB9.8 million.

For the year ended 31 December 2009, our net cash used in financing activities was RMB12.9 million. Our net cash used in financing activities mainly consists of repayments of borrowings of RMB47.0 million, which was partly offset by proceeds from borrowings of RMB34.1 million.

For the year ended 31 December 2008, our net cash used in financing activities was RMB32.8 million. Our net cash used in financing activities mainly consists of: (i) repayments of borrowings of RMB56.7 million, which was partly offset by proceeds from borrowings of RMB22.0 million; (ii) the settlement of liability assumed from the acquisition of business of RMB8.1 million; and (iii) capital injection of RMB10.0 million from our shareholders.

For the year ended 31 December 2007, our net cash used in financing activities was RMB24.1 million. Our net cash used in financing activities mainly consists of: (i) repayments of borrowings of RMB53.9 million, which was partly offset by proceeds from borrowings of RMB20.0 million; (ii) the settlement of liability assumed from the acquisition of a business of RMB8.2 million; and (iii) capital injection of RMB18.0 million from our shareholders.

Working capital

Working capital is critical to our financial performance and we must maintain sufficient liquidity and financial flexibility to continue our daily operations.

Our current assets primarily consist of trade and other receivables, inventories and cash and cash equivalents. Our current liabilities primarily consist of trade and other payables, advance from customers and borrowings. We manage our working capital by closely monitoring the level of our trade and other payables as well as inventory level. We also intend to improve our profitability by improving operating cash flows. Our cash position consist primarily of cash in hand and bank balances, less restricted cash as guarantee deposits for issuance of letters of credits.

As at 30 June 2010, we had cash and bank balances of RMB82.9 million. As at 30 June 2010, we had borrowings in the aggregate amount of RMB87.9 million made available to us. Taking into account our cash and cash equivalent on hand, cash generated from our future operations and the estimated net proceeds from the Global Offering, our Directors are of the opinion that we have sufficient working capital to meet our present and future financial requirement for at least 12 months from the date of this Prospectus.

We had net current liabilities of RMB56.4 million, RMB49.9 million, RMB21.2 million and RMB18.9 million as at 31 December 2007, 2008 and 2009 and 30 June 2010. The relatively large

FINANCIAL INFORMATION

current liabilities during the Track Record Period were due to our reliance on short-term financing in respect of our capital investment prior to 2007 which was funded by bank borrowings and carried forward to the Track Record Period. As at 31 December 2007, 2008, 2009 and 30 June 2010, majority of our current liabilities were advances from customers, which mainly came from our gas pipeline connections operation. Such advances will be recognized as revenue upon completion of the respective project and the connection of the gas to the customer, thereby created the relatively large current liabilities. As to our reliance on short-term financing during the Track Record Period, such reliance was due to our expectation at the time that the interest rate for the bank loans will gradually decrease and hence short-term financing will provide us the opportunity to lower our finance cost. The decrease of the net current liabilities during the period was mainly due to the continuous historical profit and cash flows generated from our Group's operation, which decreased our need for bank loans to finance our capital investment. As at 30 September 2010, we had net current liabilities of RMB31.5 million. The increase of the net current liabilities from RMB18.9 million as at 30 June 2010 to RMB31.5 million as at 30 September 2010 was mainly due to the repayment of non-current bank borrowings of RMB29.0 million. Notwithstanding our general practice to receive advance payment from users of our gas pipeline connections operation, before the risks have been transferred to the users, we do not recognize the relevant revenue and the received cash was recorded as advances from customers.

The practice of obtaining advances from customers is one of the measures of our working capital management to ensure our cash flow for the provision of the gas pipeline connections and to minimize the risk of bad and doubtful debts. Furthermore, we will improve our net current liabilities position by: (i) generating continuous cash flows from our operations; (ii) obtaining longer term debts and equity financing; and (iii) controlling our capital expenditure. In order to control our capital expenditure, before making material investment decisions, we will consider: (i) the current and future cash requirement for capital expenditure and working capital purposes; (ii) the appropriate contingent capital needed; (iii) the expected payback period of the potential investment; and (iv) our assessment on our ability to raise additional debt and equity financing in light of the current and the future market conditions.

FINANCIAL INFORMATION

The following table sets forth our current assets, current liabilities and net current liabilities for the dates indicated:

	As at 31 December			As at 30 June	As at 30 September
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
<i>Current assets</i>					
Inventories	22,486	19,548	17,700	11,777	10,264
Trade and other receivables	43,486	45,332	70,752	15,489	19,272
Prepaid income tax	—	—	—	—	102
Restricted cash	500	—	—	—	—
Cash and cash equivalent	7,716	11,371	14,860	82,862	45,905
Total current assets	74,188	76,251	103,312	110,128	75,543
<i>Current liabilities</i>					
Trade and other payables	46,281	48,740	39,473	37,800	33,855
Advance from customers	45,661	48,690	43,046	35,893	48,139
Current income tax liabilities	313	475	1,634	205	—
Borrowings	38,334	28,254	40,400	52,500	25,000
Dividend payable	—	—	—	2,632	—
Total current liabilities	130,589	126,159	124,553	129,030	106,994
<i>Net current liabilities</i>	<u>(56,401)</u>	<u>(49,908)</u>	<u>(21,241)</u>	<u>(18,902)</u>	<u>(31,451)</u>

The changes of the balance of net current liabilities as at the respective dates were consistent with the expansion of our business operations during the Track Record Period.

Trade Receivables, Inventories and Trade Payables Turnover

Trade and other receivables

Our trade and other receivables mainly represent the credit sales of our products, less impairment provision, and receivables due from related parties. The following table sets forth the breakdown of our trade and other receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables	9,050	10,031	9,943	10,599
Bills receivable	—	—	400	150
Prepayments	1,200	2,354	2,246	1,499
Receivables due from related parties	43,773	41,689	55,440	433
Other receivables	2,396	4,191	3,994	4,079
Less: Provision for impairment of other receivables	(1,271)	(1,271)	(1,271)	(1,271)
Less: non-current portion of receivables from related parties	(11,662)	(11,662)	—	—
	<u>43,486</u>	<u>45,332</u>	<u>70,752</u>	<u>15,489</u>

Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost less allowance for impairment of doubtful debts. Provision for impairment of trade and other receivables is determined based on the evaluation of collectability of trade and other

FINANCIAL INFORMATION

receivables. Judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness, the past collection history of each counterparty and the current market condition. Such provisions were for individually impaired receivables relating to customers that were in default or delinquency of payments. As at 31 December 2007, 2008 and 2009 and 30 June 2010, we had an provision for impairment of other receivables of RMB1.3 million, RMB1.3 million, RMB1.3 million and RMB1.3 million, respectively. Such provision for impairment of other receivables represents other receivables of Henan Tian Lun Engineering Investment of RMB773,000 in aggregate assumed by Hebi Tian Lun under the concession agreement between Henan Tian Lun Engineering Investment and Hebi Construction Committee and an outstanding advance of RMB498,000 from Xuchang Tian Lun to Xuchang Shuang Li made in 2005, which are more than 5 years past due and are, in the opinion of the Directors, not likely to be collected. Other than such provision for impairment of other receivables, there is no other provision for impairment of receivables or bad debts written off during the Track Record Period. We do not hold any collateral or other credit enhancements over such amount.

The credit period generally granted to customers in relation to our transportation and sales of pipelined gas operation is from ten to 90 days. In circumstances of credit sales, to manage the credit risk in respect of trade and other receivables, we have policies in place to ensure that sales are made to customers with appropriate credit history and we perform periodic credit evaluations of our customers, and generally do not require collateral from the customers on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, we maintain a provision for impairment of receivables and actual losses incurred have been within management's expectation. The total amount of such trade receivables as at 31 December 2007, 2008 and 2009 and 30 June 2010 were RMB9.1 million, RMB10.0 million, RMB9.9 million and RMB10.6 million, representing approximately 12.2%, 13.2%, 9.6% and 9.6% of our total current assets as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

The following table sets forth the aged analysis of our trade receivables as at the dates indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 30 days	4,147	4,818	7,427	5,576
31 days to 90 days	301	1,387	1,443	2,879
91 days to one year	4,404	2,466	194	1,155
Over one year	198	1,360	879	989
	<u>9,050</u>	<u>10,031</u>	<u>9,943</u>	<u>10,599</u>

Average turnover days of trade receivables for a period is derived by dividing the average trade receivables by revenue for the period and multiplying by 360 days for a 12-month period or by 180 days for a six-month period. The average turnover days of trade receivables were 33.1, 26.9, 20.1 days and 16.1 days for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The average turnover days of our trade receivables decreased primarily because our revenue increased during the Track Record Period, especially our revenue from our gas pipeline connections operation, which represented the recognition of the advances received from our customers as revenue upon completion or the "fire-ignition ceremony", and hence our revenue during the same periods increased but our balance of the trade receivables remained stable as at the dates indicated.

FINANCIAL INFORMATION

The subsequent settlement of our trade receivables as at 30 June 2010 up to 30 September 2010 amounts to approximately RMB9.5 million.

Inventories

Our inventories consist of materials for gas pipelines, consumables, work in progress and finished pipelined network, substantially all of which are related to our gas pipeline connections operation. For our transportation and sales of pipelined gas operation, because we transport the pipelined gas we purchase from our suppliers to our customers directly, almost no inventory is recorded. The following table sets forth the components of our inventories as at the dates indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Materials for gas pipelines	6,240	6,984	5,956	6,336
Consumables	139	20	29	17
Work in progress	8,944	6,453	6,589	5,424
Finished pipelined network	7,163	6,091	5,126	—
	<u>22,486</u>	<u>19,548</u>	<u>17,700</u>	<u>11,777</u>

Inventories are stated at the lower cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprised materials for gas pipelines, direct labor, other direct costs and related production overheads, based on normal operating capacity. It excludes borrowing costs. Net realizable value is estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Write-down for declines in value of inventories are determined on an item-by-item basis when the carrying value of the inventories is higher than their net realizable value. In some circumstances where items of inventories have similar purposes or end uses and relate to the same product produced and marketed in the same geographical area, and cannot be practicably evaluated separately from other items in that product, write-down for decline in value of inventories may be determined on an aggregate basis for that group of similar or related items of inventories. For large quantity and low value items of inventories, write-down is made based on classes of inventories. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and estimated costs necessary to make the sale.

The cost of inventories recognized as our expense and included in cost of sales amounted to RMB26.7 million, RMB61.5 million, RMB81.9 million, RMB37.9 million and RMB50.5 million for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, respectively. Write-down of inventories recognized in our cost of sales in the combined statements of comprehensive income amounted to RMB113,000 for the year ended 31 December 2007.

As substantially all of our inventories are related to our gas pipeline connections operation, our average turnover days of inventories for a period is derived by dividing the average inventory, including allowance for inventory value decline and obsolescence, by cost of sales in respect of our transportation and sales of pipelined gas operation for the period and multiplying by 360 days for a 12-month period or by 180 days for a six-month period. Other than the write-down of inventories made in 2007 of RMB113,000 for obsolete materials from our acquisition of Shangjie Tian Lun, we have not made any other write-down of inventories during the Track Record Period as the inventories are mainly pipes associated with our gas pipeline connections operation. These pipes have a long

FINANCIAL INFORMATION

shelf life and generally will not be written-down for a few years, and thus a lower risk of write-down. Our Directors confirm that such practice is adequate given the low risk of write-down of our inventories.

Our average turnover days of inventory decreased from 677.2 days in 2007 to 329.1 days in 2008, to 257.6 days in 2009 and further to 157.9 days in for six months ended 30 June 2010 primarily because of our successful inventory control policy, our improvement in efficiency to complete our pipeline connection constructions and that whilst our revenue from our gas pipeline connections operations has increased, our trade receivables and our credit terms with our customers remained stable during the same periods.

The subsequent sales/usage of our inventory as at 30 June 2010 up to 30 September 2010 is approximately RMB7.5 million.

Trade and other payables

Our trade and other payables mainly comprise amounts due to related parties, trade payables and other payables. Our trade and other payables increased from RMB46.3 million as at 31 December 2007 to RMB48.7 million as at 31 December 2008. Our trade and other payables decreased to RMB39.5 million as at 31 December 2009 and further decreased to RMB37.8 million as at 30 June 2010.

The following table sets forth the aged analysis of our trade payables, including amounts due to a related party which were trade in nature, as at the dates indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 30 days	3,375	6,885	6,345	5,394
31 days to 90 days	2,786	1,929	2,918	4,807
91 days to one year	1,302	2,501	2,245	2,954
One year to two years	1,660	621	1,138	621
Two years to three years	1,648	634	274	153
Over three years	310	1,373	716	600
	<u>11,081</u>	<u>13,943</u>	<u>13,636</u>	<u>14,529</u>

Our suppliers generally grant us a credit period from ten to 90 days. Average turnover days of trade payables for a period is derived by dividing the average trade payables by cost of sales for the period and multiplying by 360 days for a 12-month period or by 180 days for a six-month period. Our turnover days of trade payables were 97.7, 58.0, 49.4 days and 40.3 days for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, respectively. The decreased average turnover days of our trade payables was primarily due to our increased cost of sales and relatively stable balance of trade payables.

The subsequent settlement of our trade payables as at 30 June 2010 up to 30 September 2010 amounts to RMB6.6 million.

Advance from customers

As at 31 December 2007, 2008 and 2009 and 30 June 2010, our advances from customers amounted to RMB45.7 million, RMB48.7 million, RMB43.0 million and RMB35.9 million,

FINANCIAL INFORMATION

respectively. We generally request advances from customers in relation to our gas pipeline connections operation, which, to the best knowledge and believe of our Directors, is the industry practice. Such advances from customers will be recognized as revenue upon the completion of construction of pipelines for users and connection of the pipelines to our existing gas pipeline networks, which coincides with the “fire ignition ceremony”. Generally, it takes up to approximately six months after we receive the advances from our customers before construction will commence (the “Duration”). The length of the Duration is largely dependent on at what stage our customers choose to engage us for their projects. Depending on the size of our customers’ projects and their financial ability, some customers prefer to engage us at an early stage of their projects, leading to a longer Duration, while other customers tend not to engage us until a latter stage of their projects, usually immediately before we commence the gas pipeline construction work, hence, resulting in a shorter Duration. Furthermore, it can take approximately two to four months from the commencement of the construction to the completion of the construction. Hence, the time between when we receive advances from our customers and when we recognize such advances as revenue is generally within a year. The length in time depends on the nature of the construction project and whether the customer is residential, commercial or industrial user, also including property developer. Please also refer to Note 2.2.19(a) of the Accountant’s Report in Appendix I to this Prospectus.

Key financial ratios

Our current assets divided by current liabilities, or current ratio, was 0.57, 0.60, 0.83 and 0.85 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Our current assets after subtraction of inventories divided by current liabilities, or quick ratio, was 0.40, 0.45, 0.69 and 0.76 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. The increase of the current ratio and quick ratio was mainly due to the decrease of the bank borrowings and improvement of our working capital management and cash position generated from sales during the same periods.

Gearing ratio is calculated by dividing net debt by total capital as at each balance sheet date. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as total equity plus net debt. Our gearing ratios as at 31 December 2007, 2008 and 2009 and 30 June 2010 were 0.81, 0.55, 0.35 and 0.04, respectively. We had total borrowings of RMB123.8 million, RMB88.5 million, RMB75.6 million and RMB87.9 million as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, and the weighted average interest rate of our bank borrowings at each of the periods were 8.0%, 7.6%, 8.2% and 6.7%, respectively. The decrease in the gearing ratio as at each of 31 December 2007, 2008 and 2009, was mainly due to the decrease in our bank borrowings and the decrease in gearing ratio as at 30 June 2010 was mainly due to the repayment of borrowings and settlement of balances with related parties.

Return on equity, ROE, is calculated by dividing net profit for the period by total equity amounts as at the end of such period. Our return on equity for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 was 30.1%, 40.5%, 43.0% and 27.9%, respectively. As we had only very limited non-operating income and gains, which were interests from bank loans, our relatively higher ROE is based on high gross profit margin, which is mainly due to the relatively high proportion of profit generated from our gas pipeline connections operation and high asset turnover rate, which is due mainly to our relatively large amount of sales, and indicates our strong financial position, operating efficiency and profitability. Our increase of ROE was mainly due to the increase of our net profit from our transport and sales of pipelined gas operation and our gas pipeline connection operation during the relevant period.

FINANCIAL INFORMATION

Capital expenditures

Our principal requirements for capital expenditures are in relation to the expansion of our facilities, major maintenance, modernization of our existing facilities and equipment for our operations, as well as business acquisitions. Our capital expenditures with respect to the purchases of property, plant and equipment, land use rights, intangible assets and business acquisition were RMB40.3 million, RMB14.0 million, RMB14.2 million and RMB8.8 million for the years ended 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. Our capital expenditure for the year ended 31 December 2007 was high compared to that of 2008 and 2009, primarily due to our acquisition of all the State-owned assets owned by Zhengzhou Shangjie Gas Limited for a cash consideration of RMB9,500,000 and the assumption of a loan amounted to RMB16,260,000. Please refer to the paragraph headed “History and Corporate Structure — Shangjie Tian Lun” for further details of the transaction.

Indebtedness

The following table sets forth our borrowings for the periods indicated:

	As at 31 December			As at 30 June	As at 30 September
	2007	2008	2009	2010	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Non-current					
Bank borrowings					
Pledged ⁽¹⁾	3,000	—	—	—	—
Guaranteed ⁽²⁾	75,800	54,400	29,000	29,000	—
Other borrowings ⁽³⁾	6,672	5,858	6,242	6,397	6,312
Total non-current borrowings	85,472	60,258	35,242	35,397	6,312
Current					
Bank borrowings					
Pledged ⁽¹⁾	4,000	6,000	15,000	25,000	25,000
Guaranteed ⁽²⁾	32,400	21,400	25,400	27,500	—
Other borrowings ⁽³⁾	1,934	854	—	—	—
Total current borrowings	38,334	28,254	40,400	52,500	25,000
Total borrowings	123,806	88,512	75,642	87,897	31,312

Notes:

(1) All these bank borrowings were secured by our property, plant and equipment, investment properties and the exclusive operating rights for city pipeline network in Hebi City of Henan Province.

(2) As at 31 December 2007 and 2008, such bank borrowings were guaranteed by Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, which are our related companies, and an Independent Third Party (which had been dissolved after the restructuring of the Independent Third Party's holding company). Our Directors confirm that before commencement of the process of dissolution of the Independent Third Party guarantor, we had replaced the relevant guarantee by the guarantees provided by Henan Tian Lun Real Estate and Henan Tian Lun Engineering Investment. As advised by Grandall Legal Group, the dissolution of the Independent Third Party guarantor will not have any legal implications to our Company and the relevant bank borrowings.

As at 31 December 2009, such bank borrowings were guaranteed by Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, which are our related companies.

As at 30 June 2010, such bank borrowings were guaranteed by Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, which are our related companies, and Mr. Zhang Yingcen, one of our owners.

(3) The other borrowings represented borrowings from local government assumed by us to acquire the exclusive operating rights for city pipeline network in Xuchang City of Henan Province in 2003.

FINANCIAL INFORMATION

Our total bank loans decreased from RMB115.2 million as at 31 December 2007 to RMB81.8 million as at 31 December 2008, and decreased from RMB81.8 million as at 31 December 2008 to RMB69.4 million as at 31 December 2009, mainly due to the settlement of our outstanding bank loans with cash from operations to decrease our finance cost. Our total bank loans increase from RMB69.4 million as at 31 December 2009 to RMB81.5 million as at 30 June 2010, mainly due to the refinancing with lower interest bank loans, and decreased from RMB81.5 million as at 30 June 2010 to RMB25.0 million as at 30 September 2010, mainly due to the repayment of bank borrowings guaranteed by Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, which are our related companies, and Mr. Zhang Yingcen, one of our owners, in preparation for Listing.

Under the loan agreements for our subsisting bank borrowings, the restrictive covenants may include: (i) the restriction to dissipate assets to evade its repayment obligations; (ii) funds raised from the loan cannot be used for repaying other debt obligations; and (iii) prior to the repayment of the loan, there cannot be any reduction in capital or winding up of the company.

As confirmed by the Directors, during the subsistence of the bank borrowings and other borrowings mentioned above and up to the Latest Practicable Date, there was no delay or default in repayment of such borrowings. As at the Latest Practicable Date, we do not have any unutilized bank facilities.

Other than as disclosed in the paragraph headed “— Management’s Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness” in this Prospectus and apart from intra-group liabilities and normal trade payables, we did not have any outstanding loan capital issued and outstanding or agreed to be issued, bank overdraft and liabilities under acceptance or other similar indebtedness, debenture, mortgage, charges or acceptance credits or hire purchase commitments, or guarantees or other material contingent liabilities at the close of business as at 30 September 2010. Saved as disclosed in this Prospectus, the Directors confirm that there has not been any material adverse change of our indebtedness as at the Latest Practicable Date.

Contingent liabilities

As at the Latest Practicable Date, we did not have significant contingent liabilities.

Commitments

Capital commitments

Capital expenditure contracted for at the end of each reporting period, but not yet incurred, is as follows:

	As at 31 December			As at
	2007	2008	2009	30 June
	RMB'000	RMB'000	RMB'000	2010
				RMB'000
Property, plant and equipment	<u>823</u>	<u>—</u>	<u>1,944</u>	<u>777</u>

The source of funding of our capital commitments were mainly cash flows from operating activities and financing activities such as bank loans.

FINANCIAL INFORMATION

Licensing fee commitments

The following table sets forth our licensing fee commitments for the periods indicated:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	1,100	1,100	1,100	1,100
Later than one year and no later than five years	4,400	4,400	4,400	4,400
Later than five years	22,000	20,900	19,800	19,250
	<u>27,500</u>	<u>26,400</u>	<u>25,300</u>	<u>24,750</u>

Off-balance Sheet Arrangements

An off-balance sheet arrangement is any transaction, agreement or other contractual arrangement involving an unconsolidated entity under which a company has: (i) made guarantees; or (ii) any obligation arising out of a material variable interest in an unconsolidated entity that provides financing, liquidity, market risk or credit risk support to our Company, or that engages in leasing, hedging, or research and development arrangements with our Company.

During the Track Record Period, we did not have any material off-balance sheet arrangements.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to various types of market risks in the ordinary course of our business, including fluctuations in interest rates and foreign exchange rates and changes in the selling prices for our main products and costs of raw materials. We manage our exposure to these and other market risks through regular operating and financial activities.

Foreign exchange risk

Our operations are within the PRC with all of the transactions settled in RMB, except for certain borrowings are settled in U.S. dollars. Our assets and liabilities that are subject to foreign exchange rate risk include bank deposits and borrowings that are denominated in Hong Kong dollars and U.S. dollars. We currently do not have a foreign currency hedging policy, and we manage our foreign currency risk by closely monitoring the movement of the foreign currency rates.

FINANCIAL INFORMATION

The following table sets forth the sensitivity analysis of an increase/decrease of 5% in RMB against U.S. dollars and Hong Kong dollars, with all other variables held constant, as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively. This sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next end of reporting period. If there is a 5% increase/decrease in RMB against U.S. dollars and Hong Kong dollars, the effect on the profit before income tax is as follows:

	For the year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB'000			RMB'000
Increase of 5% RMB against US\$ and HK\$				
— Increase of 5% in profit before income tax	617	512	488	591
Decrease of 5% RMB against US\$ and HK\$				
— Decrease of 5% in profit before income tax	(617)	(512)	(488)	(591)

Cash flow and fair value interest rate risk

As we have no significant interest-bearing assets other than cash and cash equivalents and certain receivables due from Henan Tian Lun Real Estate, our income and operating cash flows are substantially independent of changes in market interest rates.

Our interest-rate risk arises from bank loans. Loans borrowed at variable rates expose us to cash flow interest-rate risk. Loans borrowed at fixed rates expose us to fair value interest-rate risk. As at 31 December 2007, 2008 and 2009 and 30 June 2010, our bank loans were all borrowed at variable rates. We currently do not use any interest rate swaps to hedge our exposure to interest rate risk.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, if interest rates on borrowings had been ten base-point higher/lower with all other variables held constant, profit before income tax for the year will be RMB1,139,000, RMB954,000, RMB697,000 and RMB274,000 lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

Credit risk

Our maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, and trade and other receivables.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, all of our bank deposits are deposited in major financial institutions located in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk.

We generally request advances from our customers. In the case of credit sales, to manage the credit risk in respect of trade and other receivables, we perform ongoing credit evaluations of our counterparties' financial condition and generally do not require collateral from our customers on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, we maintain a provision for doubtful accounts and actual losses incurred have been within management's expectation.

FINANCIAL INFORMATION

Liquidity risk

To manage the liquidity risk, we monitor and maintain a level of cash and cash equivalents deemed adequate by the management to finance our operations and mitigate the effects of fluctuations in cash flows. We expect to fund its future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions, as well as equity financing through shareholders or initial public offering.

The following table sets forth our financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than one year</u>	<u>Between one and two years</u>	<u>Between two and five years</u>	<u>Over five years</u>
	RMB'000	RMB'000	RMB'000	RMB'000
As at 30 June 2010				
Bank borrowings	56,667	19,833	10,849	—
Other borrowings	116	574	1,695	10,702
Trade and other payables ⁽¹⁾	36,425	—	—	—
As at 31 December 2009				
Bank borrowings	44,970	20,843	11,377	—
Other borrowings	—	289	1,711	11,042
Trade and other payables ⁽¹⁾	38,223	—	—	—
As at 31 December 2008				
Bank borrowings	33,345	29,566	32,853	—
Other borrowings	854	—	1,436	11,618
Trade and other payables ⁽¹⁾	47,697	—	—	—
As at 31 December 2007				
Bank borrowings	45,268	29,021	62,799	—
Other borrowings	1,934	913	924	13,027
Trade and other payables ⁽¹⁾	45,564	—	—	—

Note:

(1) Trade and other payables include trade payables, amounts due to related parties and other payables as stated in Note 15 of the Accountant's Report as set out in Appendix I to this Prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that as at the Latest Practicable Date, there were no circumstances which would give rise to the disclosure requirements under Rules 13.13 to 13.19 of the Listing Rules had the Shares been listed on the Stock Exchange on that date.

FINANCIAL INFORMATION

ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of our adjusted net tangible assets, which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 June 2010. This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial position of our Company had the Global Offering been completed as at 30 June 2010 or at any future dates.

	Combined net tangible assets attributable to equity holders of our Company as at 30 June 2010 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company per Share ⁽³⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on the Offer Price of HK\$1.52 for each Offer Share	85,544	231,078	316,622	0.40	0.46
Based on the Offer Price of HK\$2.05 for each Offer Share	85,544	315,332	400,876	0.50	0.58

Notes:

- (1) The combined net tangible assets attributable to equity holders of our Company as at 30 June 2010 has been extracted from the Accountant's Report set out in Appendix I to this Prospectus which is based on our audited combined net assets attributable to our equity holders of RMB114.7 million with an adjustment for the intangible assets of RMB29.1 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price range of HK\$1.52 per Share and HK\$2.05 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 798,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 June 2010 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (4) By comparing the valuation of our Company's property interests of RMB37,880,000 as set out in Appendix IV to this Prospectus and the unaudited net book value of these properties as at 30 September 2010, the net revaluation surplus is approximately RMB8.7 million, which has not been included in the above net tangible assets attributable to equity holders of our Company as at 30 June 2010. The revaluation of our property interests will not be incorporated in our financial information. If the revaluation surplus is to be included in our financial information, an additional depreciation charge of approximately RMB0.5 million per annum related to buildings, investment properties and lease prepayments would be recorded.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2010.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.86022 prevailing on 20 October 2010.

PROFIT FORECAST FOR THE YEAR ENDING 31 DECEMBER 2010

On the bases and assumptions as set forth in Appendix III to this Prospectus, and in the absence of unforeseen circumstances, we forecast that our consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 will be not less than RMB66.1 million.

The profit forecast has been prepared by our Directors based on our audited combined results for the six months ended 30 June 2010 as well as unaudited management accounts for the two months ended 31 August 2010 and the forecast of the consolidated results for the remaining four

FINANCIAL INFORMATION

months ending 31 December 2010. The profit forecast is presented on a basis consistent in all material respects with the accounting policies currently adopted by us as set out in the Accountant's Report, dated the date of this Prospectus, and the text of which is set out in Appendix I to this Prospectus.

DIVIDEND POLICY

After completion of the Global Offering, we may distribute dividends by way of cash or by other means that our Directors consider appropriate. A decision to distribute any interim dividend or recommend any final dividend will require the approval of our Board of Directors and will be at their discretion. In addition, any final dividend for a financial year will be subject to Shareholders' approval. Our Board of Directors will review our Company's dividend policy from time to time in light of the following factors in determining whether dividends are to be declared and paid:

- our financial results;
- shareholders' interests;
- general business conditions, strategies and future expansion needs;
- our Company's capital requirements;
- the payment of cash dividends by our Company's subsidiaries to our Company;
- possible effects on liquidity and financial position of our Company; and
- other factors the Board of Directors may deem relevant.

No dividend has been paid or declared by our Company since its incorporation. Dividends disclosed for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 represent dividends declared or proposed by our relevant subsidiaries out of their retained earnings to the then equity holders of the respective companies, after eliminating intra-group dividends.

On 26 March 2010, in accordance with the resolutions of the owners of Xuchang Tian Lun, Xuchang Tian Lun Vehicle, and Hebi Tian Lun Vehicle, and the board of directors of Hebi Tian Lun, retained earnings of approximately RMB29,330,000, RMB158,000, RMB1,110,000 and RMB13,158,000, respectively, were appropriated to the then equity holders of the respective companies. Among such dividends, approximately RMB33,087,000 in total were appropriated to Henan Tian Lun Engineering Investment, and the remaining were appropriated to our Company's relevant subsidiaries. The dividends appropriated to Henan Tian Lun Engineering Investment were accounted for as an appropriation of retained earnings in our combined financial information for the six months ended 30 June 2010. As at 30 September 2010, the dividends of RMB33,087,000 appropriated in Henan Tian Lun Engineering Investment has been paid.

In July 2010, in accordance with resolutions of shareholders of Shangjie Tian Lun, retained earnings of approximately RMB7,339,000 and RMB816,000 were appropriated to Hebi Tian Lun and the minority shareholder of Shangjie Tian Lun, respectively. Such dividend was paid in August 2010.

FINANCIAL INFORMATION

RELATED PARTY TRANSACTIONS

With respect to related parties transactions as set out in Note 31 of the Accountant's Report attached as Appendix I to this Prospectus, our Directors have confirmed that the transactions were conducted on arm's length basis, normal commercial terms and entered into in our ordinary course of business. Prior to listing, we have settled all of the non-trade balances with related parties. Please refer to Notes 31 and 32 of the Accountant's Report attached as Appendix I to this Prospectus for details of the subsequent settlement of non-trade balances with related parties.

DISTRIBUTABLE RESERVES

As our Company was only incorporated on 20 May 2010 and has not been involved in any significant business transactions other than Corporate Reorganization, there were no reserves available for distribution to shareholders as at 30 June 2010.

PROPERTY INTERESTS AND PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, an independent property valuation firm, has valued the properties owned and leased by us as at 30 September 2010. Details relating to our property interests and the text of the letters, summaries of values and valuation certificates are set out in Appendix IV to this Prospectus.

A reconciliation of the net book value of the relevant buildings, investment properties and lease prepayments as at 30 June 2010 to their fair value as at 30 September 2010 as stated in Appendix IV to this Prospectus is set forth as follows:

	Buildings, investment properties and lease prepayments
	RMB'000 (unaudited)
Net book value as at 30 June 2010	27,743
Movements for the period ended from 1 July 2010 to 30 September 2010	
— Additions	1,880
— Depreciation	(398)
Net book value as at 30 September 2010	29,225
Revaluation Surplus	8,655
Valuation as at 30 September 2010 as per Appendix IV to this Prospectus ...	<u>37,880</u>

NO MATERIAL ADVERSE CHANGE

Save as disclosed in “— Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness” and “— Dividend Policy”, we have confirmed that there has been no material adverse change in our financial position since 30 June 2010 (being the date to which our Company's latest combined financial results were prepared, as set out in the Accountant's Report in Appendix I to this Prospectus).

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the section headed “Business — Business Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

The net proceeds from the Global Offering, after deducting underwriting fees and estimated expenses payable by us, are estimated to be approximately HK\$317.9 million, assuming that the Over-allotment Option is not exercised and assuming an Offer Price of HK\$1.785 per Share, being the mid-point of the indicative Offer Price range of HK\$1.52 to HK\$2.05 per Share. We intend to use the net proceeds as follows:

- approximately HK\$56.0 million, or 17.6%, to construct gas processing stations, gas pipeline networks and other gas supply facilities in our Operating Cities to expand our geographic coverage and increase gas pipeline connections;
- approximately HK\$160.5 million, or 50.5%, to acquire or develop new urban gas projects. We have selected three gas projects in Henan Province as our potential acquisition targets and we are still at the stage of negotiation with these companies and have not entered into any written agreement or memorandum of understanding;
- approximately HK\$19.1 million, or 6.0%, to invest in construction of a new gas filling station;
- approximately HK\$50.5 million, or 15.9%, to invest in LNG and biofuel business opportunities; and
- approximately HK\$31.8 million, or 10.0%, to be used for working capital and other general corporate purposes.

Our Directors do not plan to use any proceeds from the Global Offering for the acquisition of Puyang Tian Lun due to the uncertainty whether we will proceed with the acquisition, further details of which are disclosed in the paragraph headed “Relationship with Our Controlling Shareholders and Their Associates — Relationship with our Controlling Shareholders and Their Associates — Puyang Tian Lun” and “Relationship with Our Controlling Shareholders and Their Associates — Deed of Non-Competition” in this Prospectus.

If the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the net proceeds of the Global Offering (assuming that the Over-allotment Option is not exercised) will increase or decrease by approximately HK\$48.7 million and HK\$49.2 million, respectively, from the mid-point of the indicative Offer Price range of HK\$1.785. In this event, we will increase or decrease the allocation of the net proceeds to the above purposes on a pro-rata basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$369.1 million, assuming an Offer Price of HK\$1.785 per Share, being the mid-point of the indicative Offer Price range. If the Offer Price is set at the high-end or low-end of the indicative Offer Price range, the net proceeds of the Global Offering (including the proceeds from the exercise of the Over-allotment Option) will increase or decrease by approximately HK\$56.0

FUTURE PLANS AND USE OF PROCEEDS

million and HK\$56.6 million, respectively, from the mid-point of the indicative Offer Price range of HK\$1.785. We intend to apply the additional net proceeds to the above uses in the proportions stated above.

To the extent that the net proceeds of the Global Offering are not immediately applied to the above purposes, it is our present intention that such net proceeds will be deposited into interest-bearing bank accounts with licensed banks and/or financial institutions.

UNDERWRITING

HONG KONG UNDERWRITERS

CCB International Capital Limited

First Shanghai Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on 26 October 2010. As described in the Hong Kong Underwriting Agreement, our Company is offering the Hong Kong Offer Shares for subscription on the terms and subject to the conditions of this Prospectus and the Application Forms at the Offer Price. Subject to the Listing Committee granting the Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this Prospectus, and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer on the terms and subject to the conditions of this Prospectus and the Application Forms.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming, and continuing to be, unconditional in accordance with its terms (other than any condition for the Hong Kong Underwriting Agreement to become unconditional) and not having been terminated.

Grounds for termination

The respective obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice in writing to our Company from the Sole Global Coordinator, at its sole and absolute discretion, for itself and on behalf of the Hong Kong Underwriters, if any of the following events occur prior to 8:00 am on the Listing Date:

- (i) there has come to the notice of the Sole Global Coordinator that:
 - (a) any statement contained in, among others, the Prospectus, the Application Forms and the formal notice, considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering, was, when it was issued, or has become, untrue, incorrect or misleading in any respect or that any forecast, expression of opinion, intention or expectation expressed in, among others, the Prospectus, the Application Forms and the formal notice, is not, in the sole and absolute opinion of the Sole Global Coordinator, in all material respects, fair and honest and based on reasonable assumptions, when taken as a whole; or
 - (b) any matter has arisen or has been discovered which would or might, had it arisen or been discovered immediately before Wednesday, 27 October 2010, constitute an omission therefrom considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or

UNDERWRITING

- (c) any of the representations and warranties given by any of the Underwriting Warrantors in the Hong Kong Underwriting Agreement or the International Underwriting Agreement is (or would when repeated be) untrue, inaccurate or misleading or having been breached in any respect and considered by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) in its sole and absolute opinion to be material in the context of the Global Offering; or
- (d) any material breach of any of the obligations or undertakings imposed upon any party (other than the Sole Global Coordinator or any of the Underwriters) to any of the Underwriting Agreements; or
- (e) any material change or prospective change (whether or not permanent) in the condition, business, assets and liabilities, properties, results of operations, in the financial or trading position or prospect of our Group as a whole; or
- (f) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted, or if granted, the approval is subsequently withdrawn, qualified or withheld; or
- (g) our Company withdraws any of the Prospectus, Application Forms and the formal notice, among others, (and/or any other documents used in connection with the contemplated subscription of the Offer Shares) or the Global Offering; or
- (h) any matter, event, act or omission which gives or is likely to give rise to any material liability of any of the Underwriting Warrantors pursuant to the indemnities given by any of the Underwriting Warrantors in the Hong Kong Underwriting Agreement; or
- (i) any person (other than the Hong Kong Underwriters) has withdrawn or sought to withdraw its consent to being named in any of the Prospectus, Application Forms and the formal notice, among others, or to the issue of any of the Prospectus, Application Forms and the formal notice, among others; or
- (ii) there shall develop, occur, exist or come into effect:
 - (a) any change or development involving a prospective change in, or any event or series of events resulting or likely to result in or representing any change or development in local, national, regional or international financial, political, military, industrial, legal, economic, currency market, fiscal or regulatory or market matters or conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a devaluation of the Renminbi against any foreign currencies) in or affecting Hong Kong, China, the Cayman Islands, the British Virgin Islands, the United States, the United Kingdom, Canada, the European Union (or any member thereof), Japan or Singapore (each a “Relevant Jurisdiction”); or
 - (b) any new law or regulation or any change or development involving a prospective change in any existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

UNDERWRITING

- (c) any event or series of events beyond the control of the Hong Kong Underwriters, including but not limited to in the nature of *force majeure* such as acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, riot, public disorder, acts of terrorism (whether or not responsibility has been claimed), acts of God, epidemic, outbreak of infectious disease (including but not limited to SARS and Influenza A (H5N1)), in or affecting any of the Relevant Jurisdictions; or
- (d) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any of the Relevant Jurisdictions; or
- (e) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the NYSE Amex Equities, the Nasdaq National Market, the London Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Tokyo Stock Exchange or any other major international stock exchange; or (B) a general moratorium or commercial banking activities in any of the Relevant Jurisdictions declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any of the Relevant Jurisdictions or any jurisdiction where the stock exchange referred to in paragraph (A) above is located; or
- (f) any change or development or event involving a prospective change in taxation or exchange controls (or the implementation of any exchange control), currency exchange rates or foreign investment regulations in any of the Relevant Jurisdictions; or
- (g) any imposition of economic or other sanctions, in whatever form, directly or indirectly, by any of the Relevant Jurisdictions; or
- (h) any change or development or event involving a prospective change in our assets, liabilities, profit, losses, performance, condition, business, financial, earnings, trading position or prospects; or
- (i) the commencement by any judicial or regulatory body or organization of any public action against a Director or an announcement by any judicial or regulatory body or organization that it intends to take any such action; or
- (j) other than with the approval of the Sole Global Coordinator, the issue or requirement to issue by our Company of a supplementary prospectus or offering document pursuant to the Companies Ordinance or the Listing Rules in circumstances where the matter to be disclosed is, in the opinion of the Sole Global Coordinator adverse to the marketing for or implementation of the Global Offering; or
- (k) a petition is presented for the winding up or liquidation of any of the companies in our Group, or any of the companies in our Group make any compromise or arrangement with our Company's or its creditors or enter into a scheme of arrangement or any resolution is passed for the winding-up of any of the companies in our Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any of the companies in our Group or anything analogous thereto occurs in respect of any of the companies in our Group; or

UNDERWRITING

- (l) a valid demand by any creditor for repayment or payment of any of the companies in our Group's indebtedness or in respect of which our Group are liable prior to its stated maturity, or any loss or damage sustained any of the companies in our Group (howsoever caused and whether or not the subject of any insurance or claim against any person); or
- (m) any litigation or claim being threatened or instigated against any of the companies in our Group or the Controlling Shareholders, or
- (n) any contravention by any of the companies in our Group of the Companies Ordinance or the Listing Rules; or
- (o) a prohibition on our Company for whatever reason from allotting or selling the Offer Shares (including the additional Shares that may be allotted and issued by our Company upon the exercise of the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (p) non-compliance of the Prospectus (or any other documents used in connection with the contemplated subscription and sale of the Offer Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable Laws; or
- (q) the materialization of any of the risks set out in the section headed "Risk Factors" to the Prospectus; or
- (r) any of our Director being charged with an indictable offense or prohibited by operation of Laws or otherwise disqualified from taking part in the management of a company; or
- (s) the chairman or any of the chief executives of our Company vacating his or her office,

and which, in any of the above cases and in the sole opinion of Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters):

- (a) is or may or will be or is likely to be materially adverse to, or prejudicially affect, the business or financial or trading position or prospects of our Company or its subsidiaries as a whole; or
- (b) has or may have or will have or is likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable or inadvisable for any part of this Agreement, the Hong Kong Public Offer or the Global Offering to be performed or implemented as envisaged; or
- (c) makes or may make or will or is likely to make it inadvisable or inexpedient to proceed with the Hong Kong Public Offer and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by the Prospectus.

UNDERWRITING

Undertakings to the Stock Exchange Pursuant to the Listing Rules

Undertakings by our Company

Pursuant to Rule 10.08 of the Listing Rules, except pursuant to the Global Offering or any issue of shares or securities in compliance with Rules 10.08 (1) to (4) of the Listing Rules, our Company will not, at any time within six months from the Listing Date, issue any shares or other securities convertible into equity securities of our Company or enter into any agreement or arrangement to issue such shares or securities (whether or not such issue of shares or securities will be completed within six months from the Listing Date), except pursuant to the Capitalization Issue, the Global Offering (including the exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme) or for the circumstances prescribed by Rule 10.08 of the Listing Rules.

Undertakings by the Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to, among others, our Company and the Stock Exchange, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), that he or it will not, and shall procure that any other registered holder(s) (if any) will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with applicable requirements of the Listing Rules:

- (i) in the period of six months commencing on the Listing Date (the “**First Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he or it is shown by this Prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the “**Parent Shares**”); or
- (ii) during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Parent Shares to such an extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he or it would cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Furthermore, pursuant to Note (3) to Rule 10.07(2) of the Listing Rules, each of our Controlling Shareholders has undertaken to, among others, our Company and the Stock Exchange that, during the First Six-month Period and the Second Six-month Period, he or it will:

- (i) if he or it pledges or charges any of our securities beneficially owned by him or it in favor of an authorized institution (as defined in the Banking Ordinance, Chapter 155 of the Laws of Hong Kong) for a bona fide commercial loan, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) if he or it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities will be disposed of, immediately inform our Company of such indications.

UNDERWRITING

We will also inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters in accordance with the publication requirements under Rule 2.07C of the Listing Rules as soon as possible after being so informed.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

Undertakings by our Company

Pursuant to the Hong Kong Underwriting Agreement, our Company has undertaken to each of the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor, the Sole Lead Manager and the Hong Kong Underwriters (and is expected to undertake to the International Underwriters), and the Controlling Shareholders have agreed to procure (and are expected to agree with the International Underwriters to procure) that, except pursuant to the Capitalization Issue, the Global Offering (including pursuant to the exercise of the Over-allotment Option, and the options which may be granted under the Share Option Scheme), at any time after the date of the Hong Kong Underwriting Agreement and until the expiry of First Six-month Period, our Company will not, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) offer, accept subscription for, pledge, issue, sell, lend, mortgage, assign, charge, contract to issue or sell, sell any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any such share capital or other securities of our Company or any interest therein (including, but not limited to, any securities that are convertible into or exchangeable for, or that represent the right to receive any such capital or securities or any interest therein) or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such share capital or securities or any interest therein or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) above,

whether any such transaction described in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities, in cash or otherwise.

UNDERWRITING

Undertakings by our Controlling Shareholders and other existing Shareholders

Each of the Underwriting Shareholder Warrantors, including our Controlling Shareholders, has undertaken to each of our Company, the Sole Global Coordinator, the Hong Kong Underwriters (and is expected to undertake to the International Underwriters), that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules, during the First Six-month Period, it will not, and will procure that the relevant registered holder(s) and its associates and companies controlled by it and any nominee or trustee holding in trust for it shall not:

- (i) offer, pledge, charge (other than any pledge or charge of our Company's issued share capital after the Global Offering in favor of an authorized institution as defined in the Banking Ordinance (Cap.155 of the Laws of Hong Kong) for a *bona fide* commercial loan), sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any Shares in respect of which he or it is shown in this Prospectus to be the beneficial owner (as defined in Rule 10.07(2) of the Listing Rules) (the "Relevant Securities") or any interest therein (including, but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution; or
- (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any of the Relevant Securities or any interest therein or any of the rights attaching to any of the Relevant Securities, including but not limited to rights as to voting, dividend or distribution; or
- (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or
- (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i), (ii) or (iii) above, whether any such transaction is to be settled by delivery of the Relevant Securities, in cash or otherwise.

Each of our Controlling Shareholders has undertaken to each of our Company, the Sole Global Coordinator, the Hong Kong Underwriters (and is expected to undertake to the International Underwriters), that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (i) in the period of six months immediately after the expiry of the First Six-month Period ("Second Six-month Period"), it will not enter into any of the transactions in (i), (ii) or (iii) above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transfer or disposal, our Controlling Shareholders will cease to be Controlling Shareholders of our Company; and
- (ii) until the expiry of the Second Six-month Period, in the event that it enters into any such transactions or agrees or contracts to, or publicly announces an intention to enter into any such transactions, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

UNDERWRITING

Each of our Controlling Shareholders has further undertaken to each of our Company, the Sole Global Coordinator, and the Hong Kong Underwriters that until the expiry of the Second Six-month Period, it will:

- (i) when it pledges or charges any securities or interests or any of the rights attaching to any such share capital, including but not limited to rights as to voting, dividend or distribution in the securities of our Company, immediately inform our Company and the Sole Global Coordinator in writing of such pledge or charge together with the number of securities and nature of interest so pledged or charged; and
- (ii) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities or interests in or rights attaching to the securities of our Company will be sold, transferred or disposed of, immediately inform our Company and the Sole Global Coordinator in writing of such indications.

The International Placing

In connection with the International Placing, it is expected that we will enter into the International Underwriting Agreement with the Sole Global Coordinator and the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions set out in the International Underwriting Agreement, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares.

Our Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Sole Global Coordinator on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 1 December 2010, being the 30th day from the last day for lodging applications under the Hong Kong Public Offer, to require our Company to allot and issue, up to an aggregate of 29,925,000 additional Shares, together representing 15% of the Initial Offer Shares, at the Offer Price, among other things, to cover over-allocations in the International Placing, if any.

Commission and expenses

Under the terms and conditions of the Underwriting Agreements, the Underwriters will receive an underwriting commission on the aggregate Offer Price payable for the Offer Shares offered under the Global Offering, out of which they will pay any sub-underwriting commission. Such underwriting commission will be determined based on our forecast of the consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 as follows:

- (i) if the final Offer Price is 15 to less than 18 multiples of the price/earning ratio, underwriting commission will be payable the rate of 3.5%; or
- (ii) if the final Offer Price is 18 to less than 20 multiples of the price/earning ratio, underwriting commission will be payable the rate of 4.0%; or
- (iii) if the final Offer Price is 20 multiples or above of the price/earning ratio, underwriting commission will be payable the rate of 4.5%.

UNDERWRITING

Assuming the Over-allotment Option is not exercised at all and based on an Offer Price of HK\$1.785 per Share (being the mid-point of the indicative Offer Price range of HK\$1.52 to HK\$2.05 per Share), the aggregate commissions and fees, together with the Stock Exchange listing fees, the SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees and printing and other expenses relating to the Global Offering to be borne by our Company is estimated to amount to an aggregate of approximately HK\$39.4 million.

Indemnity

We have agreed to indemnify the Underwriters for certain losses which they may suffer, including losses incurred arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' interests in our Company

Save for their respective obligations under the Hong Kong Underwriting Agreement or as otherwise disclosed in this Prospectus, and, if applicable, under the Stock Borrowing Agreement, none of the Underwriters is interested legally or beneficially in any shares of any of our members or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any of our members in the Global Offering.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Sole Sponsor's independence

CCBI International Capital Limited satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules.

RESTRICTIONS ON THE OFFER SHARES

No action has been taken to permit a public offering of the Offer Shares other than in Hong Kong, or the distribution of this Prospectus in any jurisdiction other than Hong Kong. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an invitation or offer to acquire, purchase or subscribe for the Shares in any jurisdiction or in any circumstances in which such an invitation or offer to acquire, purchase or subscribe for the Shares is not authorized or to any person to whom it is unlawful to make such an invitation or offer to acquire, purchase or subscribe for the Shares.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This Prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. CCBI is the Sole Global Coordinator, Sole Bookrunner, Sole Sponsor and Sole Lead Manager of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offer of 19,950,000 Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offer”; and
- (ii) the International Placing of an aggregate of 179,550,000 Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in other jurisdictions outside the United States.

Up to 29,925,000 Shares may be offered pursuant to the exercise of the Over-allotment Option constituting 15% of the maximum number of Shares that may issued under the Over-allotment Option.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for Shares under the International Placing, but may not do both.

The Offer Shares will represent approximately 25.0% of the enlarged issued share capital of the Company immediately after the completion of the Global Offering, without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 27.7% of the enlarged issued share capital immediately after the completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph headed “Over-allotment Option” below.

References in this Prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offer.

THE HONG KONG PUBLIC OFFER

Number of Shares Initially Offered

We are initially offering 19,950,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Placing and the Hong Kong Public Offer, the Hong Kong Offer Shares will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offer is subject to the conditions as set out in the paragraph headed “Conditions of the Hong Kong Public Offer” below.

STRUCTURE OF THE GLOBAL OFFERING

Allocation

Allocation of Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allotment may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Offer Shares available under the Hong Kong Public Offer (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: pool A and pool B. The Offer Shares in pool A will consist of 9,975,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable) or less. The Offer Shares in pool B will consist of 9,975,000 Offer Shares and will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable). Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. Multiple or suspected multiple applications and any application for more than 9,975,000 Offer Shares, being the number of Offer Shares initially allocated to each pool, are to be rejected.

Reallocation

The allocation of the Offer Shares between the Hong Kong Public Offer and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for under the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more of the number of Offer Shares initially available under the Hong Kong Public Offer, then Offer Shares will be reallocated to the Hong Kong Public Offer from the International Placing. As a result of such reallocation, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 59,850,000 Offer Shares (in the case of (i)), 79,800,000 Offer Shares (in the case of (ii)) and 99,750,000 Offer Shares (in the case of (iii)), representing approximately 30%, 40% and 50% of the Offer Shares initially available under the Global Offering, respectively (before any exercise of the Over-allotment Option). In each case, the additional Offer Shares reallocated to the Hong Kong Public Offer will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Placing will be correspondingly reduced in such manner as the Sole Global Coordinator deem appropriate. In addition, the Sole Global Coordinator may reallocate Offer Shares from the International Placing to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed for, the Sole Global Coordinator have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deem appropriate.

STRUCTURE OF THE GLOBAL OFFERING

Applications

Each applicant under the Hong Kong Public Offer will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated Offer Shares under the International Placing.

The Listing of the Offer Shares on the Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum price of HK\$2.05 per Offer Share in addition to the brokerage, the SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and allocation" below, is less than the maximum price of HK\$2.05 per Offer Share, appropriate refund payments (including the brokerage, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this Prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares Offered

The International Placing will consist of an initial offering of 179,550,000 Shares and representing 90% of the total number of Offer Shares initially available under the Global Offering.

Allocation

The International Placing will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and allocation" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the Listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Placing and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offer.

STRUCTURE OF THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the International Underwriters have the right, exercisable by the Sole Global Coordinator (on behalf of the International Underwriters) at any time from the date of the International Underwriting Agreement until 30 days after the last day for lodging applications under the Hong Kong Public Offer, to require our Company to allot and issue up to an aggregate of 29,925,000 additional Offer Shares, representing 15% of the initial Offer Shares, at the Offer Price under the International Placing, to solely cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional International Placing Shares will represent approximately 3.61% of our enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the Underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the initial public market price of the securities below the Offer Price. Such transactions may be effected in all jurisdictions where it is permissible to do so, in each case in compliance with all applicable laws and regulatory requirements, including those of Hong Kong. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of our Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Any market purchases of Shares will be effected in compliance with all applicable laws and regulatory requirements. However, the Stabilizing Manager has been or will be appointed as stabilizing manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules, as amended, under the SFO and hence, there is no obligation on the Stabilizing Manager, its affiliates or any persons acting for it, to conduct any such stabilizing action. Such stabilizing action, if commenced, will be conducted at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for lodging applications under the Hong Kong Public Offer.

Stabilization action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilizing) Rules, as amended, includes: (i) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares; (ii) selling or agreeing to sell our Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of our Shares; (iii) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (i) or (ii) above; (iv) purchasing, or agreeing to purchase, any of our Shares for the sole purpose of preventing or minimizing any reduction in the market price of our Shares; (v) selling or agreeing to sell any Shares in order to liquidate any position established as a result of those purchases; and (vi) offering or attempting to do anything as described in (ii), (iii), (iv) or (v) above.

STRUCTURE OF THE GLOBAL OFFERING

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in our Shares;
- there is no certainty as to the extent to which and the time or period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position;
- liquidation of any such long position by the Stabilizing Manager, its affiliates or any person acting for it and selling in the open market, may have an adverse impact on the market price of our Shares;
- no stabilizing action can be taken to support the price of our Shares for longer than the stabilization period which will begin on the Listing Date, and is expected to expire on Wednesday, 1 December 2010, being the 30th day after the last date for lodging applications under the Hong Kong Public Offer. After this date, when no further stabilizing action may be taken, demand for our Shares, and therefore the price of our Shares, could fall;
- the price of our Shares cannot be assured to stay at or above the Offer Price by the taking of any stabilizing action; and
- stabilizing bids or transactions effected in the course of the stabilizing action may be made at any price at or below the Offer Price and can, therefore, be done at a price below the price paid by applicants for, or investors in, acquiring the Offer Shares.

Our Company will ensure or procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilization period.

Over-allocation

Following any over-allocation of Shares in connection with the Global Offering, the Stabilizing Manager or its affiliates or any person acting for it may over-allocate up to and not more than an aggregate of 29,925,000 additional Shares, which is 15% of the Shares initially available under the Global Offering, and cover such over-allocations by (among other methods) exercising the Over-allotment Option in full or in part or by using Shares purchased by the Stabilizing Manager, its affiliates or any person acting for it in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangement (as detailed below) or a combination of these means.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allotments in connection with the Global Offering, the Stabilizing Manager or any of its affiliates or any person acting for it may choose to borrow up to 29,925,000 Shares (being the maximum number of Shares which may be issued upon exercise of the Over-allotment Option) from Tian Lun Group pursuant to the Stock Borrowing Agreement expected to be entered into between the Stabilizing Manager or its affiliates or any person acting for it and Tian Lun Group on or about the Price Determination Date, or acquire Shares from other sources, including exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

If such stock borrowing arrangement with Tian Lun Group is entered into, it will only be effected by the Stabilizing Manager or any of its affiliates or any person acting for it for settlement of over-allocation in the International Placing and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Listing Rules are to be complied with as follows:

- (i) such stock borrowing arrangement with Tian Lun Group will only be effected by the Stabilizing Manager for settlement of over-allocations in the International Placing and covering any short position prior to the exercise of the Over-allotment Option;
- (ii) the maximum number of Shares borrowed from Tian Lun Group under the Stock Borrowing Agreement will be limited to the maximum number of Shares which may be issued upon exercise of the Over-allotment Option;
- (iii) the same number of Shares so borrowed must be returned to Tian Lun Group or its nominees, as the case may be, on or before 5:00 p.m. on the third Business Day following the earlier of:
 - (a) the last day for exercising the Over-allotment Option; or
 - (b) the day on which the Over-allotment Option is exercised in full;
- (iv) the stock borrowing arrangement under the Stock Borrowing Agreement will be effected in compliance with all applicable laws, the Listing Rules and regulatory requirements; and
- (v) no payment will be made to Tian Lun Group by the Stabilizing Manager or its affiliates or any person acting for it in relation to such stock borrowing arrangement.

PRICING AND ALLOCATION

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Placing. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building”, is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offer.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on Tuesday, 2 November 2010 and in any event on or before Monday, 8 November 2010, by agreement between the Sole Global Coordinator, on behalf of the Underwriters, our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

The Offer Price per Offer Share under the Hong Kong Public Offer will be identical to the Offer Price per Offer Share under the International Placing based on the Hong Kong dollar price per Offer Share under the International Placing, as determined by the Sole Global Coordinator, on behalf of the Underwriters, and our Company. The Offer Price per Offer Share under the Hong Kong Public Offer will be fixed at the Hong Kong dollar amount which, when increased by the 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee payable thereon, is (subject to any necessary rounding) effectively equivalent to the Hong Kong dollar price per Offer Share under the International Placing. The SFC transaction levy and the Stock Exchange trading fee otherwise payable by investors in the International Placing on Offer Shares purchased by them will be paid by us.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will not be more than HK\$2.05 per Offer Share and is expected to be not less than HK\$1.52 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this Prospectus.

The Sole Global Coordinator, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this Prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offer, cause there to be published in The Standard (in English) and the Hong Kong Economic Times (in Chinese) notices of the reduction. Upon issue of such a notice, the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the profit forecast for the year ending 31 December 2010 and the Global Offering statistics as currently set out in this Prospectus, and any other financial information which may change as a result of any such reduction. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the indicative Offer Price range as stated in this Prospectus.

In the event of a reduction in the number of Offer Shares, the Sole Global Coordinator may, at its discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offer and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offer shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offer and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Sole Global Coordinator.

Allocation of the Offer Shares pursuant to the International Placing will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell Shares after the Listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional, institutional and corporate investors and is intended to result in a distribution of our Shares on a basis which would lead to the establishment of a solid Shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Shares to investors under the Hong Kong Public Offer will be based on the level of valid applications received under the Hong Kong Public Offer. The basis of allotment may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same

STRUCTURE OF THE GLOBAL OFFERING

number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The net proceeds from the Global Offering accruing to us (after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised), are estimated to be approximately HK\$268.6 million, assuming an Offer Price of HK\$1.52 per Offer Share, or approximately HK\$366.6 million, assuming an Offer Price per Share of HK\$2.05 (or if the Over-allotment Option is exercised in full, approximately HK\$312.5 million, assuming an Offer Price per Share of HK\$1.52, or approximately HK\$425.2 million, assuming an Offer Price per Share of HK\$2.05).

The final Offer Price, the level of indications of interest in the Global Offering and the basis of allotment of Offer Shares available under the Hong Kong Public Offer and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offer are expected to be made available in a variety of channels in the manner described in the section headed “How to Apply for Hong Kong Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies” to this Prospectus from Tuesday, 9 November 2010.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Sole Global Coordinator, on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on or about the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting” in this Prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offer will be conditional on:

- (i) the Listing Committee granting approval for the listing of, and permission to deal in, our Shares in issue (including the Shares that may be allocated pursuant to the exercise of the Over-allotment Option and Shares that may be issued upon exercise of options issued under our Share Option Scheme) and our Shares being offered pursuant to the Global Offering (subject only to allotment);
- (ii) the Offer Price being duly determined;
- (iii) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and
- (iv) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional (including, if relevant, as a result of the waiver of any condition by the Sole Global Coordinator for and on behalf of the Underwriters) and not having been terminated in accordance with the terms of the respective agreements, in each case on or before the dates and times specified in the Hong

STRUCTURE OF THE GLOBAL OFFERING

Kong Underwriting Agreement or the International Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Wednesday, 10 November 2010.

If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Monday, 8 November 2010, the Global Offering will not proceed and will lapse.

The consummation of each of the Hong Kong Public Offer and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offer will be published by our Company in The Standard (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies” in this Prospectus. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on Wednesday, 10 November 2010 provided that: (i) the Global Offering has become unconditional in all respects; and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offer — Grounds for termination” in this Prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or prior to the Share certificates bearing valid certificates of title do so entirely at their own risk.

THE SHARES WILL BE ELIGIBLE FOR CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Offer Shares and the Company complies with the stock admission requirements of HKSCC, the Offer Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Offer Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made to enable the Offer Shares to be admitted into CCASS.

DEALING

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Wednesday, 10 November 2010, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:30 a.m. on Wednesday, 10 November 2010.

HOW TO APPLY FOR HONG KONG OFFER SHARES

CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are three channels to make an application for the Hong Kong Offer Shares. You may apply for the Hong Kong Offer Shares by: (i) using a **WHITE** or **YELLOW** Application Form; (ii) applying online through the designated website of the **White Form eIPO** Service Provider (referred in this Prospectus as the “**White Form eIPO service**”); or (iii) giving **electronic application instructions** to HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

WHO CAN APPLY FOR HONG KONG OFFER SHARES

You can apply for the Hong Kong Offer Shares available for subscription by the public on a **WHITE** or **YELLOW** Application Form if you or any person(s) for whose benefit you are applying, are an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are not a US person (as defined in Regulation S);
- are outside the United States and will be acquiring the Hong Kong Offer Shares in an offshore transaction (as defined in Regulation S); and
- are not a legal or natural person of the PRC (except qualified domestic institutional investors).

If you wish to apply for Hong Kong Offer Shares online through the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number, and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of **White Form eIPO**.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the application form must be signed by a duly authorized officer, who must state his or her representative capacity.

If an application is made by a person duly authorized under a valid power of attorney, the Sole Global Coordinator (or their respective agents or nominees) may accept the application at their discretion, and subject to any conditions they think fit, including production of evidence of the authority of the attorney.

The number of joint applicants may not exceed four.

We, the Sole Global Coordinator or the designated **White Form eIPO** Service Provider (or our or their respective agents where applicable) have full discretion to reject or accept any application, in full or in part, without assigning any reason.

HOW TO APPLY FOR HONG KONG OFFER SHARES

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares, or directors or chief executives of our Company or any of its subsidiaries, or their respective associates (as defined in the Listing Rules) or any other connected persons (as defined in the Listing Rules) of our Company or its subsidiaries.

You may apply for the Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest for International Placing Shares under the International Placing, but may not do both.

APPLYING BY USING AN APPLICATION FORM

Which Application Channel to Use

Use a **WHITE** Application Form if you want the Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the Hong Kong Offer Shares issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 27 October 2010 until 12:00 noon on Monday, 1 November 2010 from:

(1) any of the following addresses of the Hong Kong Underwriters:

CCB International Capital Limited	34th Floor, Two Pacific Place, 88 Queensway, Admiralty, Hong Kong
First Shanghai Securities Limited	19th Floor, Wing On House, 71 Des Voeux Road, Central, Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(2) any of the following branches of Standard Chartered Bank (Hong Kong) Limited:

Hong Kong Islands	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
	North Point Centre Branch	North Point Centre, 284 King's Road, North Point
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
Kowloon	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Tsimshatsui Branch	G/F, 10 Granville Road, Tsimshatsui
	San Po Kong Branch	Shop A, G/F, Perfect Industrial Building, 31 Tai Yau Street, San Po Kong
	Cheung Sha Wan Branch	828 Cheung Sha Wan Road, Cheung Sha Wan
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Metroplaza Branch	Shop No. 175-176, Level 1, Metroplaza, 223 Hing Fong Road, Kwai Chung
	Tai Po Branch	23 & 25 Kwong Fuk Road, Tai Po Market, Tai Po
	New Town Plaza Branch	Shop 215 to 223, Phase 1, New Town Plaza, Shatin
	Tseung Kwan O Branch Shop	G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O
	Yuen Long Branch	140, Yuen Long Main Road, Yuen Long

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a **YELLOW** Application Form and a Prospectus during normal business hours from 9:00 a.m. on Wednesday, 27 October 2010 until 12:00 noon on Monday, 1 November 2010 from:

- (i) the Depository Counter of HKSCC at 2nd Floor, Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or
- (ii) your stockbroker, who may have such Application Forms and this prospectus available.

HOW TO COMPLETE THE APPLICATION FORMS

There are detailed instructions on each Application Form. You should read these instructions carefully. If you do not follow the instructions your application is liable to be rejected and returned by ordinary post together with the accompanying cheque or banker's cashier order to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

You should note that by completing and submitting the Application Forms, among other things, you:

- (i) **agree** with our Company and each of our Shareholders and our Company agree with each of our Shareholders, to observe and comply with the Cayman Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- (ii) **agree** with our Company and each of our Shareholders that our Shares are freely transferable by the holders thereof;
- (iii) **authorize** our Company to enter into a contract on your behalf with each of our Directors and officers of our Company whereby each of such Directors and officers undertakes to observe and comply with his obligations to shareholders as stipulated in the Articles of Association;
- (iv) **confirm** that you have only relied on the information and representations in this Prospectus in making your application and will not rely on any other information and representations save as set out in any supplement to this Prospectus;
- (v) **agree** that our Company, our Directors, the Sole Global Coordinator, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this Prospectus and any supplement thereto;
- (vi) **undertake and confirm** that, you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Placing;
- (vii) **agree** to disclose to our Company and/or our Hong Kong Share Registrar, receiving bank, Sole Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made the application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

In order for the **YELLOW** Application Forms to be valid:

- (i) if the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):
 - (a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box.
- (ii) if the application is made by an individual CCASS Investor Participant:
 - (a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong Identity Card number; and
 - (b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.
- (iii) if the application is made by a joint individual CCASS Investor Participant:
 - (a) the Application Form must contain all joint CCASS Investor Participants' names and the Hong Kong Identity Card numbers; and
 - (b) the participant I.D. must be inserted in the appropriate box in the Application Form.
- (iv) if the application is made by a corporate CCASS Investor Participant:
 - (a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong Business Registration number; and
 - (b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application form in the box marked "For nominees" account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If your application is made through a duly authorized attorney, our Company and the Sole Global Coordinator as our agent may accept it at our and the Sole Global Coordinators' discretion, and subject to any conditions our Company and the Sole Global Coordinator think fit, including evidence of the authority of your attorney. Our Company and the Sole Global Coordinator, in their capacity as our agent, will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

APPLYING THROUGH WHITE FORM eIPO

General

- (i) You may apply through **White Form eIPO** by submitting an application through the designated website at www.eipo.com.hk if you satisfy the relevant eligibility criteria for this as set out in "Who can apply for Hong Kong Offer Shares" above and on the same website. If you apply through **White Form eIPO**, the Shares will be issued in your own name.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at www.eipo.com.hk. You should read these instructions carefully. If you do not follow the instructions, your application may be rejected by the designated **White Form eIPO** Service Provider and may not be submitted to our Company.
- (iii) If you give **electronic application instructions** through the designated website at www.eipo.com.hk, you will have authorized the designated **White Form eIPO** Service Provider to apply on the terms and conditions set out in this Prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.
- (iv) In addition to the terms and conditions set out in this Prospectus, the designated **White Form eIPO** Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at www.eipo.com.hk. You will be required to read, understand and agree to such terms and conditions in full before making any application.
- (v) By submitting an application to the designated **White Form eIPO** Service Provider through the **White Form eIPO** service, you are deemed to have authorized the designated **White Form eIPO** Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.
- (vi) You may submit an application through the **White Form eIPO** service in respect of a minimum of 1,500 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 1,500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at www.eipo.com.hk.
- (vii) You should give **electronic application instructions** through **White Form eIPO** at the times set out in the paragraph headed “When May Applications be Made” below.
- (viii) You should make payment for your application made by **White Form eIPO** service in accordance with the methods and instructions set out in the designated website at www.eipo.com.hk. **If you do not make complete payment of the application monies (including any related fees) on or before 12:00 noon on Monday, 1 November 2010, or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” below, the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**
- (ix) Once you have completed payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular application reference number will not constitute an actual application.
- (x) **WARNING:** The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated **White Form eIPO** Service Provider to public investors. **Our Company, our Directors, the Sole Global Coordinator and the**

HOW TO APPLY FOR HONG KONG OFFER SHARES

Underwriters take no responsibility for such applications, and provide no assurance that applications through the White Form eIPO service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “China Tian Lun Gas Holdings Limited” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang—Hong Kong Forest” project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the White Form eIPO service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your electronic application instructions. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form.

Conditions of the White Form eIPO Service

In using the **White Form eIPO** service to apply for the Hong Kong Offer Shares, the applicant shall be deemed to have accepted the following conditions:

That the applicant:

- **applies** for the desired number of Hong Kong Offer Shares on the terms and conditions of this Prospectus and **White Form eIPO** designated website at www.eipo.com.hk subject to the Articles of Association;
- **undertakes** and agrees to accept the Hong Kong Offer Shares applied for, or any lesser number allotted to the applicant on such application;
- **declares** that this is the only application made and the only application intended by the applicant to be made whether on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider under the **White Form eIPO** service, to benefit the applicant or the person for whose benefit the applicant is applying;
- **undertakes and confirms** that the applicant and the person for whose benefit the applicant are applying have not applied for or taken up, or indicated an interest for, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing, nor otherwise participate in the International Placing;
- **understands** that this declaration and representation will be relied upon by our Company in deciding whether or not to make any allocation of Hong Kong Offer Shares in response to such application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **authorizes** us to place the applicant's name on the register of members of our Company as the holder of any Hong Kong Offer Shares to be allotted to the applicant, and (subject to the terms and conditions set out in this Prospectus) to send any share certificates by ordinary post at the applicant's own risk to the address given on the **White Form eIPO** except where the applicant has applied for 1,000,000 or more Hong Kong Offer Shares and that applicant collects any share certificate(s) in person in accordance with the procedures prescribed in the **White Form eIPO** designated website at www.eipo.com.hk and this Prospectus;
- **request** that e-Refund payment instructions (if any) will be dispatched to application payment account, if the applicant paid the application monies from a single bank account;
- **request** that refund cheque (if any) will be dispatched to the address specified in application instructions to the designated **White Form eIPO** Service Provider by ordinary post and at applicant's own risk, if the applicant used multi-bank accounts to pay the application monies;
- **have read** the terms and conditions and application procedures set out on in the **White Form eIPO** designated website at www.eipo.com.hk and this Prospectus and agree to be bound by them;
- **represents, warrants and undertakes** that the applicant, and any persons for whose benefit the applicant are applying are non-US person(s) outside the United States (as defined in Regulation S), when completing and submitting this application or is a person described in paragraph (h)(3) of Rule 902 of Regulation S or the allocation of or application for the Hong Kong Offer Shares to or by whom or for whose benefit this application is made would not require our Company to comply with any requirements under any law or regulation (whether or not having the force of law) of any territory outside of Hong Kong; and
- **agrees** that such application, any acceptance of it and the resulting contract, will be governed by and construed in accordance with the laws of Hong Kong.

Supplemental Information

If any supplement to this Prospectus is issued, applicant(s) who have already submitted **electronic application instructions** through the **White Form eIPO** service may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications through the **White Form eIPO** service that have been submitted remain valid and may be accepted. Subject to the above and below, an application once made through the **White Form eIPO** service is irrevocable and applicants shall be deemed to have applied on the basis of this Prospectus as supplemented.

Effect of Completing and Submitting an Application through the White Form eIPO Service

By completing and submitting an application through the **White Form eIPO** service, you for yourself or as agent or nominee and on behalf of any person for whom you act as agent or nominee shall be deemed to:

- **instruct and authorize** our Company and/or the Sole Global Coordinator as our agent (or our respective agents or nominees) to do on your behalf all things necessary to register any Hong Kong Offer Shares allotted to you in your name as required by the Articles of

HOW TO APPLY FOR HONG KONG OFFER SHARES

Association and otherwise to give effect to the arrangements described in this Prospectus and the **White Form eIPO** designated website at www.eipo.com.hk;

- **confirm** that you have only relied on the information and representations in this Prospectus in making your application and will not rely on any other information and representations except as set out in any supplement to this Prospectus;
- **agree** that our Company and our Directors, are liable only for the information and representations contained in this Prospectus and any supplement thereto;
- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (if the application is made for your own benefit) warrant that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service;
- (if you are an agent for another person) **warrant** reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via the **White Form eIPO** service, and that you are duly authorized to submit the application as that other person's agent;
- **undertake and confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made this application have not applied for or taken up, or indicated an interest for, and will not apply for, take up or indicate an interest for, any Offer Shares under the International Placing;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **agree** to disclose to our Company, and/or our Hong Kong Share Registrar, receiving bank, Sole Global Coordinator and their respective advisers and agents personal data and any information which they require about you or the person(s) for whose benefit you have made this application;
- **agree** with our Company and each of our Shareholders, and our Company agrees with each of our Shareholders, to observe and comply with the Cayman Companies Law, the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- **agree** with our Company and each of our Shareholder that the Shares are freely transferable by the holders thereof;
- **authorize** our Company to enter into a contract on your behalf with each of our Directors and officers of our Company whereby each of such Directors and officers undertakes to observe and comply with his or her obligations to our Shareholders as stipulated in the Memorandum of Association and Articles of Association;
- **represent, warrant and undertake** that you are not, and none of the other person(s) for whose benefit you are applying is, a US person (as defined in Regulation S) when completing the application;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- **represent and warrant** that you understand that the Shares have not been and will not be registered under the US Securities Act and you are outside of the United States (as defined in Regulation S) when completing the application or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- **confirm** that you have read the terms and conditions and application procedures set out in this Prospectus, the **White Form eIPO** designated website at www.eipo.com.hk and the **White Form eIPO** website and agree to be bound by them;
- **undertake and agree** to accept the Shares applied for, or any lesser number allocated to you under your application; and
- if the laws of any place outside of Hong Kong are applicable to your application, **agree and warrant** that you have complied with all such laws and none of the Company, the Sole Global Coordinator and the Hong Kong Underwriters nor any of their respective officers or advisers will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus, and the **White Form eIPO** designated website at www.eipo.com.hk.

Our Company, the Sole Global Coordinator, the Underwriters and their respective directors, officers, employees, partners, agents, advisers, and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in such application.

Power of Attorney

If your application is made by a duly authorized attorney, our Company or the Sole Global Coordinator, as its agents, may accept it at their discretion and subject to any conditions as any of them may think fit, including evidence of the authority of your attorney.

Additional Information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through **White Form eIPO** service to the **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated **White Form eIPO** Service Provider, the designated **White Form eIPO** Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated **White Form eIPO** Service Provider on the designated website at www.eipo.com.hk.

Otherwise, any monies payable to you due to a refund for any of the reasons set out in the paragraph headed “How to Apply for Hong Kong Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies”.

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of

HOW TO APPLY FOR HONG KONG OFFER SHARES

refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling **2979 7888** or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
2nd Floor Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Share Registrar.

GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC TO APPLY FOR HONG KONG OFFER SHARES BY HKSCC NOMINEES ON YOUR BEHALF

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

- (i) HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees does the following things on behalf of each such person:
 - **agrees** that the Hong Kong Offer Shares to be allocated shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;
 - **undertakes and agrees** to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;
 - **undertakes and confirms** that that person has not applied for or taken up any Offer Shares under the International Placing nor otherwise participated in the International Placing;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (if the **electronic application instructions** are given for that person's own benefit) declares that only one set of **electronic application instructions** has been given for that person's benefit;
- (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorized to give those instructions as that other person's agent;
- **understands** that the above declaration will be relied upon by our Company, our Directors and the Sole Global Coordinator in deciding whether or not to make any allocation of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;
- **authorizes** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allocated in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund monies in accordance with the arrangements separately agreed between our Company and HKSCC;
- **confirms** that that person has read the terms and conditions and application procedures set out in this Prospectus and agrees to be bound by them;
- **confirms** that that person has only relied on the information and representations in this Prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf;
- **agrees** that our Company, our Directors, the Sole Global Coordinator, the Underwriters, their respective directors, and any other parties involved in Global Offering are liable only for the information and representations contained in this Prospectus;
- **agrees** to disclose that person's personal data to our Company, the Sole Global Coordinator and/or their respective agents any information which they may require about that person;
- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees has been accepted, the application cannot be rescinded for innocent misrepresentation;
- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to the **electronic application instructions** given by that person is irrevocable before Friday, 26 November 2010, such agreement to take effect as a collateral contract with the Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Friday, 26 November 2010, except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before Friday, 26 November 2010, if a person responsible for this Prospectus under section

HOW TO APPLY FOR HONG KONG OFFER SHARES

40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- **agrees** that once the application of HKSCC Nominees is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;
- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares;
- **agrees** with our Company, for itself and for the benefit of each of our Shareholders (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for our Company and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Memorandum of Association and the Articles of Association;
- **agrees** with our Company (for itself and for the benefit of each of our Shareholders) that Shares in our Company are freely transferable by the holders thereof;
- **authorizes** our Company to enter into a contract on your behalf with each of our Directors and officers of our Company whereby each of such Directors and officers undertakes to observe and comply with their obligations to our Shareholders stipulated in the Articles of Association; and
- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong.

EFFECT OF GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed and authorized** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for Hong Kong Offer Shares on your behalf;
- **instructed and authorized** HKSCC to arrange payment of the maximum offer price, brokerage, SFC transaction levy, and Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the offer price per Share initially paid on application, refund of the application monies, in each case including brokerage, SFC transaction levy, and Stock Exchange trading fee by crediting your designated bank account; and
- **instructed and authorized** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 1,500 Hong Kong Offer Shares. Such instructions in respect of more than 1,500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instructions is given will be treated as an applicant.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this Prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

PERSONAL DATA

The section of the Application Form entitled “Personal Data” applies to any personal data held by our Company and our Hong Kong Share Registrar about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

WARNING

The subscription for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Our Company, our Directors, the Sole Global Coordinator and the Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allocated any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input of their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC’s Customer Service Center to complete an input request form for **electronic application instructions** before 12:00 noon on Monday, 1 November 2010.

HOW TO APPLY FOR HONG KONG OFFER SHARES

WHEN MAY APPLICATIONS BE MADE

Applications on WHITE or YELLOW Application Forms

Completed **WHITE** or **YELLOW** Application Forms, together with payment attached, must be lodged by 12:00 noon on Monday, 1 November 2010, or, if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below. Cheque(s) or banker’s cashier order(s) should be crossed “Account Payee Only” and made payable to “Horsford Nominees Limited — China Tian Lun Gas Public Offer”.

Your completed Application Form, together with payment attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited, listed under the sub-paragraph headed “Applying by using an Application Channel — Where to collect the Application Forms” above at the following times:

Wednesday, 27 October 2010 — 9:00 a.m. to 5:00 p.m.

Thursday, 28 October 2010 — 9:00 a.m. to 5:00 p.m.

Friday, 29 October 2010 — 9:00 a.m. to 5:00 p.m.

Saturday, 30 October 2010 — 9:00 a.m. to 1:00 p.m.

Monday, 1 November 2010 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 1 November 2010.

No proceedings will be taken on applications for the Shares and no allotment of any such Shares will be made until after the closing of the application lists. No allotment of any of the Shares will be made after Friday, 26 November 2010.

White Form eIPO

You may submit your application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk from 9:00 a.m. on Wednesday, 27 October 2010 until 11:30 a.m. on Monday, 1 November 2010 or such later time as described under the paragraph headed “Effect of bad weather on the opening of the application lists” below (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 1 November 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the website before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Electronic Application Instructions to HKSCC via CCASS

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Wednesday, 27 October 2010 — 9:00 a.m. to 8:30 p.m.⁽¹⁾

Thursday, 28 October 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Friday, 29 October 2010 — 8:00 a.m. to 8:30 p.m.⁽¹⁾

Saturday, 30 October 2010 — 8:00 a.m. to 1:00 p.m.⁽¹⁾

Monday, 1 November 2010 — 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 27 October 2010 until 12:00 noon on Monday, 1 November 2010 (24 hours daily, except the last application day).

The latest time for inputting **electronic application instructions** via CCASS will be 12:00 noon on Monday, 1 November 2010, the last application day, or if the application lists are not open on that day, by the time and date stated in the paragraph headed “Effect of bad weather on the opening of the application lists” below.

Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 1 November 2010. Instead, they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at anytime between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Offer do not open and close on Monday, 1 November 2010 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section headed “Expected Timetable” in this Prospectus, such dates mentioned in the section headed “Expected Timetable” in this prospectus may be affected. A press announcement will be made in such event.

HOW MANY APPLICATIONS YOU MAY MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may make more than one application for Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may both give **electronic application instructions** to HKSCC (if you are a CCASS Participant) and lodge more than one Application Form in your own name if each application is made on behalf of different owners. In the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code

for each beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated **White Form eIPO** Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at www.eipo.com.hk and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made. No application for any other number of Hong Kong Offer Shares will be considered any such application is liable to be rejected.

It will be a term and condition of all applications that by completing and delivering an Application Form or submitting an **electronic application instruction**, you:

- (if the application is made for your own benefit) **warrant** that this is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service; or
- (if you are an agent for another person) **warrant** that reasonable enquiries have been made of that other person that this is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service

HOW TO APPLY FOR HONG KONG OFFER SHARES

Provider through **White Form eIPO** service and that you are duly authorized to sign the Application Form or give **electronic application instructions** as that other person's agent.

Save as referred to above, all of your applications will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service;
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and give **electronic applications instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service;
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or by giving **electronic application instructions** to HKSCC or to the designated **White Form eIPO** Service Provider through **White Form eIPO** service for more than 9,975,000 Shares, being 50% of the Share initially being offered for public subscription under the Hong Kong Public Offer, as more particularly described in the paragraph headed "Structure of the Global Offering — The Hong Kong Public Offer"; or
- have applied for or taken up, or indicated an interest for, or have been or will be placed (including conditionally and/or provisionally) Offer Shares under the International Placing.

All of your applications is liable to be rejected as multiple applications if more than one application is made for **your benefit** (including the part of the application made by HKSCC Nominees acting on your **electronic application instructions**). If an application is made by an unlisted company and

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

Unlisted company means a company with no equity securities listed on the Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted the Hong Kong Offer Shares are set out in the notes attached to the Application Forms, and you should read them carefully. You should note in particular the following situations in which Hong Kong Offer Shares will not be allotted to you:

If your application is revoked:

By completing and submitting an Application Form or submitting **electronic application instructions** to HKSCC or the designated **White Form eIPO** Service Provider through **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf cannot be revoked before Friday, 26 November 2010. This agreement will take effect as a collateral contract with our Company, and will become binding when you lodge your Application Form or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before Friday, 26 November 2010 except by means of one of the procedures referred to in this Prospectus.

Your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf may be revoked before Friday, 26 November 2010 if a person responsible for this Prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus.

If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or if applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of this Prospectus as supplemented.

If your application or the application made by HKSCC Nominees or the **White Form eIPO** Service Provider on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

Full discretion of our Company, the Sole Global Coordinator or the designated White Form eIPO Service Provider (where applicable) or its or their respective agent and nominees to reject or accept your application:

Our Company, and the Sole Global Coordinator (as agents for the Company) or the designated **White Form eIPO** Service Provider (where applicable), or their respective agents and nominees, have full discretion to reject or accept any application, or to accept only part of any application.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Our Company, the Sole Global Coordinator and the Hong Kong Underwriters, in their capacity as our Company's agents, and their agents and nominees do not have to give any reason for any rejection or acceptance.

If the allocation of Hong Kong Offer Shares is void:

The allocation of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instructions** or apply using a **YELLOW** Application Form) will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing of the application lists; or
- within a longer period of up to six weeks if the Listing Committee of the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

You will not receive any allocation if:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefits you apply for have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Offer Shares in the International Placing. By filling in any of the Application Forms or apply by giving **electronic application instructions**, you agree not to apply for Hong Kong Offer Shares as well as Offer Shares in the International Placing. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received Offer Shares in the International Placing, and to identify and reject indications of interest in the International Placing from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at www.eipo.com.hk;
- your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonored upon its first presentation;
- your Application Form is not completed in accordance with the instructions stated in the Application Form (if you apply by an Application Form);
- the Underwriting Agreements do not become unconditional; or
- the Underwriting Agreements are terminated in accordance with their respective terms.

You should also note that you may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or indicate an interest for Offer Shares under the International Placing, but may not do both.

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum offer price is HK\$2.05 per Offer Share. You must also pay a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% in full. This means

HOW TO APPLY FOR HONG KONG OFFER SHARES

that for one board lot of 1,500 Shares you will pay approximately HK\$3,105.99. The Application Forms have tables showing the exact amount payable for certain numbers of Shares up to 9,975,000 Shares.

You must pay the amount payable upon application for the Shares by one cheque or one banker's cashier order in accordance with the terms set out in the Application Form (if you apply by an Application Form).

If your application is successful, brokerage is paid to participants of the Stock Exchange or the Stock Exchange (as the case may be), the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected on behalf of the SFC).

RESULTS OF ALLOCATION

Announcement of the results of allocation in the Hong Kong Public Offer, including the Offer Price, the level of applications in the Hong Kong Public Offer, the indication of the levels of interest in the International Placing, the basis of allotment of Hong Kong Offer Shares and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, or by giving **electronic application instructions** to HKSCC via CCASS or the designated **White Form eIPO** Service Provider through the designated **White Form eIPO** website, will be made available in The Standard (in English) and the Hong Kong Economic Times (in Chinese), and will be available from the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.tianlungas.com on Tuesday, 9 November 2010.

The results of allocation and the Hong Kong Identity Card/passport/Hong Kong Business Registration numbers of successful applicants under the Hong Kong Public Offer will be available at the times and date and in the manner specified below:

- Results of allocation for the Hong Kong Public Offer will be available from the website of the Stock Exchange at www.hkexnews.hk and the website of our Company at www.tianlungas.com;
- Results of allocation for the Hong Kong Public Offer will be available from our Hong Kong Public Offer results of allocation website at www.iporesults.com.hk on a 24-hour basis from 8:00 a.m. on Tuesday, 9 November 2010 to 12:00 midnight on Monday, 15 November 2010. The user will be required to key in the Hong Kong Identity Card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocation will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling **2862 8669** between 9:00 a.m. and 10:00 p.m. from Tuesday, 9 November 2010 to Friday, 12 November 2010; and
- Special allocation results booklets setting out the results of allocation will be available for inspection during opening hours of individual locations from Tuesday, 9 November 2010 to Thursday, 11 November 2010 at all the receiving bank locations at the addresses set out in the sub-paragraph headed "Where to Collect the Application Forms" under the paragraph headed "Applying by Using an Application Form" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the Offer Price of HK\$2.05 per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the paragraph headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offer” or if any application is revoked or any allocation pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage fee, SFC transaction levy and Stock Exchange trading fee, will be refunded, without interest. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate.

No temporary documents of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. Share certificates will only become valid certificates of title at 8:00 a.m. on Wednesday, 10 November 2010 provided that the Hong Kong Public Offer has become unconditional in all respects and the right of termination described in the paragraph headed “Underwriting — Hong Kong Public Offer — Grounds for termination” has not been exercised.

If you apply by **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** through **White Form eIPO** service, subject as mentioned below, in due course, there will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on your application:

- (i) (a) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (b) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (for wholly successful and partially successful applicants on **YELLOW** Application Forms: Share certificates for their Shares successfully applied for will be deposited into CCASS as described below); and/or
- (ii) refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (a) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (b) all the application monies, if the application is wholly unsuccessful; and/or (c) the difference between the Offer Price and the maximum offer price per Share paid on application in the event that the Offer Price is less than the offer price per Share initially paid on application, in each case including the brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, attributable to such refund or surplus monies but without interest.

Part of your Hong Kong Identity Card number or passport number, or, if you are joint applicants, part of the Hong Kong Identity Card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong Identity Card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong Identity Card number or passport number may lead to delay in encashment of or may invalidate your refund cheque.

Subject as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and share certificates for successful applicants under **WHITE** Application Forms and **White Form eIPO** are expected to be posted on or before

HOW TO APPLY FOR HONG KONG OFFER SHARES

Tuesday, 9 November 2010. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

If you apply by giving electronic application instructions to HKSCC, and your application is wholly or partially successful:

- (i) your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account on Tuesday, 9 November 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees; and
- (ii) refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the offer price per Offer Share initially paid on application, in each case including the related brokerage fee of 1%, SFC transaction levy of 0.003%, and Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 9 November 2010. No interest will be paid thereon.

If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more on a **WHITE** Application Form and have indicated your intention in your Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable), to which they are entitled, in person from the Hong Kong Share Registrar and have provided all information required by your Application Form, you may collect your refund cheque(s) (where applicable) and share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Tuesday, 9 November 2010 or such other date as notified by our Company in the newspapers as the date of collection/dispatch of e-Refund payment instructions/ refund cheques/ share certificates. If you are an individual who opt for personal collection, you must not authorize any other person to make collection on your behalf. If you are a corporate applicant which opt for personal collection, you must attend by your authorized representative bearing a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) personally within the time specified for collection, they will be sent to the address as specified in your Application Form promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) will be sent to the address on your Application Form on Tuesday, 9 November 2010, by ordinary post and at your own risk.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheques (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above.

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form on Tuesday, 9 November 2010, or under contingent situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant):

- for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allocated to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant:

- the Company expects to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in accordance with the details set out in this paragraph headed "Results of Allocation". You should check the results published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 9 November 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply through White Form eIPO

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated **White Form eIPO** Service Provider through the designated website at www.eipo.com.hk and your application is wholly or partially successful, you may collect your share certificate(s) (where applicable) in person from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 9 November 2010, or such other date as notified by our company in the newspapers as at the date of dispatch/collection of share certificates and refund monies.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated **White Form eIPO** Service Provider promptly thereafter, by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions to the designated

HOW TO APPLY FOR HONG KONG OFFER SHARES

White Form eIPO Service Provider through the designated website at www.eipo.com.hk on Tuesday, 9 November 2010 by ordinary post and at your own risk.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be dispatched to your application payment bank account on Tuesday, 9 November 2010.

If you used multi-bank accounts to pay the application monies, refund cheque (if any) will be dispatched to the address specified in your application instructions to the designated **White Form eIPO** Service Provider on Tuesday, 9 November 2010, by ordinary post and at your own risk.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated **White Form eIPO** Service Provider set out in the paragraph headed “Applying Through **White Form eIPO** — Additional information” above.

If you apply by giving electronic application instructions through HKSCC Nominees

If you apply by giving **electronic application instructions** through HKSCC Nominees, you should check the results published by us in accordance with the details set out in this paragraph headed “Results of Allocation” and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 9 November 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

If you have applied as a CCASS Investor Participant (by using a **YELLOW** Application Form or giving **electronic application instructions** to HKSCC), you can also check the number of Hong Kong Offer Shares allotted to you and, if you have applied by giving electronic application instruction to HKSCC, the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time) on Tuesday, 9 November 2010. HKSCC will also make available to you an activity statement showing the number of Hong Kong Shares credited to your CCASS Investor Participant stock account and, if you have applied by giving electronic application instruction to HKSCC, the amount of refund monies (if any) credited to your designated bank account.

REFUND OF APPLICATION MONIES

If you do not receive any Hong Kong Offer Shares for any reason, our Company will refund your application monies, including a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%. No interest will be paid thereon. All interest accrued on such monies before the date of dispatch of refund cheques will be retained for the benefit of our Company.

If your application is accepted only in part, the Company will refund the appropriate portion of your application monies, including the related a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

If the Offer Price as finally determined is less than the offer price per Offer Share (excluding brokerage, SFC transaction levy and Stock Exchange trading fee thereon) initially paid on application, our Company will refund the surplus application monies, together with the related a

HOW TO APPLY FOR HONG KONG OFFER SHARES

brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%, without interest.

In a contingency situation involving a substantial over-subscription, at the discretion of the Company and the Sole Global Coordinator, cheques for applications for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

Refund of your application monies (if any) will be made on Tuesday, 9 November 2010 in accordance with the various arrangements as described above.

DEALINGS AND SETTLEMENT

Commencement of Dealings in the Shares

Dealings in the Shares on the Stock Exchange are expected to commence on Wednesday, 10 November 2010.

The Shares will be traded in board lots of 1,500 each. The stock code of the Shares is 1600.

Shares will be Eligible for Admission into CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and the Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus. It is prepared and addressed to the directors of the Company and to CCB International Capital Limited pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

27 October 2010

The Directors
China Tian Lun Gas Holdings Limited

CCB International Capital Limited

Dear Sirs,

We report on the financial information (the "Financial Information") of China Tian Lun Gas Holdings Limited (the "Company") and its subsidiaries (together, the "Group") which comprises the combined balance sheets as at 31 December 2007, 2008 and 2009 and 30 June 2010, the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes. The Financial Information has been prepared by the directors of the Company and is set out in Sections I to IV below for inclusion in Appendix I to the prospectus of the Company dated 27 October 2010 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 20 May 2010 as an exempted company with limited liability under the Companies Law (2010 Revision) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1 of Section II headed "General information of the Group and reorganization" below, which was completed on 11 October 2010, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

All companies comprising the Group during the Relevant Periods have adopted 31 December as their financial year end date.

No audited financial statements have been prepared by the Company as it is newly incorporated and has not been involved in any significant business transactions since its date of incorporation other than the Reorganization. The financial statements of the subsidiaries now comprising the

Group that are subject to statutory audit were audited by auditors as set out in Note 1 of Section II below.

The directors of the Company have prepared the combined financial statements of the Company and its subsidiaries now comprising the Group for the Relevant Periods, in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) (the “Underlying Financial Statements”). We have audited the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing (the “HKSA”) issued by the HKICPA pursuant to separate terms of engagement with the Company.

The Financial Information has been prepared based on the Underlying Financial Statements, with no adjustments made thereon and on the basis set out in Note 2.1 of Section II below.

Directors’ responsibility for the Financial Information

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information in accordance with the basis of presentation set out in Note 2.1 of Section II below and in accordance with HKFRSs. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Reporting accountant’s responsibility

Our responsibility is to express an opinion on the Financial Information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the HKICPA.

Opinion

In our opinion, the Financial Information gives, for the purpose of the Prospectus and presented on the basis set out in Note 2.1 of Section II below, a true and fair view of the combined state of affairs of the Group as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the Group’s combined results and cash flows for each of the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to IV below included in Appendix I to the Prospectus which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows for the six months ended 30 June 2009 and a summary of significant accounting policies and other explanatory notes (the “Stub Period Comparative Financial Information”).

The directors are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation set out in Note 2.1 of Section II below and the accounting policies set out in Note 2.2 of Section II below which are in conformity with HKFRSs.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the

Independent Auditor of the Entity” issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with HKSA and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of the Prospectus and presented on the basis set out in Note 2.1 of Section II below, has not been prepared, in all material respects, in accordance with the accounting policies set out in Note 2.2 of Section II below which are in conformity with HKFRSs.

I FINANCIAL INFORMATION OF THE GROUP

The following is the Financial Information of the Group prepared by the directors of the Company as at 31 December 2007, 2008 and 2009 and 30 June 2010 and for each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010, presented on the basis set out in Note 2.1 of Section II below:

Combined Balance Sheets

	Note	As at 31 December			As at 30 June
		2007	2008	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	112,639	118,717	125,377	130,332
Investment properties	7	8,703	10,165	9,511	9,318
Lease prepayments	8	1,025	1,006	2,071	2,036
Intangible assets	9	30,892	30,156	29,507	29,147
Deferred income tax assets	18	4,471	1,530	1,225	1,393
Trade and other receivables	11	11,662	11,662	—	—
		169,392	173,236	167,691	172,226
Current assets					
Inventories	10	22,486	19,548	17,700	11,777
Trade and other receivables	11	43,486	45,332	70,752	15,489
Restricted cash	12	500	—	—	—
Cash and cash equivalents	13	7,716	11,371	14,860	82,862
		74,188	76,251	103,312	110,128
Total assets		<u>243,580</u>	<u>249,487</u>	<u>271,003</u>	<u>282,354</u>
EQUITY					
Attributable to equity holders of the Company					
Reserves	14	44,785	55,786	65,399	72,940
(Accumulated deficit)/retained earnings		(20,260)	2,277	42,395	41,751
		24,525	58,063	107,794	114,691
Minority interest		2,994	5,007	2,829	3,236
Total equity		<u>27,519</u>	<u>63,070</u>	<u>110,623</u>	<u>117,927</u>
LIABILITIES					
Non-current liabilities					
Deferred income tax liabilities	18	—	—	585	—
Borrowings	17	85,472	60,258	35,242	35,397
		85,472	60,258	35,827	35,397
Current liabilities					
Trade and other payables	15	46,281	48,740	39,473	37,800
Advance from customers	16	45,661	48,690	43,046	35,893
Current income tax liabilities		313	475	1,634	205
Borrowings	17	38,334	28,254	40,400	52,500
Dividend payable	30	—	—	—	2,632
		130,589	126,159	124,553	129,030
Total liabilities		<u>216,061</u>	<u>186,417</u>	<u>160,380</u>	<u>164,427</u>
Total equity and liabilities		<u>243,580</u>	<u>249,487</u>	<u>271,003</u>	<u>282,354</u>
Net current liabilities		<u>(56,401)</u>	<u>(49,908)</u>	<u>(21,241)</u>	<u>(18,902)</u>
Total assets less current liabilities		<u>112,991</u>	<u>123,328</u>	<u>146,450</u>	<u>153,324</u>

Combined Statements of Comprehensive Income

	Note	Year ended 31 December			Six months ended 30 June	
		2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	65,888	127,657	179,223	81,869	114,950
Cost of sales	19	(37,185)	(77,623)	(100,393)	(46,366)	(62,976)
Gross profit		28,703	50,034	78,830	35,503	51,974
Distribution cost	19	(1,978)	(1,553)	(2,236)	(715)	(1,402)
Administrative expenses	19	(5,489)	(8,318)	(9,723)	(4,580)	(5,490)
Other gains — net	21	824	5	671	195	32
Operating profit		22,060	40,168	67,542	30,403	45,114
Finance income		1,893	1,874	1,066	527	589
Finance costs		(11,465)	(9,625)	(7,063)	(3,913)	(2,805)
Finance costs — net	22	(9,572)	(7,751)	(5,997)	(3,386)	(2,216)
Profit before income tax		12,488	32,417	61,545	27,017	42,898
Income tax expense	23	(4,198)	(6,866)	(13,992)	(6,235)	(10,048)
Profit for the year/period		8,290	25,551	47,553	20,782	32,850
Other comprehensive income for the year/period, net of tax		—	—	—	—	—
Total comprehensive income for the year/period		8,290	25,551	47,553	20,782	32,850
Profit and total comprehensive income attributable to:						
Equity holders of the Company		7,540	23,538	44,299	19,228	32,443
Minority interest		750	2,013	3,254	1,554	407
		8,290	25,551	47,553	20,782	32,850
Earning per share for profit attributable to equity holders of the Company						
— Basic and diluted	25	N/A	N/A	N/A	N/A	N/A
Dividends	30	—	—	—	—	33,087

Combined Statements of Changes in Equity

	Attributable to equity holders of the Company				
	Reserves	(Accumulated deficit)/retained earnings	Total	Minority interest	Total equity
	RMB'000 (Note 14)	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007	28,255	(27,770)	485	744	1,229
Total comprehensive income	—	7,540	7,540	750	8,290
Capital injection	16,500	—	16,500	1,500	18,000
Appropriation	30	(30)	—	—	—
Balance at 31 December 2007	44,785	(20,260)	24,525	2,994	27,519
Total comprehensive income	—	23,538	23,538	2,013	25,551
Capital injection	10,000	—	10,000	—	10,000
Appropriation	1,001	(1,001)	—	—	—
Balance at 31 December 2008	55,786	2,277	58,063	5,007	63,070
Total comprehensive income	—	44,299	44,299	3,254	47,553
Appropriation	4,181	(4,181)	—	—	—
Acquisition of minority interest	5,432	—	5,432	(5,432)	—
Balance at 31 December 2009	65,399	42,395	107,794	2,829	110,623
Total comprehensive income	—	32,443	32,443	407	32,850
Capital injection	15,000	—	15,000	—	15,000
Dividends	—	(33,087)	(33,087)	—	(33,087)
Share issuance costs	(3,306)	—	(3,306)	—	(3,306)
Deemed distribution to Owners	(4,153)	—	(4,153)	—	(4,153)
Balance at 30 June 2010	72,940	41,751	114,691	3,236	117,927
Six months ended 30 June 2009 (unaudited)					
Balance at 1 January 2009	55,786	2,277	58,063	5,007	63,070
Total comprehensive income	—	19,228	19,228	1,554	20,782
Balance at 30 June 2009	55,786	21,505	77,291	6,561	83,852

Combined Statements of Cash Flows

		Year ended 31 December			Six months ended 30 June	
	Note	2007	2008	2009	2009	2010
		RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities						
Cash generated from operations	26	26,736	58,528	69,937	32,194	50,445
Interest paid		(11,385)	(9,537)	(6,975)	(3,399)	(2,756)
Income tax paid		(9)	(3,763)	(11,943)	(2,651)	(12,230)
Net cash generated from operating activities		15,342	45,228	51,019	26,144	35,459
Cash flows from investing activities						
Purchases of property, plant and equipment and investment properties		(14,083)	(13,212)	(13,506)	(6,749)	(9,099)
Increase in lease prepayments		—	(1,089)	—	—	—
Net repayments from/(to) related parties . . .		35,337	5,430	(21,283)	(24,279)	50,779
Purchase of intangible assets		(7)	(10)	(68)	(2)	—
Proceeds from disposal of property, plant and equipment	26	616	10	189	211	26
Net cash outflow for the acquisition of a business	29	(9,500)	—	—	—	—
Interest received		83	93	62	19	19
Net cash generated from/(used in) investing activities		12,446	(8,778)	(34,606)	(30,800)	41,725
Cash flows from financing activities						
Proceeds from borrowings		20,000	22,000	34,100	19,500	35,000
Repayments of borrowings		(53,917)	(56,735)	(47,024)	(9,849)	(22,677)
Settlement of the liability assumed from the acquisition of a business to a related party	29	(8,200)	(8,060)	—	—	—
Capital injection		18,000	10,000	—	—	15,000
Dividends	30	—	—	—	—	(30,455)
Payments of share issuance costs		—	—	—	—	(1,897)
Deemed distribution to Owners	14	—	—	—	—	(4,153)
Net cash (used in)/generated from financing activities		(24,117)	(32,795)	(12,924)	9,651	(9,182)
Net increase in cash and cash equivalents						
Cash and cash equivalents at beginning of the year/period		4,045	7,716	11,371	11,371	14,860
Cash and cash equivalents at end of the year/period	13	7,716	11,371	14,860	16,366	82,862

II NOTES TO THE FINANCIAL INFORMATION**1. General information of the Group and reorganization****(i) General information of the Group**

China Tian Lun Gas Holdings Limited (the “Company”) was incorporated on 20 May 2010 in the Cayman Islands under the Companies Law (2010 Revision) of the Cayman Islands as an exempted company with limited liability. The address of its registered office is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. The Company is an investment holding company. The Company and its subsidiaries (hereinafter collectively referred to as the “Group”) are principally engaged in the transportation and sales of pipelined gas operation and the gas pipeline connections operation in certain cities of the People’s Republic of China (“PRC”) (the “Listing Business”).

Prior to the incorporation of the Company and the completion of the reorganization as described in Note 1(ii) below (the “Reorganization”), the Listing Business were carried out by the companies now comprising the Group, which were collectively controlled by Mr. Zhang Yingcen and his family members comprising his wife and eldest son (collectively the “Controlling Shareholders” or “Owners”).

(ii) The Reorganization

The Group underwent the following reorganization in preparation for the listing of the Company’s shares on the Main Board of the Stock Exchange of Hong Kong Limited (the “Listing”).

- (a) Prior to the Reorganization, four out of the five operating companies, incorporated in the PRC, namely Zhengzhou Shangjie Tian Lun Gas Limited (“Shangjie Tian Lun”), Xuchang Tian Lun Gas Limited (“Xuchang Tian Lun”), Xuchang Tian Lun Vehicle-use Gas Limited (“Xuchang Tian Lun Vehicle”), Hebi Tian Lun Vehicle-use Gas Limited (“Hebei Tian Lun Vehicle”) (collectively “the four operating companies”), were majority owned by Henan Tian Lun Gas Engineering Investment Limited (“the then holding company” or “Henan Tian Lun Engineering Investment”), a company incorporated in the PRC and beneficially owned by the Controlling Shareholders. The remaining operating company, Hebi Tian Lun Gas Limited (“Hebi Tian Lun”) was 80% owned by Upsky Holdings Limited (“Upsky Holdings”), a company incorporated in the British Virgin Islands (“BVI”) and beneficially owned by the Controlling Shareholders, and 20% owned by the then holding company.
- (b) On 10 May 2010, Tian Lun New Energy Limited (“Tian Lun New Energy”) was incorporated in Hong Kong with an authorized share capital of Hong Kong dollar (“HKD”) 10,000 at HKD1 each. One share was allotted and issued at par to Upsky Holdings.
- (c) Pursuant to an equity transfer agreement dated 15 May 2010, Upsky Holdings and Henan Tian Lun Engineering Investment transferred their respective 80% and 20% equity interests in Hebi Tian Lun to Tian Lun New Energy for a consideration of RMB9.2 million and RMB2.3 million, respectively. Such considerations were based on the valuation of Hebi Tian Lun as at 31 March 2010 by an independent valuer in the PRC.

- (d) On 13 May 2010, Hebi Tian Lun New Energy Limited ("Hebi New Energy") was incorporated as a limited liability company in the PRC by the then holding company. Hebi New Energy has not been involved in any significant business transactions since its date of incorporation other than the Reorganization up to the date of this report. On 29 June 2010, the then holding company transferred the entire equity interests in Hebi New Energy to Hebi Tian Lun at a consideration of RMB15 million, which represented the registered capital paid by the then holding company. In order to finance the payment obligation of such consideration, capital injection has been made by Tian Lun Group Limited ("Tian Lun Group"), a company incorporated in the BVI and ultimately wholly owned by the Controlling Shareholders, as disclosed in (h) below. In September 2010, such consideration was paid out to the then holding company.
- (e) On 20 May 2010, the Company was established in the Cayman Islands as a wholly owned subsidiary of Tian Lun Group.
- (f) Pursuant to various equity transfer agreements dated 29 June 2010, the then holding company transferred its entire shareholdings of the four operating companies to Hebi Tian Lun. The total considerations for such transfers of shareholdings were approximately RMB67 million, which were based on the respective valuation of the four operating companies as at 31 March 2010 by an independent valuer in the PRC. In order to finance the payment obligation of such consideration, capital injection has been made by Tian Lun Group as disclosed in (h) below. On 30 June and 13 September 2010, Hebi Tian Lun paid consideration of approximately RMB4 million and RMB63 million to the then holding company, respectively. As a result of the aforesaid transfers, Tian Lun New Energy became the holding company of all the operating companies and Hebi New Energy within the Group.
- (g) On 6 July 2010, pursuant to a share transfer agreement entered into between Tian Lun Group and Pleasant New Limited ("Pleasant New"), a company incorporated in the BVI and is beneficially owned by certain executive directors of the Company, Tian Lun Group transferred a 6.7% equity interests in Upsky Holdings to Pleasant New for a consideration of approximately HKD35 million, which approximated the fair value of such equity interest as at 6 July 2010 as determined by an independent valuer.
- (h) In August 2010, Tian Lun Group subscribed one share at United States Dollars ("USD") 0.1 each of Upsky Holdings at a consideration of approximately HKD93 million. Upsky Holdings injected approximately HKD94 million into Tian Lun New Energy by the subscription of one share in Tian Lun New Energy. In August 2010, Tian Lun New Energy injected cash of approximately HKD92 million, equivalent to approximately RMB80 million into Hebi Tian Lun as registered capital. The cash so injected was paid out to the then holding company as described in (d) and (f) above.
- (i) On 11 October 2010, the Company entered into a sale and purchase agreement with Tian Lun Group and Pleasant New, pursuant to which (i) Tian Lun Group transferred all the shares it held in Upsky Holdings to the Company and as consideration, 932,999 Shares, all credited as fully paid, were allotted to Tian Lun Group and the one nil paid Share then held by Tian Lun Group was credited as fully paid up; and (ii) Pleasant New transferred all the shares it held in Upsky Holdings to the Company and as consideration, 67,000 Shares, all credited as fully paid up, were allotted and issued to Pleasant New.

Upon completion of the Reorganization, the Company became the holding company of the Group.

As at the date of this report, the Company has direct and indirect interests in the following subsidiaries. Such interests, directly or indirectly held by the Controlling Shareholders, have remained unchanged during the Relevant Periods except for Xuchang Tian Lun as explained below the table.

Name	Country/place and date of incorporation	Type of legal entity	Issued/paid in capital (RMB'000)	Attributable equity interest		Auditors	Year of audit	Principal activities
				Directly held	Indirectly held			
Upsky Holdings	BVI/ 8 July 2003	Limited liability company	7*	100%	—	N/A	N/A	Intermediary holding company
Tian Lun New Energy	Hong Kong/ 10 May 2010	Limited liability company	—*	—	100%	N/A	N/A	Intermediary holding company
Hebi New Energy (鶴壁市天倫新能源有限公司)	PRC/ 13 May 2010	Limited liability company	15,000	—	100%	N/A	N/A	Sale of pipelined natural gas, construction and connection of gas pipelines
Hebi Tian Lun (鶴壁市天倫燃氣有限公司)	PRC/ 1 November 2002	Limited liability company	90,000	—	100%	河南中信達會計師事務所有限公司 Henan Zhong Xinda CPAs Limited Company***	2007, 2008 and 2009	Sale of pipelined natural gas, construction and connection of gas pipelines
Hebi Tian Lun Vehicle (鶴壁市天倫車用氣有限公司)	PRC/ 29 October 2007	Limited liability company	10,000	—	100%	河南中信達會計師事務所有限公司 Henan Zhong Xinda CPAs Limited Company***	2007, 2008 and 2009	Sale of compressed natural gas (the "CNG")
Xuchang Tian Lun** (許昌市天倫燃氣有限公司)	PRC/ 29 September 2003	Limited liability company	25,000	—	100%	許昌鼎力聯合會計師事務所 Xuchang Ding Li United CPAs Limited Company***	2007, 2008 and 2009	Sale of pipelined natural gas, construction and connection of gas pipelines
Xuchang Tian Lun Vehicle (許昌市天倫車用氣有限公司)	PRC/ 12 September 2008	Limited liability company	10,000	—	100%	許昌鼎力聯合會計師事務所 Xuchang Ding Li United CPAs Limited Company***	2008 and 2009	Sale of CNG
Shangjie Tian Lun (鄭州市上街區天倫燃氣有限公司)	PRC/ 18 July 2007	Limited liability company	15,000	—	90%	河南世紀聯合會計師事務所 Henan Century United CPAs Limited Company***	2007, 2008 and 2009	Sale of pipelined coal gas, construction and connection of gas pipelines

* The issued capital of Upsky Holdings is USD1,000.

The issued capital of Tian Lun New Energy is HKD2.

** During the years ended 31 December 2007 and 2008 and the eleven months ended 30 November 2009, the equity interest held by the Controlling Shareholders in Xuchang Tian Lun was 90%. In December 2009, the minority shareholder of Xuchang Tian Lun transferred its 10% equity interest to Henan Tian Lun Engineering Investment. Thereafter, the Controlling Shareholders held 100% equity interest in Xuchang Tian Lun.

*** The English names referred to in this report represents management's best effort at translating the Chinese names of these firms as no English names have been registered.

2. Basis of presentation and summary of significant accounting policies

2.1 Basis of presentation

The Controlling Shareholders owned and controlled the companies now comprising the Group before the Reorganization and continue to control these companies after the Reorganization. For the purpose of this report, the Reorganization is considered as a business combination under common control in a manner similar to the principles of merger accounting under Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combination” issued by HKICPA. The Financial Information includes the combined financial position, results and cash flows of the companies now comprising the Group as if the existing group structure had been in existence throughout the Relevant Periods or since the respective dates of incorporation/establishment or acquisition, whichever is the shorter period.

All significant intra-group transactions and balances have been eliminated on combination.

2.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods.

Basis of preparation

The Financial Information has been prepared in accordance with HKFRSs issued by the HKICPA under the historical convention.

The preparation of the Financial Information in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

Accounting Policies

For the purpose of preparing and presenting the Financial Information for the Relevant Periods, the Group has adopted HKFRSs, which are effective for the accounting periods beginning on or before 1 January 2010 consistently throughout the Relevant Periods.

The following new standards, amendments to standards and interpretations have been issued that are mandatory for accounting periods beginning after 1 January 2010 or later periods and which the Group has not early adopted:

- HKFRS 9 “Financial Instruments” (effective from 1 January 2013). Financial assets are required to be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortized cost. The decision is to be made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The expected impact of this new standard is still being assessed in details by management, but management does not anticipate that the application will result in a material impact on the Group's financial information.

- HKAS 24 (Revised) "Related party disclosures" supersedes HKAS 24 'Related party disclosures' issued in 2003. The revised HKAS 24 is required to be applied from 1 January 2011. The amendment introduces an exemption from all of the disclosure requirements of HKAS 24 for transactions among government related entities and the government. It also clarifies and simplifies the definition of a related party. This amendment is not currently applicable to the Group.
- Under "Classification of rights issues" (Amendment to HKAS 32), for rights issues offered for a fixed amount of foreign currency, current practice appears to require such issues to be accounted for as derivative liabilities. The amendment states that if such rights are issued pro rata to all the entity's existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted. This amendment is not currently applicable to the Group.
- Amendments to HK(IFRIC) Int-14 "Prepayments of a minimum funding requirement" corrects an unintended consequence of HK(IFRIC) Int-14, "HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction". Without the amendments, entities are not permitted to recognize as an asset for any surplus arising from the voluntary prepayment of minimum funding contributions in respect of future service. This was not intended when HK(IFRIC) Int-14 was issued, and the amendments correct the problem. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented. This amendment is not currently applicable to the Group.
- HK(IFRIC) -Int 19, "Extinguishing financial liabilities with equity instruments" clarifies the requirements of HKFRSs when an entity renegotiates the terms of a financial liability with its creditor and the creditor agrees to accept the entity's shares or other equity instruments to settle the financial liability fully or partially. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted. This interpretation is not currently applicable to the Group.
- "Limited exemption from comparative HKFRS 7 disclosures for first-time adopters" (Amendment to HKFRS 1) provide first-time adopters with the same transition provisions as included in the amendment to HKFRS 7 in relation to relief from presenting comparative information that ended before 31 December 2009 for new fair value disclosures requirements. This is required to be applied for annual periods beginning on or after 1 July 2010. Early adoption is permitted. This is not relevant to the Group, as it is an existing HKFRS preparer.
- In May 2010, the HKICPA published certain improvements to HKFRSs which will be effective for accounting periods beginning on or after 1 January 2011 or later periods. These improvements have not been early adopted by the Group. Amendments have been made to the following standards according to the improvements:

HKFRS 1 (Amendment) First-time Adoption of HKFRSs,
HKFRS 3 (Revised) (Amendment) Business Combinations,
HKFRS 7 (Amendment) Financial Instruments: Disclosures,
HKAS 1 (Amendment) Presentation of financial statements,

HKAS 27 (Revised) (Amendment) Consolidated Financial Statements and Accounting for Investments in Subsidiaries,
HKAS 34 (Amendment) Interim Financial Reporting, and
HK(IFRIC) 13 (Amendment) Customer Loyalty Programs

The Group is in the process of making an assessment of the impact of these new/revised standards, amendments and interpretations to existing standards and does not anticipate that the adoption will result in any material impact on the Group's results of operations and financial position.

2.2.1 Consolidation and combination

(a) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group, which qualifies as business combination, except for those acquisitions which qualify as a common control combination and are therefore accounted for using the merger accounting.

Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange and, all acquisition-related costs are expensed. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in profit or loss.

For the acquisition of subsidiaries which do not qualify as business combination, the fair value of the consideration transferred, including transaction cost is allocated to assets acquired and liabilities assumed based on their relative fair value. The assets acquired include intangible assets that are recognized separately. No goodwill arises on such transactions.

Inter-company transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses are also eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Business combination under common control

The Financial Information incorporates the financial statement items of the combining entities or businesses in which the common control combination occurs as if they had been combined

from the date when the combining entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognized with respect to goodwill or any excess of an acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over its cost at the time of common control combination, to the extent of the contribution of the controlling party's interest.

The combined statements of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the Financial Information are presented as if the entities or businesses had been combined at the earliest date presented or when they first came under common control, whichever is the latest.

Intra-group transactions, balances and unrealized gains on transactions between the combining entities or businesses are eliminated. Unrealized losses are eliminated but considered as an impairment indicator of the asset transferred. Accounting policies of combining entities or businesses have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Transactions and minority interest

The Group treats transactions with minority interest as transactions with equity holders of the Company. For purchases from minority interest, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interest are also recorded in equity.

2.2.2 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as senior executive management team, including the chairman and the chief executive officer, that makes strategic decisions.

2.2.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in Renminbi ("RMB"), which is the Company's functional currency and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting

from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the combined statements of comprehensive income within “finance income or cost”. All other foreign exchange gains and losses are presented in the combined statements of comprehensive income within “other gains — net”.

2.2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged in profit or loss during the Relevant Periods in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values which is 0% — 5% of the cost over their estimated useful lives, as follows:

— Buildings	25 years
— Equipment and machinery	10 years
— Gas pipelines	
— natural gas pipelines	25 years
— coal gas pipelines	16 years
— Office equipment and motor vehicles	5 years

Construction-in-progress represents buildings, plant and machinery under construction or pending installation and is stated at cost. Cost includes the costs of construction of buildings and costs of plant and machinery. No provision for depreciation is made on construction-in-progress until such time as the relevant assets are completed and ready for intended use. When the assets concerned are brought into use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.2.8).

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognized within “other gains — net” in the combined statements of comprehensive income.

2.2.5 Investment properties

Investment properties, principally office buildings, are held for rental yields and are not occupied by the Group. Investment properties are initially recognized at cost and subsequently carried at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated using the straight-line method to write-off the cost of the assets to their residual values over their estimated useful life of 25 years.

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in the profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its carrying amount at the date of reclassification becomes its cost for accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, the transfer does not change the carrying amount of the property transferred, nor does it change the cost of that property for measurement or disclosure purposes.

2.2.6 Lease prepayments

Lease prepayments represent upfront prepayments made for the land use rights. Lease prepayments are stated at costs and are amortized on a straight-line basis over the remaining period of the land use rights, net of any impairment losses. The amortization is charged within "administration expenses" in the combined statements of comprehensive income.

2.2.7 Intangible assets**(a) Exclusive operating rights for city pipeline network**

Exclusive operating rights for city pipeline network represent the exclusive rights for distribution of gas in certain cities or districts in the PRC, and are stated at cost less accumulated amortization and impairment loss, if any. The cost incurred for the acquisition of exclusive operating rights for city pipeline network is capitalized and amortized on a straight-line basis over their estimated useful lives (30 – 50 years).

(b) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3 years).

2.2.8 Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying

amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.2.9 Financial assets

(a) Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available for sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The Group only has financial assets classified as "loans and receivables" during the Relevant Periods.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" and "restricted cash" in the combined balance sheets (Notes 2.2.12 and 2.2.13).

(b) Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the combined balance sheets when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

2.2.11 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. The cost of finished goods and work-in-progress comprises materials for gas pipelines, direct labor, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realizable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.2.12 Trade and other receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

The Group assesses at the end of each reporting period whether there is objective evidence that trade and other receivables are impaired. Trade and other receivables are impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the trade and other receivables that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the debtor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the debtor’s financial difficulty, granting to the debtor a concession that the creditor would not otherwise consider; and
- It becomes probable that the debtor will enter bankruptcy or other financial reorganization.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset’s original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognized in the combined statements of comprehensive income within “administrative expenses”. When a trade receivable is uncollectible, it is written off against the allowance account for receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor’s credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

2.2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

2.2.14 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.2.15 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.2.16 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case the tax is also recognized in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at end of the reporting period in the countries where the Group's entities operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognized, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Information and tax losses. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences and tax losses can be utilized.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.2.17 Employee benefits — Pension obligations and other benefits

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit, housing fund, medical insurance and unemployment fund plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized in profit or loss as employee benefit expense when they are incurred.

2.2.18 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are recognized in profit or loss during the period necessary to match them with the costs that they are intended to compensate.

2.2.19 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, return, rebates and discounts and after eliminating sales within the Group.

(a) Connection of gas pipelines

Revenue in respect of the connection and construction of gas pipelines is recognized upon the completion of construction of pipelines for users and connection of the pipelines to the Group's existing gas pipeline network, which, coincides with the "fire ignition ceremony." The "fire ignition ceremony" is a final and essential step to ascertain that the gas pipeline built is functioning properly and is acceptable to users. Upon the fire ignition ceremony, the significant risks and rewards of ownership will be transferred to the customers and the economic benefits associated with the contracts will be passed to the Group. The average time required for the Group to complete a gas pipeline construction project is approximately two to four months.

(b) Sale of gases

Revenue from the sale of gases, including pipelined gases and CNG, is recognized on the transfer of significant risks and rewards of ownership, which generally coincides with the time when the gas is delivered to customers and title has passed, and is based on the gas consumption derived from meter readings.

(c) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

(d) Rental income

Rental income from investments properties is recognized in profit or loss on a straight-line basis over the terms of leases.

2.2.20 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.2.21 Dividend distribution

Dividend distribution to the equity holders of the companies comprising the Group is recognized in Group's financial statements in the period in which the dividends are approved by the equity holders of such companies.

3. Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's operations are principally performed within the PRC with most transactions settled in RMB, except for certain daily administrative activities which are settled in HKD and certain borrowings which are settled in USD. The Group's assets and liabilities that are subject to foreign exchange rate risk include bank deposits and borrowings that are denominated in HKD and USD. The Group currently does not have a foreign currency hedging policy, and manages its foreign currency risk by closely monitoring the movement of the foreign currency rates.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities as at 31 December 2007, 2008 and 2009 and 30 June 2010 are as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Assets (Note 13)				
HKD	55	52	50	4,230
Liabilities (Notes 15 and 17)				
USD	8,606	6,712	6,242	6,397
HKD	3,801	3,580	3,574	9,648

The following table shows the sensitivity analysis of an increase/decrease of 5% in RMB against USD and HKD, with all other variables held constant, as at 31 December 2007, 2008 and 2009 and 30 June 2010 respectively. This sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of each reporting period. The stated change represents management's assessment of reasonably possible changes in foreign exchange rates over the period until the next end of reporting period. If there is a 5% increase/decrease in RMB against USD and HKD, the effect on the profit before income tax is as follows:

	Year ended 31 December			For the six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Increase of 5% RMB against USD and HKD				
— Increase of profit before income tax	617	512	488	591
Decrease of 5% RMB against USD and HKD ...				
— Decrease of profit before income tax	(617)	(512)	(488)	(591)

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets other than cash and cash equivalents and certain receivable due from Henan Tian Lun Real Estate Limited ("Henan Tian Lun Real Estate"), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk arises from loans. Loans borrowed at variable rates expose the Group to cash flow interest-rate risk. Loans borrowed at fixed rates expose the Group to fair value interest-rate risk. As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's bank loans bore interest at variable rates and the other borrowings at fixed rate. The Group currently does not use any interest rate swaps to hedge its exposure to interest rate risk.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, if interest rates on borrowings had been ten basis-points higher/lower with all other variables held constant, profit before income tax for the year/period would have been approximately RMB1,139,000, RMB954,000, RMB697,000 and RMB274,000, lower/higher, respectively, mainly as a result of higher/lower interest expense on floating rate borrowings.

(b) Credit risk

The Group's maximum exposure to credit risk in relation to financial assets is the carrying amounts of cash and cash equivalents, restricted cash, and trade and other receivables.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, all of the Group's bank deposits are deposited in major financial institutions located in the PRC and Hong Kong, which management believes are of high credit quality without significant credit risk. The Group's bank deposits as at 31 December 2007, 2008 and 2009 and 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Big four commercial banks ⁽ⁱ⁾	7,055	7,065	13,061	19,981
Other listed banks	55	52	50	4,230
Other state-owned banks	560	4,203	1,692	58,575
	<u>7,670</u>	<u>11,320</u>	<u>14,803</u>	<u>82,786</u>

(i) Big four commercial banks include Industrial and Commercial Bank of China, China Construction Bank, Agricultural Bank of China and Bank of China, all being sizable banks in the PRC.

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents, deposits with banks, as well as credit exposures to customers, including outstanding trade and other receivables.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group generally requests advances from customers. In circumstances of credit sales, to manage the credit risk in respect of trade and other receivables, the Group has policies in place to ensure that sales are made to customers with appropriate credit history and the Group performs periodic credit evaluations of its customers, and generally does not require collateral from the customers on the outstanding balances. Based on the expected recoverability and timing for collection of the outstanding balances, the Group maintains a provision for impairment of receivables and actual losses incurred have been within management's expectation.

(c) Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operations, borrowings from financial institutions, as well as equity financing through shareholders or initial public offering.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000
At 30 June 2010				
Bank borrowings	56,667	19,833	10,849	—
Other borrowings	116	574	1,695	10,702
Trade and other payables ⁽ⁱ⁾	36,425	—	—	—
At 31 December 2009				
Bank borrowings	44,970	20,843	11,377	—
Other borrowings	—	289	1,711	11,042
Trade and other payables ⁽ⁱ⁾	38,223	—	—	—
At 31 December 2008				
Bank borrowings	33,345	29,566	32,853	—
Other borrowings	854	—	1,436	11,618
Trade and other payables ⁽ⁱ⁾	47,697	—	—	—
At 31 December 2007				
Bank borrowings	45,268	29,021	62,799	—
Other borrowings	1,934	913	924	13,027
Trade and other payables ⁽ⁱ⁾	45,564	—	—	—

(i) Trade and other payables include trade payables, amounts due to related parties and other payables as stated in Note 15.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The Group's strategy remains consistent throughout the Relevant Periods.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital risk on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the combined balance sheets) less cash and cash equivalents. Total capital is calculated as total "equity" as shown in the combined balance sheets plus net debt. The Group aims to maintain the gearing ratio at a reasonable level.

The gearing ratios as at 31 December 2007, 2008 and 2009 and 30 June 2010 were as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings	123,806	88,512	75,642	87,897
Less: cash and cash equivalents	(7,716)	(11,371)	(14,860)	(82,862)
Net debt	116,090	77,141	60,782	5,035
Total equity	27,519	63,070	110,623	117,927
Total capital	143,609	140,211	171,405	122,962
Gearing ratio	<u>0.81</u>	<u>0.55</u>	<u>0.35</u>	<u>0.04</u>

The decrease of gearing ratio during the Relevant Periods was mainly due to the repayment of borrowings and settlement of balances with related parties.

3.3 Fair value estimation

The Group adopts the amendment to HKFRS 7 “Financial instruments - Disclosure” for financial instruments that are measured in the combined balance sheets at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group has no financial instruments that are measured in the combined balance sheets at fair value, so no such disclosure was made.

The carrying amounts of the Group's financial assets including cash and cash equivalents, deposits in approved financial institutions and current portion of trade and other receivables; and financial liabilities including trade and other payables, and current borrowings, approximate their fair values due to their short maturities. The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair value. The fair value of the non-current portion of the trade and other receivables and financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The fair values of the non-current portion of the trade and other receivables and non-current borrowings are disclosed in Notes 11 and 17, respectively.

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) Current income taxes and deferred tax

The Group's subsidiaries that operate in the PRC are subject to corporate income tax in the PRC. Significant judgment is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognized as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred tax assets and income tax expense in the periods in which such estimate is changed.

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group has deferred tax assets of approximately RMB4,471,000, RMB1,530,000, RMB1,225,000 and RMB1,393,000 respectively (Note 18). To the extent that it is probable that the taxable profit will be available against which the deductible temporary differences will be utilized, deferred tax assets are recognized for temporary differences arising from impairment provisions taken on inventory and receivables, accrued expenses, tax losses and depreciation. Should the Group be required to increase the tax rate, every 1% increment in tax rate would render a further write up of deferred tax assets in the amount of approximately RMB217,000, RMB100,000, RMB53,000 and RMB62,000 respectively.

(b) Depreciation and amortization

The Group's management determines the estimated residual value, useful lives and related depreciation/amortization charges for the property, plant and equipment, investment properties, and intangible assets with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation and amortization charge where useful lives are different to previously estimated.

(c) Impairment of trade and other receivables

Provision for impairment of trade and other receivables is determined based on the evaluation of collectibility of trade and other receivables. A considerable amount of judgment is required in assessing the ultimate realization of these receivables, including the current creditworthiness, the past collection history of each counterparty and the current market condition.

5. Segment information

Management has determined the operating segments based on the reports reviewed by the senior executive management team on monthly basis that are used to make strategic decisions.

The senior executive management team considers the business from a “product” perspective only, as geographically all the products are provided in Henan Province, the PRC, which is considered as one geographic location with similar risks and returns.

The reportable operating segments derive their revenue primarily from transportation and sales of pipelined gases, and gas pipeline connections.

The revenue from rental income of investment properties and other miscellaneous income, is not reviewed by the senior executive management team, and its results are included in the “all other segment” column.

The senior executive management team assesses the performance of the operating segments based on the measure of gross profit, which is determined by using the accounting policies which are the same as disclosed in Note 2.2 above. Meanwhile, the Group does not allocate operating costs, assets or liabilities to its segments, as the senior executive management team does not use this information to allocate resources to or evaluate the performance of the operating segments. Therefore, the Group does not report a measure of segment assets and segment liabilities for each reportable segment.

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2007 is as follows:

	Transportation and sales of pipelined gas	Gas pipeline connections	All other segments	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total external revenue	26,230	37,775	1,883	—	65,888
Gross profit	506	27,096	1,101	—	28,703
Other gains — net				824	824
Distribution cost				(1,978)	(1,978)
Administrative expenses				(5,489)	(5,489)
Operating profit					22,060
Finance cost — net				(9,572)	(9,572)
Profit before income tax					12,488
Income tax expense				(4,198)	(4,198)
Profit for the year					8,290

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2008 is as follows:

	Transportation and sales of pipelined gas	Gas pipeline connections	All other segments	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total external revenue	57,714	67,594	2,349	—	127,657
Gross profit	5,090	44,601	343	—	50,034
Other gains — net				5	5
Distribution cost				(1,553)	(1,553)
Administrative expenses				(8,318)	(8,318)
Operating profit					40,168
Finance cost — net				(7,751)	(7,751)
Profit before income tax					32,417
Income tax expense				(6,866)	(6,866)
Profit for the year					25,551

The segment information provided to the senior executive management team for the reportable segments for the year ended 31 December 2009 is as follows:

	Transportation and sales of pipelined gas	Gas pipeline connections	All other segments	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total external revenue	84,886	90,624	3,713	—	179,223
Gross profit	11,987	64,596	2,247	—	78,830
Other gains — net				671	671
Distribution cost				(2,236)	(2,236)
Administrative expenses				(9,723)	(9,723)
Operating profit					67,542
Finance cost — net				(5,997)	(5,997)
Profit before income tax					61,545
Income tax expense				(13,992)	(13,992)
Profit for the year					47,553

The segment information provided to the senior executive management team for the reportable segments for the six months ended 30 June 2009 is as follows (unaudited):

	Transportation and sales of pipelined gas	Gas pipeline connections	All other segments	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total external revenue	39,480	41,266	1,123	—	81,869
Gross profit	3,961	31,270	272	—	35,503
Other gains — net				195	195
Distribution cost				(715)	(715)
Administrative expenses				(4,580)	(4,580)
Operating profit					30,403
Finance cost — net				(3,386)	(3,386)
Profit before income tax					27,017
Income tax expense				(6,235)	(6,235)
Profit for the period					20,782

The segment information provided to the senior executive management team for the reportable segments for the six months ended 30 June 2010 is as follows:

	Transportation and sales of pipelined gas	Gas pipeline connections	All other segments	Unallocated	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total external revenue	50,626	58,719	5,605	—	114,950
Gross profit	6,286	41,920	3,768	—	51,974
Other gains — net				32	32
Distribution cost				(1,402)	(1,402)
Administrative expenses				(5,490)	(5,490)
Operating profit					45,114
Finance cost — net				(2,216)	(2,216)
Profit before income tax					42,898
Income tax expense				(10,048)	(10,048)
Profit for the period					32,850

The principal subsidiaries of the Company are domiciled in the PRC. All their revenue from external customers are derived from the PRC, and all the non-current assets (there are no financial instrument, employment benefit assets and rights arising under insurance contracts) are located in the PRC.

During each of the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, no revenue derived from sales made to a single external customers amounted to 10% or more of the Group's total revenue.

6. Property, plant and equipment

	Buildings	Equipment and machinery	Gas pipelines	Office equipment and motor vehicles	Construction in-progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2007						
Cost	12,096	1,501	66,088	2,084	6,276	88,045
Accumulated depreciation	(876)	(1,067)	(5,881)	(1,018)	—	(8,842)
Net book amount	11,220	434	60,207	1,066	6,276	79,203
Year ended 31 December 2007						
Opening net book amount	11,220	434	60,207	1,066	6,276	79,203
Additions	244	—	—	380	13,480	14,104
Transfer in from CIP	985	—	3,510	—	(4,495)	—
Transfer from investment properties	484	—	—	—	—	484
Acquisition of a business (Note 29)	1,950	829	20,244	572	—	23,595
Disposals	—	(17)	—	(85)	—	(102)
Depreciation charge	(533)	(138)	(3,504)	(470)	—	(4,645)
Closing net book amount	14,350	1,108	80,457	1,463	15,261	112,639
At 31 December 2007						
Cost	15,808	2,157	90,162	2,908	15,261	126,296
Accumulated depreciation	(1,458)	(1,049)	(9,705)	(1,445)	—	(13,657)
Net book amount	14,350	1,108	80,457	1,463	15,261	112,639
Year ended 31 December 2008						
Opening net book amount	14,350	1,108	80,457	1,463	15,261	112,639
Additions	—	1,404	—	181	12,432	14,017
Transfer in from CIP	3,373	1,863	8,842	—	(14,078)	—
Transfer to investment properties	(1,834)	—	—	—	—	(1,834)
Disposals	(80)	(1)	—	(1)	—	(82)
Depreciation charge	(640)	(299)	(4,509)	(575)	—	(6,023)
Closing net book amount	15,169	4,075	84,790	1,068	13,615	118,717
At 31 December 2008						
Cost	16,994	5,420	99,002	3,081	13,615	138,112
Accumulated depreciation	(1,825)	(1,345)	(14,212)	(2,013)	—	(19,395)
Net book amount	15,169	4,075	84,790	1,068	13,615	118,717
Year ended 31 December 2009						
Opening net book amount	15,169	4,075	84,790	1,068	13,615	118,717
Additions	171	58	—	327	12,464	13,020
Transfer in from CIP	1,828	3,732	14,789	21	(20,370)	—
Transfer from investment properties	266	—	—	—	—	266
Disposals	(10)	(3)	—	(39)	—	(52)
Depreciation charge	(672)	(527)	(4,968)	(407)	—	(6,574)
Closing net book amount	16,752	7,335	94,611	970	5,709	125,377
At 31 December 2009						
Cost	19,228	9,198	113,790	2,970	5,709	150,895
Accumulated depreciation	(2,476)	(1,863)	(19,179)	(2,000)	—	(25,518)
Net book amount	16,752	7,335	94,611	970	5,709	125,377
Six months ended 30 June 2010						
Opening net book amount	16,752	7,335	94,611	970	5,709	125,377
Additions	23	—	—	130	8,662	8,815
Transfer in from CIP	8	2	3,305	—	(3,315)	—
Transfer to investment properties	(18)	—	—	—	—	(18)
Disposals	—	—	—	(44)	—	(44)
Depreciation charge	(376)	(479)	(2,775)	(168)	—	(3,798)
Closing net book amount	16,389	6,858	95,141	888	11,056	130,332
At 30 June 2010						
Cost	19,229	9,205	117,095	2,658	11,056	159,243
Accumulated depreciation	(2,840)	(2,347)	(21,954)	(1,770)	—	(28,911)
Net book amount	16,389	6,858	95,141	888	11,056	130,332

- (a) Depreciation of the property, plant and equipment has been charged to profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	3,620	4,890	5,650	2,723	3,394
Distribution cost	32	73	83	35	39
Administrative expenses	993	1,060	841	415	365
	<u>4,645</u>	<u>6,023</u>	<u>6,574</u>	<u>3,173</u>	<u>3,798</u>

- (b) Bank borrowings were secured by certain properties of the Group with a net book value of approximately RMB7,209,000, RMB6,339,000, RMB6,080,000 and RMB5,956,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively (Note 17).
- (c) As at the date of this report, the Group has not obtained the legal titles of certain buildings recorded in the Group's property, plant and equipment amounting to approximately RMB1,370,000.

7. Investment properties

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of the year / period				
Cost	9,868	9,361	11,397	11,131
Accumulated depreciation	(333)	(658)	(1,232)	(1,620)
Net book amount	<u>9,535</u>	<u>8,703</u>	<u>10,165</u>	<u>9,511</u>
For the year/period				
Opening net book amount	9,535	8,703	10,165	9,511
Transfer (to)/from property, plant and equipment	(484)	1,834	(266)	18
Depreciation charge	(348)	(372)	(388)	(211)
Closing net book amount	<u>8,703</u>	<u>10,165</u>	<u>9,511</u>	<u>9,318</u>
At end of the year/period				
Cost	9,361	11,397	11,131	11,156
Accumulated depreciation	(658)	(1,232)	(1,620)	(1,838)
Net book amount	<u>8,703</u>	<u>10,165</u>	<u>9,511</u>	<u>9,318</u>
Fair value at end of the year/period (a)	<u>13,750</u>	<u>14,890</u>	<u>17,700</u>	<u>19,375</u>

- (a) The fair value of the investment properties were valued by an independent and professionally qualified valuer. Valuations were based on current prices in an active market for all properties.

- (b) The following amounts have been recognized in profit or loss:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Rental income	1,306	1,367	1,337	700	818
Direct operating expenses from properties that generate rental income	(348)	(372)	(388)	(217)	(211)
	<u>958</u>	<u>995</u>	<u>949</u>	<u>483</u>	<u>607</u>

- (c) Depreciation of the Group's investment properties has been charged to the combined statements of comprehensive income as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cost of sales	<u>348</u>	<u>372</u>	<u>388</u>	<u>217</u>	<u>211</u>

- (d) Leasing arrangement

Certain investment properties are leased to tenants under long-term operating leases with payable at regular intervals during the year based on the payment terms. Minimum lease payments under non-cancellable operating leases of investment properties not recognized in the financial information are receivable as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Within 1 year	591	1,061	700	955
Later than 1 year but no later than 3 years	<u>370</u>	<u>624</u>	<u>113</u>	<u>1,517</u>
	<u>961</u>	<u>1,685</u>	<u>813</u>	<u>2,472</u>

- (e) Bank borrowings were secured by certain of the Group's investment properties with a net book value of approximately RMB8,522,000, RMB8,762,000, RMB8,390,000 and RMB8,205,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively (Note 17).

8. Lease prepayments

The Group's interests in land use rights represent prepaid operating lease payments for land located in the PRC, the net book values of which are analyzed as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Outside of Hong Kong				
— Lease between 20 and 50 years	1,025	1,006	2,071	2,036
	<u>1,025</u>	<u>1,006</u>	<u>2,071</u>	<u>2,036</u>

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Opening net book value	222	1,025	1,006	2,071
Additions	—	—	1,089	—
Acquisition of a business (Note 29)	810	—	—	—
Amortization charge	(7)	(19)	(24)	(35)
Close net book value	<u>1,025</u>	<u>1,006</u>	<u>2,071</u>	<u>2,036</u>

9. Intangible assets

	Exclusive operating rights for city pipeline network	Computer Software	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2007			
Cost	31,865	145	32,010
Accumulated amortization	(2,124)	(22)	(2,146)
Net book amount	<u>29,741</u>	<u>123</u>	<u>29,864</u>
Year ended 31 December 2007			
Opening net book amount	29,741	123	29,864
Additions	—	7	7
Acquisition of a business (Note 29)	1,750	—	1,750
Amortization charge	(661)	(68)	(729)
Closing net book amount	<u>30,830</u>	<u>62</u>	<u>30,892</u>
At 31 December 2007			
Cost	33,615	152	33,767
Accumulated amortization	(2,785)	(90)	(2,875)
Net book amount	<u>30,830</u>	<u>62</u>	<u>30,892</u>
Year ended 31 December 2008			
Opening net book amount	30,830	62	30,892
Additions	—	10	10
Amortization charge	(695)	(51)	(746)
Closing net book amount	<u>30,135</u>	<u>21</u>	<u>30,156</u>
At 31 December 2008			
Cost	33,615	162	33,777
Accumulated amortization	(3,480)	(141)	(3,621)
Net book amount	<u>30,135</u>	<u>21</u>	<u>30,156</u>
Year ended 31 December 2009			
Opening net book amount	30,135	21	30,156
Additions	—	68	68
Amortization charge	(695)	(22)	(717)
Closing net book amount	<u>29,440</u>	<u>67</u>	<u>29,507</u>
At 31 December 2009			
Cost	33,615	230	33,845
Accumulated amortization	(4,175)	(163)	(4,338)
Net book amount	<u>29,440</u>	<u>67</u>	<u>29,507</u>
Six months ended 30 June 2010			
Opening net book amount	29,440	67	29,507
Amortization charge	(347)	(13)	(360)
Closing net book amount	<u>29,093</u>	<u>54</u>	<u>29,147</u>
At 30 June 2010			
Cost	33,615	230	33,845
Accumulated amortization	(4,522)	(176)	(4,698)
Net book amount	<u>29,093</u>	<u>54</u>	<u>29,147</u>

- (a) Amortization of the Group's intangible assets has been charged to profit or loss as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Administrative expenses	<u>729</u>	<u>746</u>	<u>717</u>	<u>360</u>	<u>360</u>

- (b) The exclusive operating rights for city pipeline network represent the exclusive rights of sales and distribution of gases in Xuchang City and Shangjie District of Zhengzhou City in Henan Province, respectively. The terms of such exclusive rights are 50 and 30 years, starting from 2003 and 2007, respectively. In addition, the exclusive operating rights for city pipeline network of Xuchang City was acquired through assumption of a loan (Note 17), and the exclusive right of Shangjie District of Zhengzhou City was acquired through an acquisition of a business (Note 29).

10. Inventories

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Materials for gas pipelines	6,240	6,984	5,956	6,336
Consumables	139	20	29	17
Work in progress	8,944	6,453	6,589	5,424
Finished pipelined network	<u>7,163</u>	<u>6,091</u>	<u>5,126</u>	<u>—</u>
	<u>22,486</u>	<u>19,548</u>	<u>17,700</u>	<u>11,777</u>

The cost of inventories recognized as the Group's expense and included in cost of sales amounted to approximately RMB26,736,000, RMB61,502,000, RMB81,937,000 and RMB37,927,000 (unaudited) and RMB50,458,000 for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 respectively.

Write-down of inventories recognized in cost of sales in the combined statements of comprehensive income amounted to approximately RMB113,000 for the year ended 31 December 2007.

11. Trade and other receivables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade receivables (a)	9,050	10,031	9,943	10,599
Bills receivable (b)	—	—	400	150
Prepayments	1,200	2,354	2,246	1,499
Receivables due from related parties (c & Note 31)	43,773	41,689	55,440	433
Other receivables	2,396	4,191	3,994	4,079
Less: provision for impairment of other receivables	<u>(1,271)</u>	<u>(1,271)</u>	<u>(1,271)</u>	<u>(1,271)</u>
	55,148	56,994	70,752	15,489
Less: non-current portion of receivables due from a related party (c)	<u>(11,662)</u>	<u>(11,662)</u>	<u>—</u>	<u>—</u>
Current portion	<u>43,486</u>	<u>45,332</u>	<u>70,752</u>	<u>15,489</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the fair value of the current portion of trade and other receivables, except the prepayments which are not financial assets, of the Group approximated their carrying amounts.

- (a) The credit period generally granted to customers in relation to sales of pipelined gases is from 10 to 90 days. As for the customers in relation to connection of gas pipelines, the Group generally requests advances, and in circumstances of credit sales, management closely monitors the credit quality of the customers, and credit period was granted case by case with maximum of 2 years. The aging analysis of the trade receivables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 30 days	4,147	4,818	7,427	5,576
31 days to 90 days	301	1,387	1,443	2,879
91 days to 1 year	4,404	2,466	194	1,155
Over 1 year	198	1,360	879	989
	<u>9,050</u>	<u>10,031</u>	<u>9,943</u>	<u>10,599</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of RMB110,000, RMB1,217,000, RMB195,000 and RMB566,000 were past due but not impaired. These relate to a number of independent customers that have good trading records with the Group. Based on the past experiences, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in their credit quality and the balances are considered fully recoverable. The aging analysis of these trade receivables is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Over 1 year	<u>110</u>	<u>1,217</u>	<u>195</u>	<u>566</u>

As at 31 December 2007, 2008 and 2009 and 30 June 2010, trade receivables of approximately RMB8,940,000, RMB8,814,000, RMB9,748,000 and RMB10,033,000 were fully performing.

- (b) The aging of bills receivable was within 180 days as at 31 December 2009 and 30 June 2010.
- (c) The receivables due from related parties were unsecured, non-interest bearing and have no fixed repayment term except an amount of approximately RMB11,662,000 as at 31 December 2007, 2008 and 2009 which bore interest at annual rates ranging approximately from 7.52% to 8.61% and was repaid in June 2010.

As at 31 December 2007 and 2008, the fair value of the non-current portion of receivables due from a related party were approximately RMB10,737,000 and RMB10,858,000, respectively, and were calculated based on cash flows discounted using a discount rate of 8.62% and 7.40%, respectively.

- (d) As at 31 December 2007, 2008 and 2009 and 30 June 2010, other receivables of RMB1,271,000 were impaired and fully provided for impairment losses.
- (e) As at 31 December 2007, 2008 and 2009 and 30 June 2010, all the carrying amounts of the Group's trade and other receivables were denominated in RMB.

- (f) As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group's maximum exposure to credit risk was the carrying value of each class of receivables mentioned above. The Group does not hold any collateral as security.

12. Restricted cash

The restricted cash held in dedicated bank accounts of RMB500,000 as at 31 December 2007 was pledged for the Group's letter of guarantee due to a gas supplier of a subsidiary.

13. Cash and cash equivalents

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Cash in hand	46	51	57	76
Cash at banks	7,670	11,320	14,803	82,786
	<u>7,716</u>	<u>11,371</u>	<u>14,860</u>	<u>82,862</u>

All cash at banks are deposits with original maturity within 3 months.

Cash in hand and at bank are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	7,661	11,319	14,810	78,632
HKD	55	52	50	4,230
Cash and cash equivalents	<u>7,716</u>	<u>11,371</u>	<u>14,860</u>	<u>82,862</u>

The conversion of the RMB denominated balances into foreign currencies and the remittance of these funds out of the PRC are subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

14. Reserves

	Capital reserves	Statutory reserves	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2007 (a)	28,255	—	28,255
Capital injection (b)	16,500	—	16,500
Appropriation (d)	—	30	30
Balance at 31 December 2007	44,755	30	44,785
Capital injection (b)	10,000	—	10,000
Appropriation (d)	—	1,001	1,001
Balance at 31 December 2008	54,755	1,031	55,786
Acquisition of minority interest (c)	5,432	—	5,432
Appropriation (d)	—	4,181	4,181
Balance at 31 December 2009	60,187	5,212	65,399
Capital injection (b)	15,000	—	15,000
Share issuance costs	(3,306)	—	(3,306)
Deemed distribution to Owners (e)	(4,153)	—	(4,153)
Balance at 30 June 2010	<u>67,728</u>	<u>5,212</u>	<u>72,940</u>

There is no movement of reserves for the six months ended 30 June 2009.

- (a) The brought forward reserve balance as at 1 January 2007 represented the combined paid-in capital of the subsidiaries now comprising the Group as at 1 January 2007, after eliminating intra-group investments.
- (b) In 2007, the Owners injected capital of RMB13,500,000 and RMB3,000,000, respectively to establish Shangjie Tian Lun and Hebi Tian Lun Vehicle. In 2008, the Owners injected capital of RMB4,000,000 and RMB6,000,000 into Xuchang Tian Lun Vehicle and Hebi Tian Lun Vehicle, respectively. During the six months ended 30 June 2010, the Owners injected capital of RMB15,000,000 into Hebi New Energy.
- (c) In December 2009, the Owners acquired 10% equity interests of a subsidiary held by a minority shareholder as settlement of the liability of approximately RMB2,500,000 owed by the minority shareholder to the Owners.
- (d) Statutory reserves

In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group (the "PRC Subsidiaries"), it is required to appropriate 10% of the annual statutory net profits of the PRC Subsidiaries, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing the net profit. When the balance of the statutory surplus reserve fund reaches 50% of the share capital of the PRC Subsidiaries, any further appropriation is at the discretion of shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the statutory surplus reserve fund after such issue is not less than 25% of share capital.

For the years ended 31 December 2007, 2008 and 2009, RMB30,000, RMB1,001,000, RMB4,181,000 were appropriated to the statutory surplus reserve funds from net profits of certain PRC Subsidiaries.

- (e) During the six months ended 30 June 2010, as part of the Reorganization, the Group paid a consideration of RMB4,153,000 to the Owners for transfer of equity interests in certain operating entities as disclosed in Note 1. Such payment of such consideration in cash was accounted for as the Group's deemed distribution to the Owners.

15. Trade and other payables

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade payables (a) (b)	11,080	12,814	12,488	14,108
Amount due to related parties (a, b & Note 31)	29,500	25,033	17,015	15,738
Accrued payroll and welfare	429	212	181	177
Other taxes payables	288	831	1,069	1,198
Other payables (a) (d)	4,984	9,850	8,720	6,579
	<u>46,281</u>	<u>48,740</u>	<u>39,473</u>	<u>37,800</u>

- (a) As at 31 December 2007, 2008 and 2009 and 30 June 2010, all such trade and other payables of the Group were non-interest bearing, and their fair value approximated their carrying amounts due to their short maturities.
- (b) The aging analysis of the trade payables, including amounts due to a related party which were trade in nature, was as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Less than 30 days	3,375	6,885	6,345	5,394
31 days to 90 days	2,786	1,929	2,918	4,807
91 days to 1 year	1,302	2,501	2,245	2,954
1 year to 2 years	1,660	621	1,138	621
2 years to 3 years	1,648	634	274	153
Over 3 years	310	1,373	716	600
	<u>11,081</u>	<u>13,943</u>	<u>13,636</u>	<u>14,529</u>

The credit terms generally granted by the Group's suppliers ranged from 10 to 90 days.

- (c) The carrying amount of the Group's trade and other payables are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	42,480	45,160	35,899	28,152
HKD	3,801	3,580	3,574	9,648
	<u>46,281</u>	<u>48,740</u>	<u>39,473</u>	<u>37,800</u>

- (d) Other payables mainly included payables arising from purchase of equipment, customers' deposits and miscellaneous accrued expenses.

16. Advance from customers

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Advance from customers	<u>45,661</u>	<u>48,690</u>	<u>43,046</u>	<u>35,893</u>

Advance from customers mainly represents payments received from customers for connection of gas pipelines.

17. Borrowings

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current				
Bank borrowings				
— pledged (a)	3,000	—	—	—
— guaranteed (b)	75,800	54,400	29,000	29,000
Other borrowings (e)	6,672	5,858	6,242	6,397
Total non-current borrowings	85,472	60,258	35,242	35,397
Current				
Bank borrowings				
— pledged (a)	4,000	6,000	15,000	25,000
— guaranteed (b)	32,400	21,400	25,400	27,500
Other borrowings (e(i))	1,934	854	—	—
Total current borrowings	38,334	28,254	40,400	52,500
Total borrowings	<u>123,806</u>	<u>88,512</u>	<u>75,642</u>	<u>87,897</u>

- (a) All these bank borrowings were secured by certain of the Group's property, plant and equipment, investment properties and the exclusive operating rights for city pipeline network in Hebi City of Henan Province (Note 6, 7 and 19).
- (b) As at 31 December 2007 and 2008, such bank borrowings were guaranteed by Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, related companies of the Group, and an independent third party.

As at 31 December 2009, such bank borrowings were guaranteed by Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, related companies of the Group.

As at 30 June 2010, such bank borrowings were guaranteed by Henan Tian Lun Engineering Investment and Henan Tian Lun Real Estate, related companies of the Group, and Mr. Zhang Yingcen, one of the Owners of the Group.

- (c) The carrying amount and fair value of non-current borrowings are follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount	85,472	60,258	35,242	35,397
Fair value	85,468	60,216	35,232	35,458

The carrying amount of current borrowings approximated their fair value, as the impact of discounting was not significant.

The fair value of non-current borrowings are estimated based on discounted cash flow approach using the prevailing market rates of interest available to the Group for financial instruments with substantially the same terms and characteristics at each end of reporting period, which are 7.66%, 8.62%, 7.40% and 6.64% as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively.

- (d) The maturities of the Group's borrowings at respective balance sheet dates are set out as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Total borrowings				
— Within 1 year	38,334	28,254	40,400	52,500
— Between 1 and 2 years	25,095	25,400	18,581	18,663
— Between 2 and 5 years	54,665	29,419	11,016	11,021
— Over 5 years	5,712	5,439	5,645	5,713
	<u>123,806</u>	<u>88,512</u>	<u>75,642</u>	<u>87,897</u>

- (e) The carrying amount of the Group's borrowings are denominated in the following currencies:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
RMB	115,200	81,800	69,400	81,500
USD (i)	8,606	6,712	6,242	6,397
	<u>123,806</u>	<u>88,512</u>	<u>75,642</u>	<u>87,897</u>

- (i) The borrowings denominated in USD represented other borrowings from local government assumed by the Group to acquire the exclusive operating rights for city pipeline network in Xuchang City of Henan Province in 2003.

- (f) The effective interest rates of the Group's borrowings denominated in RMB and USD at the end of each reporting date are set out as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
RMB	6.14% - 10.85%	5.83% - 10.85%	6.53% - 10.62%	5.47% - 7.43%
USD	6.09%	6.09%	6.09%	6.09%

18. Deferred income tax

- (a) The analysis of deferred income tax assets is as follows:

	As at 31 December			As at 30 June
	2007	2010	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Deferred tax assets				
— Deferred tax assets to be recovered after more than 12 months	1,103	1,307	619	728
— Deferred tax assets to be recovered within 12 months	3,368	223	606	665
	<u>4,471</u>	<u>1,530</u>	<u>1,225</u>	<u>1,393</u>
Deferred tax liabilities				
— Deferred tax liabilities to be recovered within 12 months	—	—	(585)	—
Deferred tax assets (net)	<u>4,471</u>	<u>1,530</u>	<u>640</u>	<u>1,393</u>

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December			Six months ended 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
At beginning of year/period	8,347	4,471	1,530	640
(Charged)/credited to profit or loss	(3,876)	(2,941)	(890)	753
At end of year/period	<u>4,471</u>	<u>1,530</u>	<u>640</u>	<u>1,393</u>

(b) The movements on the deferred income tax assets and liabilities are as follows:

Deferred tax assets

	Provision for impairment of assets	Accrued expenses	Tax losses	Depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2007	261	15	8,071	—	8,347
(Charged)/credited to profit or loss	(12)	50	(3,999)	85	(3,876)
As at 31 December 2007	249	65	4,072	85	4,471
Credited/(charged) to profit or loss	—	34	(3,206)	231	(2,941)
As at 31 December 2008	249	99	866	316	1,530
(Charged)/credited to profit or loss	(28)	410	(866)	179	(305)
As at 31 December 2009	221	509	—	495	1,225
Credited to profit or loss	—	59	—	109	168
As at 30 June 2010	<u>221</u>	<u>568</u>	<u>—</u>	<u>604</u>	<u>1,393</u>

Deferred income tax assets are recognized for tax loss carry forwards to the extent that the realization of the related benefit through the future taxable profits is probable.

Deferred tax liabilities

	Withholding tax relating to unremitted retained earnings
	RMB'000
As at 1 January 2007	—
Charged to profit or loss	—
As at 31 December 2007	—
Charged to profit or loss	—
As at 31 December 2008	—
Charged to profit or loss	(585)
As at 31 December 2009	(585)
Credited to profit or loss	585
As at 30 June 2010	<u>—</u>

(c) There were no significant unrecognized deferred tax assets or liabilities as at 31 December 2007, 2008 and 2009 and 30 June 2010.

19. Expense by nature

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Raw materials and consumables used	30,169	57,939	81,108	37,986	44,167
Changes in inventories of finished goods and work in progress	(3,433)	3,563	829	(59)	6,291
Depreciation on property, plant and equipment (Note 6)	4,645	6,023	6,574	3,173	3,798
Depreciation on investment properties (Note 7) . . .	348	372	388	217	211
Amortization of lease prepayments (Note 8)	7	19	24	13	35
Amortization of intangible assets (Note 9)	729	746	717	360	360
Write-down of inventories (Note 10)	113	—	—	—	—
Employee benefit expense (Note 20)	2,754	4,039	5,317	2,445	3,300
Licensing fee for the exclusive operating rights for city pipeline network (a) (Note 28)	—	1,100	1,100	550	550
Engagement of construction and design services . .	3,927	5,925	6,457	2,573	5,116
Transportation	320	329	419	96	229
Auditors' remuneration	43	42	54	20	34
Professional expenses	30	146	200	83	494
Advertising expenses	729	172	452	82	34
Entertainment expenses	190	357	484	158	356
Office expenses	505	610	719	246	170
Taxes	1,657	2,731	3,622	1,812	2,520
Other expenses (b)	1,919	3,381	3,888	1,906	2,203
Total cost of sales, distribution costs and administrative expenses	<u>44,652</u>	<u>87,494</u>	<u>112,352</u>	<u>51,661</u>	<u>69,868</u>

- (a) In September 2002, the local government of Hebi City and Henan Tian Lun Engineering Investment entered into a licensing agreement, pursuant to which Henan Tian Lun Engineering Investment was granted the exclusive operating rights for city pipeline network to construct, develop and operate gas facilities in Hebi City, for a term of 30 years (the "Concession Period"). Under the agreement, the Group is required to pay an annual fee of RMB1,100,000 to the local government. Such arrangement has been accounted for by the Group as an operating lease.

The local government agreed to waive the license fee in 2007 as an incentive to the Group to operate its gas business in Hebi City. Certain bank borrowings were secured by such exclusive operating rights for city pipeline network in Hebi City as at 31 December 2008 and 2009 respectively (Note 17).

- (b) Other expenses mainly included promotion expenses, travelling expenses, utilities and other miscellaneous expenses.

20. Employee benefit expense

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages and salaries	1,976	2,990	3,930	1,886	2,427
Pension costs — defined contribution plans	320	449	570	246	348
Social security benefits costs	245	260	296	144	275
Others	213	340	521	169	250
	<u>2,754</u>	<u>4,039</u>	<u>5,317</u>	<u>2,445</u>	<u>3,300</u>

21. Other gains — net

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Gains/(losses) on disposal of property, plant and equipment	514	(72)	137	115	(18)
Gains on waiver of liabilities due to independent third parties (a)	—	—	444	—	—
Gain on acquisition of a business (Note 29)	293	—	—	—	—
Others	<u>17</u>	<u>77</u>	<u>90</u>	<u>80</u>	<u>50</u>
	<u>824</u>	<u>5</u>	<u>671</u>	<u>195</u>	<u>32</u>

- (a) During the year ended 31 December 2009, certain independent third parties waived payment of trade payables amounting to approximately RMB444,000. Such extinguishment of liabilities was recorded as other gains in 2009.

22. Finance costs — net

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income					
— Interest income derived from bank deposits . . .	(83)	(93)	(62)	(19)	(19)
— Interest income derived from receivables due from a related party (Note 31(b))	(877)	(1,004)	(1,004)	(502)	(502)
— Exchange gain	(933)	(777)	—	(6)	(68)
Finance costs					
— Interest expense on borrowings	11,385	9,537	6,975	3,866	2,756
— Exchange loss	—	—	47	—	—
— Others	<u>80</u>	<u>88</u>	<u>41</u>	<u>47</u>	<u>49</u>
	<u>9,572</u>	<u>7,751</u>	<u>5,997</u>	<u>3,386</u>	<u>2,216</u>

23. Income tax expense

- (a) The Company and Upsky Holdings are not subject to profits tax in their respective countries of incorporation.

- (b) Hong Kong profits tax

During the Relevant Periods, there was no Hong Kong profits tax applicable to the subsidiaries as the subsidiaries had no profit derived from Hong Kong.

- (c) PRC corporate income tax (the “PRC CIT”)

All of the Company's subsidiaries incorporated in the PRC are subject to PRC CIT, which has been provided based on the statutory income tax rate of the assessable income of each of such companies during the Relevant Periods as determined in accordance with the relevant PRC income tax rules and regulations.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC. The applicable PRC CIT rates of Hebi Tian Lun Vehicle, Xuchang Tian Lun, Xuchang

Tian Lun Vehicle and Shangjie Tian Lun were changed from 33% in 2007 to 25% from 2008 onwards.

Hebi Tian Lun became a sino-foreign joint venture in 2004, which was entitled to exemption from the PRC CIT for the two years commencing from its first profit making year of operations, after offsetting all unexpired tax losses carried forward from previous years, and thereafter, entitled to a 50% relief from the enacted CIT rate for the next three years (the "5-Year Tax Concession"). As the 5-Year Tax Concession started from 2007, the enacted tax rate applicable to Hebi Tian Lun is nil for the years ended 31 December 2007 and 2008, and 12.5% (being 50% of the enacted CIT rate for 2009) for the year ended 31 December 2009 and the six months ended 30 June 2010, respectively.

Withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC, in respect of earnings generated after 31 December 2007. Before the Reorganization, 80% equity interest of Hebi Tian Lun is held by Upsky Holdings which was subject to 10% withholding tax. The Group is therefore liable to withholding taxes on dividends to be distributed by Hebi Tian Lun in respect of its earnings generated from 1 January 2008.

As at 31 December 2009, deferred income tax liability of RMB585,000 (31 December 2007 and 2008: nil) have been recognized as the withholding tax that would be payable on the unremitted earnings of Hebi Tian Lun. Unremitted earnings attributable to Upsky Holdings amounted to approximately RMB5,848,000, as at 31 December 2009 (31 December 2007 and 2008: accumulated loss of approximately RMB9,340,000 and RMB5,301,000, respectively).

As part of the Reorganization disclosed in Note 1(ii), Upsky Holdings transferred all of its equity interest in Hebi Tian Lun to Tian Lun New Energy in June 2010. The capital gains resulted from such transfer is subject to 10% withholding taxes, and the above mentioned deferred tax liability on the unremitted earnings has been reversed accordingly.

The amount of income tax expense charged to profit or loss represents:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax:					
— PRC corporate income tax	322	3,925	13,102	5,666	10,801
Deferred tax (Note 18)	3,876	2,941	890	569	(753)
	<u>4,198</u>	<u>6,866</u>	<u>13,992</u>	<u>6,235</u>	<u>10,048</u>

The difference between the actual income tax charge in profit or loss and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Profit before income tax	12,488	32,417	61,545	27,017	42,898
Tax calculated at statutory tax rates applicable to each group entity	4,121	8,104	15,386	6,754	10,725
Expenses not deductible for tax purposes	241	78	131	59	151
Re-measurement of deferred tax — change in tax rate	97	—	—	—	—
Effect of tax exemption granted to a subsidiary in the PRC	(172)	(1,262)	(2,109)	(703)	(2,049)
Effect of withholding income tax in relation to net income attributable to foreign investor of the PRC operation	—	—	585	137	467
Effect of withholding income tax in relation to capital gains derived from equity transfer	—	—	—	—	496
Others	(89)	(54)	(1)	(12)	258
	<u>4,198</u>	<u>6,866</u>	<u>13,992</u>	<u>6,235</u>	<u>10,048</u>

24. Directors' and senior management's emoluments

(a) Directors' emoluments

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
— Basic salaries and allowances	69	134	180	67	68
— Discretionary bonuses	12	25	52	18	20
— Retirement benefit contributions	—	7	11	5	6
	<u>81</u>	<u>166</u>	<u>243</u>	<u>90</u>	<u>94</u>

The remuneration of each director of the Company for the year ended 31 December 2007 is set out below:

Name of directors	Basic salaries and allowances	Discretionary bonuses	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Yingcen	—	—	—	—
Mr. Xian Zhenyuan	—	—	—	—
Mr. Feng Yi	—	—	—	—
Mr. Sun Heng	69	12	—	81
Mr. Zhang Daoyuan	—	—	—	—
Mr. Chang Zongxian*	—	—	—	—
Mr. Li Liuqing*	—	—	—	—
Ms. Zhao Jun*	—	—	—	—
Mr. Zhang Jiaming*	—	—	—	—
	<u>69</u>	<u>12</u>	<u>—</u>	<u>81</u>

The remuneration of each director of the Company for the year ended 31 December 2008 is set out below:

Name of directors	Basic salaries and allowances	Discretionary bonuses	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Yingcen	—	—	—	—
Mr. Xian Zhenyuan	—	—	—	—
Mr. Feng Yi	45	9	7	61
Mr. Sun Heng	89	16	—	105
Mr. Zhang Daoyuan	—	—	—	—
Mr. Chang Zongxian*	—	—	—	—
Mr. Li Liuqing*	—	—	—	—
Ms. Zhao Jun*	—	—	—	—
Mr. Zhang Jiaming*	—	—	—	—
	<u>134</u>	<u>25</u>	<u>7</u>	<u>166</u>

The remuneration of each director of the Company for the year ended 31 December 2009 is set out below:

Name of directors	Basic salaries and allowances	Discretionary bonuses	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Yingcen	—	—	—	—
Mr. Xian Zhenyuan	—	—	—	—
Mr. Feng Yi	81	23	11	115
Mr. Sun Heng	99	29	—	128
Mr. Zhang Daoyuan	—	—	—	—
Mr. Chang Zongxian*	—	—	—	—
Mr. Li Liuqing*	—	—	—	—
Ms. Zhao Jun*	—	—	—	—
Mr. Zhang Jiaming*	—	—	—	—
	<u>180</u>	<u>52</u>	<u>11</u>	<u>243</u>

The remuneration of each director of the Company for the six months ended 30 June 2009 is set out below (unaudited):

Name of directors	Basic salaries and allowances	Discretionary bonuses	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Yingcen	—	—	—	—
Mr. Xian Zhenyuan	—	—	—	—
Mr. Feng Yi	30	9	5	44
Mr. Sun Heng	37	9	—	46
Mr. Zhang Daoyuan	—	—	—	—
Mr. Chang Zongxian*	—	—	—	—
Mr. Li Liuqing*	—	—	—	—
Ms. Zhao Jun*	—	—	—	—
Mr. Zhang Jiaming*	—	—	—	—
	<u>67</u>	<u>18</u>	<u>5</u>	<u>90</u>

The remuneration of each director of the Company for the six months ended 30 June 2010 is set out below:

Name of directors	Basic salaries and allowances	Discretionary bonuses	Retirement benefit contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Zhang Yingcen	—	—	—	—
Mr. Xian Zhenyuan	—	—	—	—
Mr. Feng Yi	31	9	6	46
Mr. Sun Heng	37	11	—	48
Mr. Zhang Daoyuan	—	—	—	—
Mr. Chang Zongxian*	—	—	—	—
Mr. Li Liuqing*	—	—	—	—
Ms. Zhao Jun*	—	—	—	—
Mr. Zhang Jiaming*	—	—	—	—
	<u>68</u>	<u>20</u>	<u>6</u>	<u>94</u>

* represent the non-executive directors

As at 13 October 2010, the Company appointed 4 independent non-executive directors, Mr. Chang Zongxian, Mr. Li Liuqing, Ms. Zhao Jun and Mr. Zhang Jiaming. They had not received and were not entitled to receive any emoluments for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010.

Those directors without payment from the Company received emoluments from the major shareholders, part of which are in relation to their services to the Company. No apportionment has been made as the directors consider that it is impractical to apportion the amount between their services to the Company and their services to the major shareholders.

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, no director received any emolument from the Group as an inducement to join or leave the Group or compensation for loss of office; no director waived or has agreed to waive any emoluments.

(b) Five highest paid individuals

The five individuals whose emoluments were highest in the Group for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 included 1, 2, 2, 2 and 2 directors respectively. Their emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 4, 3, 3, 3 and 3 individuals respectively for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Basic salaries and allowances	150	193	167	100	100
Discretionary bonuses	26	35	47	20	27
Retirement benefit contributions	14	20	20	13	7
	<u>190</u>	<u>248</u>	<u>234</u>	<u>133</u>	<u>134</u>

The emoluments of the five highest paid individuals paid by the Group fell within the following bands:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009 (Unaudited)	2010
Nil to HKD1,000,000 (equivalent to RMB872,400)	<u>4</u>	<u>3</u>	<u>3</u>	<u>3</u>	<u>3</u>

For the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, no emoluments were paid by the Group to the five highest paid individuals as inducement to join or upon joining the Group or as compensation for loss of office.

25. Earnings per share

No earnings per share information is presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganization and the preparation of the results for the Relevant Periods on a combined basis as disclosed in Note 2.1 above.

26. Cash generated from operations

(a) Reconciliation of profit before income tax to net cash generated from operations

	Year ended 31 December			Six months ended 30 June	
	2007 RMB'000	2008 RMB'000	2009 RMB'000	2009 RMB'000 (Unaudited)	2010 RMB'000
Profit before income tax	12,488	32,417	61,545	27,017	42,898
Adjustments for:					
— Depreciation of property, plant and equipment and investment properties	4,993	6,395	6,962	3,390	4,009
— Amortization of intangible assets and lease prepayments	736	765	741	373	395
— Write-down of inventories	113	—	—	—	—
— Finance income	(1,893)	(1,874)	(1,066)	(527)	(589)
— Finance costs	11,385	9,537	7,022	3,866	2,756
— Gain on waiver of other liabilities due to independent third parties (Note 21)	—	—	(444)	—	—
— Gain on acquisition of a business	(293)	—	—	—	—
— Net (gains)/losses on disposal of property, plant and equipment	(514)	72	(137)	(115)	18
	<u>27,015</u>	<u>47,312</u>	<u>74,623</u>	<u>34,004</u>	<u>49,487</u>
Changes in working capital:					
— Inventories	(3,160)	2,938	1,848	561	5,923
— Trade and other receivables	(3,678)	(2,717)	(597)	(6,258)	2,707
— Restricted cash	—	500	—	—	—
— Trade and other payables	(1,266)	7,466	(293)	1,458	(519)
— Advance from customers	7,825	3,029	(5,644)	2,429	(7,153)
	<u>(279)</u>	<u>11,216</u>	<u>(4,686)</u>	<u>(1,810)</u>	<u>958</u>
Cash generated from operations	<u>26,736</u>	<u>58,528</u>	<u>69,937</u>	<u>32,194</u>	<u>50,445</u>

(b) Proceeds from sale of property, plant and equipment

In the combined statements of cash flows, proceeds from sale of property, plant and equipment comprise:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net book amount	102	82	52	96	44
Gains/(losses) on disposal of property, plant and equipment	<u>514</u>	<u>(72)</u>	<u>137</u>	<u>115</u>	<u>(18)</u>
Proceeds from disposal of property, plant and equipment	<u>616</u>	<u>10</u>	<u>189</u>	<u>211</u>	<u>26</u>

27. Contingencies

As at 31 December 2007, 2008 and 2009 and 30 June 2010, the Group did not have any significant contingent liabilities.

28. Commitments

(a) Capital commitments

Capital expenditure contracted for at the end of each reporting period, but not yet incurred is as follows:

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	<u>823</u>	<u>—</u>	<u>1,944</u>	<u>777</u>

(b) Licensing fee commitments (Note 19)

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Not later than one year	1,100	1,100	1,100	1,100
Later than one year and no later than five years	4,400	4,400	4,400	4,400
Later than five years	<u>22,000</u>	<u>20,900</u>	<u>19,800</u>	<u>19,250</u>
	<u>27,500</u>	<u>26,400</u>	<u>25,300</u>	<u>24,750</u>

29. Business combinations

On 31 July 2007 (the "Acquisition Date"), the Group acquired the business (the "Acquired Business") of Zhengzhou Shangjie Gas Limited, an independent third party engaging in the sales of coal gas in Shangjie District of Zhengzhou City in Henan Province. As at the Acquisition Date, the fair value of the net assets and liabilities of the Acquired Business amounted to approximately RMB9,793,000, and the negative goodwill on the acquisition was approximately RMB293,000. The consideration for such acquisition was based on the valuation of the net assets of Zhengzhou Shangjie Gas Limited as at 31 March 2007 by an independent valuer.

The Acquired Business contributed revenues of approximately RMB7,759,000 and net profit of approximately RMB300,000 to the Group for the period from the Acquisition Date to 31 December 2007. If the acquisition had occurred on 1 January 2007, the Group's revenue would have been approximately RMB76,200,000, and combined profit for the year ended 31 December 2007 would have been RMB8,551,000. These amounts have been calculated using the Group's accounting policies and by adjusting the results of the Acquired Business to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets had applied from 1 January 2007, together with the consequential tax effects.

Details of net assets acquired and goodwill are as follows:

	<u>RMB'000</u>
Purchase consideration:	
Cash paid	9,500
Fair value of net assets acquired	<u>(9,793)</u>
Negative goodwill	<u>(293)</u>

The fair value of net assets acquired exceeded the cost of business combination by RMB293,000, which was recognized in 'Other gains' in the combined statements of comprehensive income.

The assets and liabilities arising from the acquisition are as follows:

	<u>Fair value</u>	<u>Acquiree's</u>
	<u>RMB'000</u>	<u>carrying</u>
	<u>RMB'000</u>	<u>amount</u>
Property, plant and equipment and lease prepayments (Note 6 & 8)	24,405	22,554
Exclusive operating rights for city pipeline network (included in intangibles)		
(Note 9)	1,750	—
Inventories	1,698	1,698
Trade and other receivables	492	492
Trade and other payables	(2,292)	(2,292)
Borrowings (a)	<u>(16,260)</u>	<u>(16,260)</u>
Net assets acquired	<u>9,793</u>	<u>6,192</u>
Purchase consideration settled in cash	9,500	
Cash outflow on acquisition	9,500	

- (a) Such borrowings were originally owed to the local government by Zhengzhou Shangjie Gas Limited, and upon the acquisition, they were assumed by Henan Tian Lun Engineering Investment as requested by the local government. During the years ended 31 December 2007 and 2008, the Group paid an aggregate of RMB16,260,000 to Henan Tian Lun Engineering Investment as settlement of such obligation.

30. Dividends

Chinese law requires dividends to be paid only out of the net profit calculated according to China accounting principles, which is different from HKFRSs. Chinese laws also require foreign invested enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends.

In addition, under the existing corporate income tax law of the PRC (the "CIT Law"), the Company is deemed to be a "non-tax resident enterprise" as defined under the CIT Law and its

implementation regulations, and a withholding tax at the rate of 10% is applicable to any dividends for earnings accumulated since 1 January 2008, payable to the Company, unless it is entitled to reduction or elimination of such tax, including by tax treaties or agreements.

On 26 March 2010, in accordance with the resolutions of the owners of Xuchang Tian Lun, Xuchang Tian Lun Vehicle, and Hebi Tian Lun Vehicle, and the board of directors of Hebi Tian Lun, retained earnings of approximately RMB29,330,000, RMB158,000, RMB1,110,000 and RMB13,158,000 were appropriated to the then equity holders of the respective companies respectively. Among such dividends, approximately RMB33,087,000 in total were appropriated to Henan Tian Lun Engineering Investment, and the remaining were appropriated to certain subsidiaries within the Group. The dividends appropriated to Henan Tian Lun Engineering Investment were accounted for as an appropriation of retained earnings in the combined financial information for the six months ended 30 June 2010. As at 30 June 2010, the outstanding dividend payable due to Henan Tian Lun Engineering Investment was approximately RMB2,632,000 (Note 31).

No dividend has been paid or declared by the Company since its incorporation. Dividends disclosed for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010 represent dividends declared or proposed by the relevant subsidiaries of the Group out of their retained earnings to the then equity holders of the respective companies, after eliminating intra-group dividends.

31. Related party transactions

Related parties are those parties that have the ability to control the other party or exercise significant influence in making financial and operating decisions. Parties are also considered to be related if they are subject to common control.

The Group is ultimately controlled by the Controlling Shareholders.

The following is a summary of the significant transactions carried out between the Group and its related parties in the ordinary course of business during the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, and balances arising from related party transactions as at 31 December 2007, 2008 and 2009 and 30 June 2010.

(a) Name and relationship with related parties

Name of related party	Relationship
Mr. Zhang Yingcen	One of the Controlling Shareholders
Ms. Sun Yanxi	One of the Controlling Shareholders
Mr. Zhang Daoyuan	One of the Controlling Shareholders
Henan Tian Lun Real Estate	Controlled by the Controlling Shareholders
Henan Tian Lun Engineering Investment	Controlled by the Controlling Shareholders
Hebi Hexiang Engineering Limited ("Hexiang Engineering")	Controlled by the Controlling Shareholders

(b) Significant related party transactions

Saved as disclosed elsewhere in this report, for the years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2009 and 2010, the Group had the following significant transactions with related parties.

Continuing transactions

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchase of construction service					
— Hexiang Engineering	<u>344</u>	<u>4,493</u>	<u>5,237</u>	<u>1,685</u>	<u>3,409</u>

Discontinued transactions

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Interest income from receivables					
— Henan Tian Lun Real Estate (Note 22)	<u>877</u>	<u>1,004</u>	<u>1,004</u>	<u>502</u>	<u>502</u>

These transactions are carried out on terms agreed with the counter parties in the ordinary course of business.

(c) Balances with related parties

	As at 31 December			As at 30 June
	2007	2008	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000
Trade and other receivables				
Other receivables due from				
— Henan Tian Lun Engineering Investment	30,527	23,467	36,497	—
— Henan Tian Lun Real Estate	12,540	13,544	14,719	—
— Hexiang Engineering	<u>84</u>	<u>4,179</u>	<u>4,224</u>	—
	<u>43,151</u>	<u>41,190</u>	<u>55,440</u>	—
Prepayments due from				
— Hexiang Engineering	<u>622</u>	<u>499</u>	—	<u>433</u>
	<u>43,773</u>	<u>41,689</u>	<u>55,440</u>	<u>433</u>
Trade and other payables				
Trade payables due to				
— Hexiang Engineering	<u>1</u>	<u>1,129</u>	<u>1,148</u>	<u>421</u>
Other payables due to				
— Mr. Zhang Yingcen	3,801	3,580	3,574	9,648
— Henan Tian Lun Engineering Investment	25,667	20,293	12,293	5,669
— Hexiang Engineering	<u>31</u>	<u>31</u>	—	—
	<u>29,499</u>	<u>23,904</u>	<u>15,867</u>	<u>15,317</u>
	<u>29,500</u>	<u>25,033</u>	<u>17,015</u>	<u>15,738</u>
Dividend payable				
— Henan Tian Lun Engineering Investment	—	—	—	<u>2,632</u>

The amounts due from/to the related parties are unsecured, interest-free and have no fixed terms of repayment, except that the receivables due from Henan Tian Lun Real Estate, of approximately RMB11,662,000 as at 31 December 2007, 2008 and 2009, bore interest at annual rates ranging approximately from 7.52% to 8.61% and was repaid in June 2010.

Other receivables due from and other payables due to related parties are all non-trade in nature, mainly arising from funds transfers to/from related parties. All such balances have been settled in October 2010.

Dividend payable due to Henan Tian Lun Engineering Investment as at 30 June 2010 was paid in September 2010.

As disclosed in Note 17, the Group's bank borrowings of approximately RMB108,200,000, RMB75,800,000, RMB54,400,000 and RMB56,500,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010 were guaranteed by Henan Tian Lun Engineering Investment, Henan Tian Lun Real Estate, Mr. Zhang Yingcen and a third party. All such guarantees from related parties have been released by the end of September 2010.

(d) Key management compensation

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Basic salaries and allowances	215	344	456	203	221
Discretionary bonuses	36	65	128	43	61
Retirement benefit contributions	15	7	39	24	18
	<u>266</u>	<u>416</u>	<u>623</u>	<u>270</u>	<u>300</u>

32. Subsequent events

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 30 June 2010:

- (a) In July 2010, in accordance with resolutions of shareholders of Shangjie Tian Lun, retained earnings of approximately RMB7,339,000 and RMB816,000 were appropriated to Hebi Tian Lun and the minority shareholder of the Group, respectively. Such dividend was paid in August 2010.
- (b) In October 2010, the Group completed the Reorganization in preparing for the Listing.
- (c) Non-competition deed with related parties

On 20 October 2010, the Company, Henan Tian Lun Engineering Investment, the Controlling Shareholders, Chequers Development Limited, Gold Shine Development Limited and Tian Lun Group entered into a non-competition deed (the "Deed"). Pursuant to the Deed, the Company is entitled to an option and right of first refusal to purchase the equity interest of the project company operating gas business of Puyang City of Henan Province (the "Puyang Business") which is owned by Mr. Zhang Yingcen and Henan Tian Lun Engineering Investment, subject to the approval of all the independent non-executive directors and the independent shareholders of the Company. If the Company exercises

such option, the purchase price will be at or not more than the fair value of the equity interest of the project company operating Puyang Business with reference to the independent valuation to be determined by a valuer agreed by the Company and the Controlling Shareholders and Henan Tian Lun Engineering Investment.

(d) Waiver of amounts due to a related party

Pursuant to an agreement entered into between Upsky Holdings and Mr. Zhang Yingcen in October 2010, Mr. Zhang Yingcen waived the repayment by Upsky Holdings of payables amounting to approximately HKD11.1 million.

III FINANCIAL INFORMATION OF THE COMPANY

The Company was incorporated on 20 May 2010 with an initial authorized share capital of HKD380,000 divided into 38,000,000 ordinary shares with par value of HKD0.01 each. On the date of incorporation, 1 ordinary share was issued nil paid to the subscriber, which was subsequently transferred to Tian Lun Group on the same date. The Company had not been involved in any significant business transactions since its date of incorporation to 30 June 2010. As at 30 June 2010, the Company had an amount due from related party balance of HKD0.01 and a share capital of HKD0.01. Save as disclosed in this report, it had no other assets, liabilities or distributable reserve as at 30 June 2010.

IV SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2010. Except as disclosed in this report, no dividends or distributions have been declared, made or paid by the Company or its subsidiaries in respect of any period subsequent to 30 June 2010.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

For illustrative purpose only, the unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set forth below to provide prospective investors with further information on: (i) how the proposed listing might have affected our financial position after completion of the Global Offering; and (ii) how the proposed Listing might have affected the unaudited pro forma forecast earnings per Share for the year ending 31 December 2010.

The unaudited pro forma financial information is derived according to a number of adjustments. Although reasonable care has been exercised in preparing such information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a complete picture of our actual financial performance and condition during the Track Record Period or any future date or period.

The information set forth in this appendix does not form part of the Accountant's Report from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of our Company, as set forth in Appendix I to this Prospectus, and is included herein for information only. The unaudited pro forma financial information should be read in conjunction with "Financial Information" and the "Accountant's Report" set forth in Appendix I to this Prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted net tangible assets of our Group prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering on the net tangible assets of our Group attributable to equity holders of our Company as at 30 June 2010 as if the Global Offering had taken place on 30 June 2010.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the combined net tangible assets of our Group as at 30 June 2010 or at any future dates following the completion of the Global Offering.

	Audited combined net tangible assets attributable to equity holders of our Company as at 30 June 2010 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company	Unaudited pro forma adjusted net tangible assets attributable to equity holders of our Company per Share ⁽³⁾	
	RMB'000	RMB'000	RMB'000	RMB	HK\$
Based on an Offer Price of HK\$1.52 per Share . . .	85,544	231,078	316,622	0.40	0.46
Based on an Offer Price of HK\$2.05 per Share . . .	85,544	315,332	400,876	0.50	0.58

Notes:

- (1) The audited combined net tangible assets attributable to equity holders of our Company as at 30 June 2010 has been extracted from the Accountant's report set out in Appendix I to this Prospectus which is based on the audited combined net assets of our Group attributable to equity holders of our Company of RMB114.7 million with an adjustment for the intangible assets of RMB29.1 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price range of HK\$1.52 per Share and HK\$2.05 per Share, respectively, after deduction of the underwriting fees and other related expenses payable by our Company. No account has been taken of the Shares that may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.
- (3) The unaudited pro forma net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 798,000,000 Shares were in issue assuming that the Global Offering had been completed on 30 June 2010 but takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

- (4) By comparing the valuation of our Company's property interests of RMB37,880,000 as set out in Appendix IV to this Prospectus and the unaudited net book value of these properties as at 30 September 2010, the net revaluation surplus is approximately RMB8.7 million, which has not been included in the above net tangible assets attributable to equity holders of our Company as at 30 June 2010. The revaluation of the Group's property interests will not be incorporated in the Group's financial information. If the revaluation surplus is to be included in the Group's financial information, an additional depreciation charge of approximately RMB0.5 million per annum related to buildings, investment properties and lease prepayments would be recorded.
- (5) No adjustment has been made to reflect any trading result or other transaction of our Group entered into subsequent to 30 June 2010.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets statement, the balances stated in Renminbi are converted into Hong Kong dollars at the PBOC rate of HK\$1.00 to RMB0.86022 prevailing on 20 October 2010.

B. UNAUDITED PRO FORMA FORECAST EARNINGS PER SHARE

The following is an illustrative and unaudited pro forma forecast earnings per Share of our Company which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on 1 January 2010. This unaudited pro forma forecast earnings per share has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the financial results of the Group for the year ending 31 December 2010 or any future period.

Forecast consolidated profit attributable to equity holders of our Company for
the year ending 31 December 2010 Not less than RMB66.1 million

Unaudited pro forma forecast earnings per Share for the year ending
31 December 2010 Not less than RMB0.08

Notes:

- (1) The forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 is extracted from the section headed "Financial Information — Profit Forecast For the Year Ending 31 December 2010" in this Prospectus. The bases on which the above profit forecast has been prepared are set out in Appendix III to this Prospectus. The Directors have prepared the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 based on our audited combined result for the six months ended 30 June 2010 as well as unaudited management accounts for the two months ended 31 August 2010 and the forecast of the consolidated results for the remaining four months ending 31 December 2010. The forecast has been prepared on the basis of accounting policies consistent in all material respects with those presently adopted by the Group as set out in Note 2.2 of the Accountant's Report, the text of which is set out in Appendix I to this Prospectus.
- (2) The calculation of unaudited pro forma forecast earnings per Share for the year ending 31 December 2010 is based on the forecast consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 and on the basis that 798,000,000 Shares were in issue during the entire period and assuming that the Global Offering had been completed on 1 January 2010. The calculation takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option or any options which may be granted under the Share Option Scheme.

C. REPORT FROM THE REPORTING ACCOUNTANT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.



羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF CHINA TIAN LUN GAS HOLDINGS LIMITED

We report on the unaudited pro forma financial information of China Tian Lun Gas Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the heading(s) of "Unaudited Pro Forma Statement of Adjusted Net Tangible Assets" and "Unaudited Pro Forma Forecast Earnings Per Share" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 27 October 2010 (the "Prospectus"), in connection with the proposed initial public offering of the shares of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed initial public offering might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the audited combined net assets of the Group attributable to equity holders of the Company as at 30 June 2010 with the Accountant's Report as set out in Appendix I of the Prospectus and comparing the unaudited forecast consolidated profit attributable to equity holders of the Company for the year ending 31 December 2010 with the profit forecast as set out in the section headed "Financial

Information” in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgement and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the adjusted net tangible assets of the Group as at 30 June 2010 or any future date, or
- the earnings per share of the Group for the year ending 31 December 2010 or any future periods.

Opinion

In our opinion:

- a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- b) such basis is consistent with the accounting policies of the Group; and
- c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 27 October 2010

The forecast of the consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 is set out in “Financial Information — Profit Forecast For the Year Ending 31 December 2010” in this Prospectus.

(I) BASES AND ASSUMPTIONS

Our Directors have prepared the forecast of the consolidated profit attributable to equity holders of our Company for the year ending 31 December 2010 based on our audited combined result for the six months ended 30 June 2010 as well as unaudited management accounts for the two months ended 31 August 2010 and the forecast of the consolidated results for the remaining four months ending 31 December 2010. The forecast has been prepared on a basis consistent in all material respects with the accounting policies presently adopted by our Company as set out in Note 2.2 of section II of the Accountant’s Report, the text of which is set out in Appendix I of this Prospectus, and on the following principal assumptions:

- (a) there will be no material changes in the existing government policies, political, legal, fiscal, market or economic conditions in the PRC, Hong Kong, or any other countries or territories in which our Group currently operates or which are otherwise material to our business;
- (b) there will be no changes in legislation, regulations or rules in the PRC, Hong Kong or any other countries or territories in which our Group operates or with which our Group has arrangements or agreements, which may materially adversely affect our Group’s business or operations;
- (c) there will not be material changes in the bases or applicable rates of taxation, subcharges or other government levies in the countries or territories in which our Group operates, except as otherwise disclosed in this Prospectus;
- (d) there will be no material changes in inflation, interest rates or foreign exchange rates from those currently prevailing in the context of our Group’s operations;
- (e) our Group’s operations will not be materially and adversely affected by any of the risk factors set out in “Risk Factors”;
- (f) there will be no wars, military incidents, acts of terrorism, pandemic diseases, natural disasters, or force majeure events, unforeseeable factors or reasons that are beyond our control, which would have a material impact on our Group’s business and operating activities;
- (g) the operation of our Group will not be adversely affected by occurrences such as labor shortages and disputes, or any other factors outside the control of the management of our Group. In addition, our Group will be able to recruit enough employees to meet its operating requirements;
- (h) the Directors and key senior management of our Group will continue to involve in the development and operation of our Group and our Group will be able to retain its key senior management and personnel;
- (i) the gas supply will not be short of demand;

- (j) the conversion program from coal gas to natural gas in Shangjie District of Zhengzhou City will not occur; and
- (k) the retail price of pipelined gases which are overall controlled by the government of each Operating Cities will not deviate materially from those of the first half year of 2010.

(II) LETTER FROM THE REPORTING ACCOUNTANT

The following is the text of a letter received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

PRICEWATERHOUSECOOPERS 

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F Prince's Building
Central, Hong Kong

27 October 2010

The Directors
China Tian Lun Gas Holdings Limited

CCB International Capital Limited

Dear Sirs,

We have reviewed the calculations of and accounting policies adopted in arriving at the forecast of the consolidated profit attributable to equity holders of China Tian Lun Gas Holdings Limited (the “Company”) for the year ending 31 December 2010 (the “Profit Forecast”) as set out in the subsection headed “Profit forecast for the year ending 31 December 2010” in the section headed “Financial information” in the prospectus of the Company dated 27 October 2010 (the “Prospectus”).

We conducted our work in accordance with Auditing Guideline 3.341 on “Accountants’ report on profit forecasts” issued by the Hong Kong Institute of Certified Public Accountants.

The Profit Forecast, for which the directors of the Company are solely responsible, has been prepared by them based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”) for the six months ended 30 June 2010, the unaudited combined results of the Group based on management accounts for the two months ended 31 August 2010 and a forecast of the consolidated results of the Group for the remaining four months ending 31 December 2010 on the basis that the current Group structure had been in existence throughout the whole financial year ending 31 December 2010.

In our opinion, the Profit Forecast, so far as the calculations and accounting policies are concerned, has been properly compiled in accordance with the bases and assumptions made by the directors of the Company as set out on pages III-1 to III-2 of the Prospectus, and is presented on a basis consistent in all material respects with the accounting policies adopted by the Group as set out in Note 2.2 of section II of the Financial Information section in Appendix I of the Prospectus.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

(III) LETTER FROM THE SOLE SPONSOR



27 October 2010

The Directors
China Tian Lun Gas Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated profit attributable to equity holders of China Tian Lun Gas Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ending 31 December 2010 (the “Forecast”), as set out in the prospectus of the Company dated 27 October 2010 (the “Prospectus”).

The Forecast, for which the Directors are solely responsible, has been prepared by the Directors based on the audited consolidated results of the Group for the six months ended 30 June 2010, the unaudited management accounts of the Group for the two months ended 31 August 2010, and a forecast of the consolidated results of the Group for the remaining four months ending 31 December 2010.

We have discussed with you the bases and assumptions upon which the Forecast has been made. We have also considered the letter dated 27 October 2010 addressed to you and us from PricewaterhouseCoopers regarding the accounting policies and calculations upon which the Forecast has been made.

On the basis of the foregoing and on the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by PricewaterhouseCoopers, we have formed the opinion that the Forecast, for which you as directors of the Company are solely responsible, has been made after due and careful enquiry.

Yours faithfully
For and on behalf of
CCB International Capital Limited
Simon Lee
Managing Director
Corporate Finance

Yours faithfully
For and on behalf of
CCB International Capital Limited
Bernard Tam
Deputy Managing Director
Corporate Finance

The following is the text of a letter, summary of valuations and valuation certificates prepared for the purpose of incorporation in this Prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of values of the properties in the PRC as at 30 September 2010.



16th Floor
Jardine House
1 Connaught Place
Central
Hong Kong

27 October 2010

China Tian Lun Gas Holdings Limited
Level 20, Guoao Building
No.26 Yousheng South Road
Jinshui District
Zhengzhou
Henan Province
The People's Republic of China

Dear Sirs,

Instructions, Purpose & Date of Valuations

In accordance with your instruction for us to value the properties in which China Tian Lun Gas Holdings Limited (referred to as the "Company") and its subsidiaries (together referred to as the "Group") have interests in the People's Republic of China (the "PRC") (as more particularly described in the attached valuation certificates), we confirm that we have inspected the properties, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the values of such properties as at 30 September 2010.

Definition of Market Value

Our valuation of the properties represents its market value which in accordance with The HKIS Valuation Standards on Property (First Edition 2005) of the Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion".

Valuation Basis and Assumption

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In valuing the properties, we have complied with the requirements set out in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities published by The Stock Exchange of the Hong Kong Limited and the HKIS Valuation Standards on Properties (First Edition 2005) issued by the Hong Kong Institute of Surveyors.

In respect of the properties situated in the PRC, the status of titles and grant of major certificates, approvals and licences, in accordance with the information provided by the Group and

the advice provided by Grandall Legal Group, the Group's legal advisor, are set out in the notes in the respective valuation certificates.

No allowance has been made in our valuations for any charges, mortgages or amounts owing on the properties nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of any onerous nature which could affect their values.

Method of Valuations

In valuing the properties nos. 1 and 4 to 6 in Group I which are held and occupied by the Group in the PRC, We have valued the properties by the Depreciated Replacement Cost ("DRC") Approach due to the special nature of buildings that there is no readily identifiable market sale comparable and the building cannot be valued by comparable market transactions. The DRC Approach requires a valuation of the market value of the land in its existing use and an estimate of the new replacement cost of the buildings and structures from which deductions are then made to allow for the age, condition and functional obsolescence. The DRC Approach generally furnishes the most reliable indication of value of property in the absence of a known market based on comparable sales. In arriving at our opinion of the market value of the land, we have valued it by Direct Comparison Approach by making reference to the comparable sale evidences in the relevant locality. The DRC is subject to adequate potential profitability of the business.

In valuing the properties nos. 2, 3, 7 and 8 in Groups I and II, which are held and occupied by the Group or for investment in the PRC respectively, we have valued the properties either on the basis of capitalization of net rental income derived from the existing tenancies with allowance for the reversionary income potential of the properties or by reference to comparable market transactions.

For properties in Groups III and IV, which are entrusted or rented and occupied by the Group in the PRC are considered to have no commercial value due mainly to the prohibition against assignment and subletting or otherwise to the lack of substantial profit rents.

Source of Information

We have been provided by the Group with extracts of documents in relation to the titles to the properties. However we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us.

In the course of our valuations, we have relied to a considerable extent on the information given by the Group and its legal advisor, Grandall Legal Group, in respect of the titles to the properties in the PRC. We have also accepted advice given to us on such matters as planning approvals or statutory notices, easements, tenure, identification of land and buildings, completion date of buildings, particulars of occupancy, site and floor areas, interest attributable to the Group and all other relevant matters.

Dimensions, measurements and areas included in the valuation certificates are based on the information provided to us and are therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuations. We were also advised by the Group that no material facts have been omitted from the information provided.

Site Inspection

We have inspected the exterior and, wherever possible, the interior of each of the properties. However, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are not, however, able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services. Unless otherwise stated, we have not been able to carry out on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the documents handed to us are correct.

Currency

Unless otherwise stated, all money amounts stated in our valuations are in Renminbi (RMB), which is the official currency of the PRC.

We enclose herewith a summary of our valuations and our valuation certificates.

Yours faithfully,
for and on behalf of
DTZ Debenham Tie Leung Limited
Andrew K.F. Chan
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
MSc., M.H.K.I.S., M.R.I.C.S.
Director

Note: Mr. Andrew Chan is a Registered Professional Surveyor who has over 23 years' of experience in the valuation of properties in Hong Kong and the PRC.

SUMMARY OF VALUATIONS

Group I — Properties held and occupied by the Group in the PRC

Property	Capital value in existing state as at 30 September 2010 (RMB)	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 30 September 2010 (RMB)
1. The buildings and natural gas processing station situated at No. 108 Xinxiang Road, Shangjie District, Zhengzhou, Henan Province, the PRC 中國河南省鄭州市上街區新鄉路108號大樓及門站	2,920,000	90	2,628,000
2. Portions of Basement, Levels 1 and 10, whole Levels 2, 11 to 13 of Xuchang Tian Lun Building, east of Chunqiu Square, Xuchang, Henan Province, the PRC 中國河南省許昌市春秋廣場東側許昌天倫大廈地庫、一層及十層部分、二層、十一層至十三層	7,510,000	100	7,510,000
3. Portions of Levels 1, 4, 5 and 6, whole Levels 2 and 3 of the office building situated at No. 85 Jiuzhou Road, Qibin District, Hebi, Henan Province, the PRC 中國河南省鶴壁市淇濱區九州路85號辦公樓一層、四層、五層及六層部分、二層及三層	5,380,000	100	5,380,000
4. Lulou natural gas processing station, south of Moushan Avenue, Shancheng District, Hebi, Henan Province, the PRC 中國河南省鶴壁市山城區牟山大道南側鹿樓門站	No commercial value	100	No commercial value

APPENDIX IV

PROPERTY VALUATION

Property	Capital value in existing state as at 30 September 2010 (RMB)	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 30 September 2010 (RMB)
5. Liuzhuang natural gas processing station, south of Dabaixian, north of Distribution Station of Ancai Energy Company, Shancheng District, Hebi, Henan Province, the PRC 中國河南省鶴壁市山城區大白線南側，安彩能源公司分輸站北側，劉莊門站	No commercial value	100	No commercial value
6. No. 2 gas filling station, north of Express Road, Qibin District, Hebi, Henan Province, the PRC 中國河南省鶴壁市淇濱區快速路北側2號加氣站	2,700,000	100	2,700,000
Sub-total of Group I:	18,510,000		18,218,000

Group II — Properties held by the Group for investment in the PRC

Property	Capital value in existing state as at 30 September 2010 (RMB)	Interest attributable to the Group %	Capital value in existing state attributable to the Group as at 30 September 2010 (RMB)
7. Portions of Basement, Levels 1 and 10, whole Levels 3 to 9 of the Xuchang Tian Lun Building, east of Chunqiu Square, Xuchang, Henan Province, the PRC 中國河南省許昌市春秋廣場東側許昌天倫大廈地庫、一層及十層部分、三層至九層	16,550,000	100	16,550,000
8. Portions of Levels 1, 4, 5 and 6 of the office building situated at No. 85 Jiuzhou Road, Qibin District, Hebi, Henan Province, the PRC 中國河南省鶴壁市淇濱區九州路85號辦公樓一層、四層、五層及六層部分	2,820,000	100	2,820,000
Sub-total of Group II:	19,370,000		19,370,000

APPENDIX IV

PROPERTY VALUATION

Group III — Property entrusted and occupied by the Group in the PRC

Property	Capital value in existing state as at 30 September 2010	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 30 September 2010
	(RMB)	%	(RMB)
9. No. 1 gas filling station, No. 16 Tanghe Street, Shancheng District, Hebi, Henan Province, the PRC	No commercial value	100	No commercial value
中國河南省鶴壁市山城區湯河街16號 1號加氣站			
Sub-total of Group III:	<u>No commercial value</u>		<u>No commercial value</u>

Group IV — Property leased and occupied by the Group in the PRC

Property	Capital value in existing state as at 30 September 2010	Interest attributable to the Group	Capital value in existing state attributable to the Group as at 30 September 2010
	(RMB)	%	(RMB)
10. The gas filling station and natural gas processing station, Dengyuan West Road, Dongcheng District, Xuchang, Henan Province, the PRC	No commercial value	100	No commercial value
中國河南省許昌市東城區鄧園西路許昌 門站及加氣站			
Sub-total of Group IV:	<u>No commercial value</u>		<u>No commercial value</u>
Grand total of Groups I to IV:	<u>37,880,000</u>		<u>37,588,000</u>

VALUATION CERTIFICATE

Group I — Properties held and occupied by the Group in the PRC

Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 30 September 2010												
1. The buildings and natural gas processing station situated at No. 108 Xinxiang Road, Shangjie District, Zhengzhou, Henan Province, the PRC	<p>The property comprises some buildings and natural gas processing station erected on a parcel of land with a total site area of approximately 5,370.20 sq m.</p> <p>The buildings comprise a building, a warehouse, a guardroom and a plant room completed in about 2001.</p> <p>The property has a total gross floor area of approximately 1,646.43 sq m with details as follows:</p> <table><tr><th>Use</th><th>Approximate Gross Floor Area (sq m)</th></tr><tr><td>Office</td><td>1,172.26</td></tr><tr><td>Warehouse</td><td>234.92</td></tr><tr><td>Guardroom</td><td>27.27</td></tr><tr><td>Plant room</td><td>211.98</td></tr><tr><td>Total</td><td>1,646.43</td></tr></table> <p>The property is held with land use rights for a term due to expire on 9 September 2060 for industrial use.</p>	Use	Approximate Gross Floor Area (sq m)	Office	1,172.26	Warehouse	234.92	Guardroom	27.27	Plant room	211.98	Total	1,646.43	The property is occupied by the Group for office and natural gas processing station uses.	RMB2,920,000 (90% interest attributable to the Group: RMB2,628,000)
Use	Approximate Gross Floor Area (sq m)														
Office	1,172.26														
Warehouse	234.92														
Guardroom	27.27														
Plant room	211.98														
Total	1,646.43														

中國河南省鄭州市
上街區新鄉路108號
大樓及門站

Notes:

- (1) According to State-owned Land Use Rights Certificate No.(2010) 42 issued by People's Municipality of Shangjie District of Zhengzhou on 21 September 2010, the land use rights of the property, comprising a site area of 5,370.20 sq m, have been vested in 鄭州市上街區天倫燃氣有限公司 (Zhengzhou Shangjie Tian Lun Gas Ltd.) for a term due to expire on 9 September 2060 for industrial use.
- (2) According to four building ownership certificates issued by Zhengzhou Real Estate Management Bureau, all on 26 September 2010 the building ownership of the property has been vested in 鄭州市上街區天倫燃氣有限公司 (Zhengzhou Shangjie Tian Lun Gas Ltd.) with details as follows:

Certificate No.	Building No. at No. 108 Xinxiang Road, Shangjie District	Use	No. of storey	Approximate Gross Floor Area (sq m)
040652	Building No. 1	Guardroom	1	27.27
040655	Building No. 2	Office	3	1,172.26
040654	Building No. 3	Warehouse	1	234.92
040653	Building No. 4	Plant room	1	211.98
Total				1,646.43

- (3) According to Business Licence No. 410106100000176(1-1), 鄭州市上街區天倫燃氣有限公司 (Zhengzhou Shangjie Tian Lun Gas Ltd.) was established as a limited company on 18 July 2007 with a registered capital of RMB15,000,000.

- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information :
- (i) The State-owned Land Use Rights Certificate and Building Ownership Certificates are valid, legal and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property, comprising a site area of 5,370.20 sq m and a gross floor area of 1,646.43 sq m have been vested in 鄭州市上街區天倫燃氣有限公司 (Zhengzhou Shangjie Tian Lun Gas Ltd.); and
 - (iii) 鄭州市上街區天倫燃氣有限公司 (Zhengzhou Shangjie Tian Lun Gas Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificates	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and Tenure	Particular of Occupancy	Capital value in existing state as at 30 September 2010
2. Portions of Basement, Levels 1 and 10, whole Levels 2, 11 to 13 of Xuchang Tian Lun Building, east of Chunqiu Square, Xuchang, Henan Province, the PRC	The property comprises portions of Basement, Levels 1 and 10, whole Levels 2, 11 to 13 of Xuchang Tian Lun Building completed in about 2000. Xuchang Tian Lun Building is a 13-storey office building with a basement erected on a parcel of land with a total site area of approximately 1,274 sq m.	The property is occupied by the Group for office use.	RMB7,510,000 (100% interest attributable to the Group: RMB7,510,000)
中國河南省許昌市 春秋廣場東側 許昌天倫大廈地庫、一層 及十層部分、二層、 十一層至十三層	The property has a total gross floor area of approximately 2,158.72 sq m. The property is held with land use rights for a term due to expire on 5 October 2038 for commercial use.		

Notes:

- (1) According to State-owned Land Use Rights Certificate No.(2005) 00400210 issued by People's Government of Xuchang on 27 December 2005, the land use rights of the property, comprising a site area of 1,274 sq m, have been vested in 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.) for a term due to expire on 5 October 2038 for commercial use.
- (2) According to Building Ownership Certificate No. 0301019877 issued by Xuchang Building Management Bureau on 9 January 2004, the building ownership of the building with a total gross floor of 5,615.72 sq m has been vested in 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.).
- (3) According to Business Licence No.411000100002836, 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.) was established as a limited company on 29 September 2003 with a registered capital of RMB25,000,000.
- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
 - (i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property, comprising a site area of 1,274 sq m and a gross floor area of 5,615.72 sq m have been vested in 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.); and
 - (iii) 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and Tenure	Particular of Occupancy	Capital value in existing state as at 30 September 2010
3. Portions of Levels 1, 4, 5 and 6, whole Levels 2 and 3 of the office building situated at No. 85 Jiuzhou Road, Qibin District, Hebi, Henan Province, the PRC	<p>The property comprises portions of Levels 1, 4, 5 and 6, whole Levels 2 and 3 of the office building of Hebi Subsidiary completed in about 1995.</p> <p>The subject office building is a 6-storey building erected on a parcel of land with a total site area of approximately 3,967.34 sq m.</p> <p>The property has a total gross floor area of approximately 2,622.31 sq m.</p> <p>The property is held with land use rights for a term due to expire on 4 December 2045 for business and financial uses.</p>	<p>The property is occupied by the Group for office use.</p>	<p>RMB5,380,000</p> <p>(100% interest attributable to the Group: RMB5,380,000)</p>
中國河南省鶴壁市淇濱區 九州路85號 辦公樓一層、四層、五層及六層部分、二層及三層			

Notes:

- (1) According to State-owned Land Use Rights Certificate No.(2010)2015 issued by People's Government of Hebi on 15 July 2010, the land use rights of the property, comprising a site area of 3,967.336 sq m, have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) for a term due to expire on 4 December 2045 for business and financial uses.
- (2) According to Building Ownership Certificate No. 0901002953 issued by Hebi Building Management Bureau on 16 June 2009, the building ownership of the building with a total gross floor area of 3,637.61 sq m has been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.)
- (3) According to Business Licence No.410600400000425, 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) was established as a limited company on 23 August 2004 with a registered capital of RMB90,000,000.
- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
 - (i) The State-owned Land Use Rights Certificate and Building Ownership Certificate are valid, legal and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property, comprising a site area of 3,967.336 sq m and a gross floor area of 3,637.61 sq m have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.); and
 - (iii) 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and Tenure	Particular of Occupancy	Capital value in existing state as at 30 September 2010
4. Lulou natural gas processing station, south of Moushan Avenue, Shancheng District, Hebi, Henan Province, the PRC 中國河南省鶴壁市山城區 牟山大道南側鹿樓門站	<p>The property comprises Lulou natural gas processing station erected on a parcel of land with a total site area of approximately 1,139.20 sq m.</p> <p>There are two single storey buildings, a guard room and a plant room, in the station with a total gross floor area of approximately 131.75 sq m completed in about 2003.</p> <p>The property is held with land use rights under the type of Allocated Land for public infrastructure facilities use. The land use term is without expiry date.</p>	The property is occupied by the Group for natural gas processing station use.	No commercial value

Notes:

- (1) According to State-owned Land Use Rights Certificate No.(2007)236 issued by People's Government of Hebi on 12 July 2007, the land use rights of the property, comprising a site area of 1,139.20 sq m, have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) under the type of Allocated Land for public infrastructure facilities use. The land use term is without expiry date.

In the course of our valuation, we have ascribed no commercial value to the property due to the type of land use rights of the property is Allocated Land and the property is prohibited from transfer. If the Group intends to sell, transfer or lease the property, it shall have to obtain the relevant land administration authorities' approval and pay the shortfall of the full land premium in advance and attend to the relevant procedures.

- (2) According to two Building Ownership Certificates issued by Hebi Building Management Bureau on 15 July 2010, building ownership of the buildings with a total gross floor area of 131.75 sq m have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) and the details are set out as follows:

Certificate No.	Approximate Gross Floor Area (sq m)
1001007821	39.75
1001007825	92.00
Total	131.75

- (3) According to Planning Permit for Construction Use of Land No. (2003)1 dated April 2003, the details are as follows:

- (i) Project name : Natural Gas Processing Station
(ii) Location : South of Moushan Avenue, Shancheng District
(iii) Site area : 1,166.66 sq m

- (4) According to Business Licence No.410600400000425, 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) was established as a limited company on 23 August 2004 with a registered capital of RMB90,000,000.

- (5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

- (i) The Land Use Rights Certificate is valid, legal and enforceable under the PRC laws;
(ii) The land use rights and building ownership of the property, comprising a site area of 1,139.20 sq m and a total gross floor area of 131.75 sq m have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.); and
(iii) 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) has the right to use and occupy the property.

- (6) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and Tenure	Particular of Occupancy	Capital value in existing state as at 30 September 2010
5. Liuzhuang natural gas processing station, south of Dabaixian, north of Distribution Station of Ancai Energy Company, Shancheng District, Hebi, Henan Province, the PRC 中國河南省鶴壁市山城區 大白線南側，安彩能源公司 分輸站北側，劉莊門站	The property comprises Liuzhuang natural gas processing station erected on a parcel of land with a total site area of approximately 878.10 sq m. There is a single storey building in the station with a total gross floor area of approximately 53.04 sq m completed in about 2005. The property is held with land use rights under the type of Allocated Land for public infrastructure facilities use. The land use term is without expiry date.	The property is occupied by the Group for natural gas processing station use.	No commercial value

Notes:

- (1) According to Land Use Rights Certificate No. (2010) 0117 issued by People's Government of Hebi on 27 May 2010, the land use rights of the property, comprising a site area of 878.10 sq m, have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) under the type of Allocated Land for public facilities use. The land use term is without expiry date.

In the course of our valuation, we have ascribed no commercial value to the property due to the type of land use rights of the property is Allocated Land and the property is prohibited from transfer. If the Group intends to sell, transfer or lease the property, it shall have to obtain the relevant land administration authorities' approval and pay the shortfall of the full land premium in advance and attend to the relevant procedures.

- (2) According to Building Ownership Certificate No. 1001007820 issued by Hebi Building Management Bureau on 15 July 2010, the building ownership of the building with a total gross floor area of 53.04 sq m have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.)

- (3) According to Planning Permit for Construction Use of Land No. (2005)12 issued by Hebi Urban Planning Administration Bureau on 10 May 2005 with details as follows:

- | | | |
|-------|--------------------|---|
| (i) | Construction party | : 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) |
| (ii) | Project name | : Liuzhuang Natural Gas Processing Station (Public Facilities Use of Land) |
| (iii) | Location | : south of Dabaixian, north of Sub-transportation Station of Ancai Energy Company |
| (iv) | Site area | : 1,464.011 sq m |

- (4) According to Business Licence No.410600400000425, 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) was established as a limited company on 23 August 2004 with a registered capital of RMB90,000,000.

- (5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

- (i) The Land Use Rights Certificate is valid, legal and enforceable under the PRC laws;
- (ii) The land use rights and building ownership of the property, comprising a site area of 878.10 sq m and a total gross floor area of 53.04 sq m have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.); and
- (iii) 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) has the right to use and occupy the property.

- (6) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and Tenure	Particular of Occupancy	Capital value in existing state as at 30 September 2010
6. No. 2 gas filling station, north of Express Road, Qibin District, Hebi, Henan Province, the PRC 中國河南省鶴壁市淇濱區 快速路北側2號加氣站	<p>The property comprises the No. 2 gas station erected on a parcel of land with a total site area of approximately 6,059.01 sq m.</p> <p>There are four single storey buildings in the station with a total gross floor area of approximately 410.79 sq m completed in about 2010.</p> <p>A portion of the property is held with land use rights under the type of Allocated Land for public facilities use. The land use term is without expiry date.</p> <p>A portion of the property is held with land use rights for wholesale and retail use for a term due to expire on 11 July 2050.</p>	The property is occupied by the Group for gas filling station use.	<p>RMB2,700,000</p> <p>(100% interest attributable to the Group: RMB2,700,000)</p>

Notes:

- (1) According to Land Use Rights Certificate No.(2010)2016 issued by People's Government of Hebi on 20 July 2010, the land use rights of the property, comprising a site area of 1,867.34 sq m, have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) under the type of Allocated Land for public facilities use. The land use term is without expiry date.

In the course of our valuation, we have ascribed no commercial value to this portion of the property due to the type of land use rights of this portion of the property is Allocated Land and this portion of the property is prohibited from transfer. If the Group intends to sell, transfer or lease the property, it shall have to obtain the relevant land administration authorities' approval and pay the shortfall of the full land premium in advance and attend to the relevant procedures.

According to Land Use Rights Certificate No. (2010)2014 issued by People's Government of Hebi on 15 July 2010, the land use rights of the property comprising a site area of 4,191.67 sq m have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) for a term due to expire on 11 July 2050 for wholesale and retail use.

- (2) According to four Building Ownership Certificates issued by Hebi Building Management Bureau on 15 July 2010, the building ownership of the buildings with a total gross floor area of 410.79 sq m have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) and the details are set out as follows:

Certificate No.	Approximate Gross Floor Area (sq m)
1001007860	114.06
1001007861	29.69
1001007862	248.56
1001007863	18.48
Total	410.79

- (3) According to Planning Permit for Construction Use of Land No. (2007)03 issued by Hebi Urban Planning Administration Bureau dated 5 February 2007, with details as follows:

- | | | |
|-------|--------------------|--|
| (i) | Construction party | : 鹤壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) |
| (ii) | Project name | : High Pressure Gas Storage Station (Industrial Use of Land) |
| (iii) | Location | : North of Huanghe Road, west of Jinshan Road |
| (iv) | Site area | : 7,719.008 sq m |

- (4) According to Business Licence No.410600400000425, 鹤壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) was established as a limited company on 23 August 2004 with a registered capital of RMB90,000,000.

- (5) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:

- (i) The Land Use Rights Certificates are valid, legal and enforceable under the PRC laws;
- (ii) The land use rights and building ownership of the property, comprising a site area of 6,059.006 sq m and a total gross floor area of 410.97 sq m have been vested in 鹤壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.); and
- (iii) 鹤壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) has the right to use and occupy the property.

- (6) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Land Use Rights Certificates	Yes
Building Ownership Certificates	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group II — Properties held by the Group for investment in the PRC

Property	Description and Tenure	Particular of Occupancy	Capital value in existing state as at 30 September 2010
7. Portions of Basement, Levels 1 and 10, whole Levels 3 to 9 of Xuchang Tian Lun Building, east of Chunqiu Square, Xuchang, Henan Province, the PRC 中國河南省許昌市 春秋廣場東側 許昌天倫大廈地庫、 一層及十層部分、 三層至九層	The property comprises portions of Basement, Levels 1 and 10, whole Levels 3 to 9 of Xuchang Tian Lun Building completed in about 2000. Xuchang Tian Lun Building is a 13-storey office building with a basement erected on a parcel of land with a total site area of approximately 1,274 sq m. The property has a total gross floor area of approximately 3,457 sq m. The property is held with land use rights for a term due to expire on 5 October 2038 for commercial use.	The property is leased under various tenancies with a total monthly rental of RMB55,260. The latest expiry date of lease term for those tenancies is 14 May 2013. As advised by the Group, the lessees are independent third parties.	RMB16,550,000 (100% interest attributable to the Group: RMB16,550,000)

Notes:

- (1) According to State-owned Land Use Rights Certificate No.(2005) 00400210 issued by People's Government of Xuchang on 27 December 2005, the land use rights of the property, comprising a site area of 1,274.00 sq m, have been vested in 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.) for a term due to expire on 5 October 2038 for commercial use.
- (2) According to Building Ownership Certificate No. 0301019877 issued by Xuchang Building Management Bureau on 9 January 2004, the building ownership of the building with a total gross floor of 5,615.72 sq m has been vested in 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.)
- (3) According to Business Licence No. 411000100002836, 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.) was established as a limited company on 29 September 2003 with a registered capital of RMB25,000,000.
- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information :
 - (i) The State-owned Land Use Rights Certificate and the Building Ownership Certificate are valid, legal and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property, comprising a site area of 1,274.00 sq m and a gross floor area of 5,615.72 sq m have been vested in 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.);
 - (iii) 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and
 - (iv) The lease agreements are valid, legal and enforceable with the relevant authorities.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Property	Description and Tenure	Particular of Occupancy	Capital value in existing state as at 30 September 2010
8. Portions of Levels 1, 4, 5 and 6 of the office building situated at No. 85 Jiuzhou Road, Qibin District, Hebi, Henan Province, the PRC	<p>The property comprises portions of Levels 1, 4, 5 and 6 of an office building completed in about 1995.</p> <p>The subject office building is a 6-storey building erected on a parcel of land with a total site area of approximately 3,967.34 sq m.</p> <p>The property has a total gross floor area of approximately 1,015.30 sq m.</p> <p>The property is held with land use rights for a term due to expire on 4 December 2045 for business and financial uses.</p>	<p>The property is leased under various tenancies with a total monthly rental of RMB13,167.</p> <p>The latest expiry date of lease term for those tenancies is 31 January 2011.</p> <p>As advised by the Group, the lessees are independent third parties.</p>	<p>RMB2,820,000</p> <p>(100% interest attributable to the Group: RMB2,820,000)</p>

Notes:

- (1) According to State-owned Land Use Rights Certificate No.(2010) 2015 issued by People's Government of Hebi on 15 July 2010, the land use rights of the property, comprising a site area of 3,967.336 sq m, have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) for a term due to expire on 4 December 2045 for business and financial uses.
- (2) According to Building Ownership Certificate No. 0901002953 issued by Hebi Building Management Bureau on 16 June 2009, the building ownership of the building with a total gross floor of 3,637.61 has been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.)
- (3) According to Business Licence No.410600400000425, 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) was established as a limited company on 23 August 2004 with a registered capital of RMB90,000,000.
- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information:
 - (i) The State-owned Land Use Rights Certificate and the Building Ownership Certificates are valid, legal and enforceable under the PRC laws;
 - (ii) The land use rights and building ownership of the property, comprising a site area of 3,967.336 sq m and a gross floor area of 3,637.61 sq m have been vested in 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.);
 - (iii) 鶴壁市天倫燃氣有限公司 (Hebi Tian Lun Gas Ltd.) has the right to freely occupy, use, lease, transfer, mortgage and dispose of the land use rights and building ownership of the property; and
 - (iv) The lease agreements are valid, legal and enforceable with the relevant authorities.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

State-owned Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III — Property entrusted and occupied by the Group in the PRC

Property	Description and Tenure	Particular of Occupancy	Capital value in existing state as at 30 September 2010
9. No. 1 gas filling station, No. 16 Tanghe Street, Shancheng District, Hebi, Henan Province, the PRC 中國河南省鶴壁市山城區 湯河街16號1號加氣站	<p>The property comprises the No. 1 gas station erected on a parcel of land with a total site area of approximately 9,596.7 sq m.</p> <p>There are four buildings with a total gross floor area of approximately 156.05 sq m completed in about 2009.</p> <p>The property is entrusted from an independent party, 鶴壁市煤氣公司 (Hebi Gas Company) to the Group.</p> <p>The property is held with land use rights under the type of Allocated Land for public facilities use. The land use term is without expiry date.</p>	The property is occupied by the Group for gas filling station use.	No commercial value

Notes:

- (1) According to Land Use Rights Certificate No.(1997) 20-008 issued by People's Government of Hebi on 1 November 1997, the land use rights of the property, comprising a site area of 9,596.70 sq m, have been vested in 鶴壁市煤氣公司 (Hebi Gas Company) under the type of Allocated Land for public facilities use. The land use term is without expiry date.

Henan Tian Lun Engineering Investment entered an agreement with 鶴壁市建設委員會 (Hebi Construction Committee) which granted Henan Tian Lun Engineering Investment the exclusive rights to construct, develop and operate natural gas facilities in the urban areas of Hebi for a term of 30 years. During the period, Henan Tian Lun Engineering Investment is entrusted with the management of the asset previously owned by 鶴壁市燃氣公司 (The Gas Company of Hebi), a state-owned enterprise.

As advised by the Group, the property is entrusted and occupied by the Group.

- (2) According to four Building Ownership Certificates issued by Hebi Building Management Bureau on 15 July 2010, the building ownership of the buildings with a total gross floor area of 156.05 have been vested in 鶴壁市天倫車用燃氣有限公司 (Hebi Tian Lun Vehicle-use Gas Ltd.) and the details are set out as follows:

Certificate No.	Approximate Gross Floor Area (sq m)
1001007856	69.83
1001007857	43.94
1001007858	17.28
1001007859	25.00
Total	156.05

- (3) According to Business Licence No.410692100000559, 鶴壁市天倫車用燃氣有限公司 (Hebi Tian Lun Vehicle-use Gas Ltd.) was established as a limited company on 29 October 2007 with a registered capital of RMB10,000,000.
- (4) We have been provided with a legal opinion issued by the Company's PRC legal advisor, which contains, inter alia, the following information :
- (i) The Land Use Rights Certificate is valid, legal and enforceable under the PRC laws;
- (ii) The land use rights of the property, comprising a site area of 9,596.70 sq m have been vested in 鶴壁市煤氣公司 (Hebi Gas Company);

- (iii) The building ownership of the property, comprising a total gross floor area of 156.05 sq m, have been vested in 鶴壁市天倫車用燃氣有限公司 (Hebi Tian Lun Vehicle-use Gas Ltd.); and
- (iv) The property is entrusted and occupied by the Group.
- (5) The status of title and grant of major approvals and licences in accordance with the information provided by the Group are as follows:

Land Use Rights Certificate	Yes
Building Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group IV — Property leased and occupied by the Group in the PRC

	<u>Property</u>	<u>Description and Tenancy Particulars</u>	<u>Capital value in existing state as at 30 September 2010</u>
10.	<p>The gas filling station and natural gas processing station, Dengyuan West Road, Dongcheng District, Xuchang, Henan Province, the PRC</p> <p>中國河南省許昌市東城區鄧園西路許昌門站及加氣站</p>	<p>The property comprises a gas filling station and a natural gas processing station erected on a parcel of land with a total site area of approximately 10.365 mu (6,910.03 sq m.)</p> <p>There are some buildings with a total gross floor area of approximately 432.42 sq m completed in about 2005.</p> <p>The property is occupied by the Group as gas filling station and natural gas processing station.</p> <p>The property is leased from an independent party, to 許昌市天倫燃氣有限公司 (Xuchang Tian Lun Gas Ltd.) for a term of 30 years from 10 August 2005 at an annual rental equivalent to the cash of 1,000 kg of wheat per mu.</p> <p>According to the PRC legal opinion, the lessee is entitled to occupy the property.</p>	No commercial value

Set out below is a summary of certain provisions of the Memorandum and Articles of Association of the Company and of certain aspects of Cayman Islands company law.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 20 May 2010 under the Cayman Companies Law. The Company's constitutional documents consist of its Amended and Restated Memorandum of Association (the "Memorandum") and the Amended and Restated Articles of Association (the "Articles").

1. MEMORANDUM OF ASSOCIATION

- (a) The Memorandum provides, *inter alia*, that the liability of members of the Company is limited and that the objects for which the Company is established are unrestricted (and therefore include acting as an investment company), and that the Company shall have and be capable of exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate whether as principal, agent, contractor or otherwise and since the Company is an exempted company that the Company will not trade in the Cayman Islands with any person, firm or corporation except in furtherance of the business of the Company carried on outside the Cayman Islands.
- (b) By special resolution the Company may alter the Memorandum with respect to any objects, powers or other matters specified therein.

2. ARTICLES OF ASSOCIATION

The Articles were adopted on 13 October 2010. The following is a summary of certain provisions of the Articles:

(a) Shares

(i) *Classes of shares*

The share capital of the Company consists of ordinary shares.

(ii) *Share certificates*

Every person whose name is entered as a member in the register of members shall be entitled without payment to receive a certificate for his shares. The Cayman Companies Law prohibits the issue of bearer shares to any person other than an authorized or recognized custodian defined in the Cayman Companies Law. The requirement on all service providers to implement appropriate due diligence procedures on the identity of a client in order to "know your client" as a result of proceeds of crime legislation mandates that special procedures should be followed when issuing bearer shares.

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, and shall be signed autographically by one Director and the Secretary, or by two Directors, or by some other person(s) appointed by the Board for the purpose. As regards any certificates for shares or debentures or other securities of the Company, the Board may by resolution determine that such signatures or either of them shall be dispensed with or affixed by some method or system of mechanical signature other than

autographic as specified in such resolution or that such certificates need not be signed by any person. Every share certificate issued shall specify the number and class of shares in respect of which it is issued and the amount paid thereon and may otherwise be in such form as the Board may from time to time prescribe. A share certificate shall relate to only one class of shares, and where the capital of the Company includes shares with different voting rights, the designation of each class of shares, other than those which carry the general right to vote at general meetings, must include the words “restricted voting” or “limited voting” or “non-voting” or some other appropriate designation which is commensurate with the rights attaching to the relevant class of shares. The Company shall not be bound to register more than four persons as joint holders of any share.

(b) Directors

(i) Power to allot and issue shares and warrants

Subject to the provisions of the Cayman Companies Law, the Memorandum and Articles and without prejudice to any special rights conferred on the holders of any shares or class of shares, any share may be issued with or have attached thereto such rights, or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Company may by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine). Any share may be issued on terms that upon the happening of a specified event or upon a given date and either at the option of the Company or the holder thereof, they are liable to be redeemed.

The Board may issue warrants to subscribe for any class of shares or other securities of the Company on such terms as it may from time to time determine.

Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Cayman Companies Law, the Articles and, where applicable, the rules of any stock exchange of the Relevant Territory (as defined in the Articles) and without prejudice to any special rights or restrictions for the time being attached to any shares or any class of shares, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and on such terms and conditions as it in its absolute discretion thinks fit, but so that no shares shall be issued at a discount.

Neither the Company nor the Board shall be obliged, when making or granting any allotment of, offer of, option over or disposal of shares, to make, or make available, any such allotment, offer, option or shares to members or others whose registered addresses are in any particular territory or territories where, in the absence of a registration statement or other special formalities, this is or may, in the opinion of the Board, be unlawful or impracticable. However, no member affected as a result of the foregoing shall be, or be deemed to be, a separate class of members for any purpose whatsoever.

- (ii) Power to dispose of the assets of the Company or any subsidiary

While there are no specific provisions in the Articles relating to the disposal of the assets of the Company or any of its subsidiaries, the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Articles or the Cayman Companies Law to be exercised or done by the Company in general meeting, but if such power or act is regulated by the Company in general meeting, such regulation shall not invalidate any prior act of the Board which would have been valid if such regulation had not been made.

- (iii) *Compensation or payments for loss of office*

Payments to any present Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually or statutorily entitled) must be approved by the Company in general meeting.

- (iv) *Loans and provision of security for loans to Directors*

There are provisions in the Articles prohibiting the making of loans to Directors and their associates which are equivalent to provisions of Hong Kong law prevailing at the time of adoption of the Articles.

The Company shall not directly or indirectly make a loan to a Director or a director of any holding company of the Company or any of their respective associates, enter into any guarantee or provide any security in connection with a loan made by any person to a Director or a director of any holding company of the Company or any of their respective associates, or if any one or more of the Directors hold (jointly or severally or directly or indirectly) a controlling interest in another company, make a loan to that other company or enter into any guarantee or provide any security in connection with a loan made by any person to that other company.

- (v) *Disclosure of interest in contracts with the Company or with any of its subsidiaries*

With the exception of the office of auditor of the Company, a Director may hold any other office or place of profit with the Company in conjunction with his office of Director for such period and, upon such terms as the Board may determine, and may be paid such extra remuneration therefore (whether by way of salary, commission, participation in profits or otherwise) in addition to any remuneration provided for by or pursuant to any other Articles. A Director may be or become a director or other officer or member of any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration or other benefits received by him as a director, officer or member of such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favor of any resolution appointing the Directors or any of them to be directors or officers of such other company.

No Director or intended Director shall be disqualified by his office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who is, in any way, materially interested in a contract or arrangement or proposed contract or arrangement with the Company shall declare the nature of his interest at the earliest meeting of the Board at which he may practically do so.

There is no power to freeze or otherwise impair any of the rights attaching to any Share by reason that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

A Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement or other proposal in which he or his associate(s) is/are materially interested, and if he shall do so his vote shall not be counted nor shall he be counted in the quorum for that resolution, but this prohibition shall not apply to any of the following matters namely:

- (aa) the giving of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (bb) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has/have himself/themselves assumed responsibility in whole or in part whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (cc) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase, where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (dd) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or a member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;
- (ee) any proposal or arrangement concerning the adoption, modification or operation of a share option scheme, a pension fund or retirement, death or disability benefits scheme or other arrangement which relates both to Directors,

his associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or

- (ff) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vi) *Remuneration*

The Directors shall be entitled to receive, as ordinary remuneration for their services, such sums as shall from time to time be determined by the Board, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree or failing agreement, equally, except that in such event any Director holding office for only a portion of the period in respect of which the remuneration is payable shall only rank in such division in proportion to the time during such period for which he has held office. The Directors shall also be entitled to be repaid all traveling, hotel and other expenses reasonably incurred by them in attending any Board meetings, committee meetings or general meetings or otherwise in connection with the discharge of their duties as Directors. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

Any Director who, at the request of the Company performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such special or extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration as a Director. An executive Director appointed to be a managing director, joint managing director, deputy managing director or other executive officer shall receive such remuneration (whether by way of salary, commission or participation in profits or otherwise or by all or any of those modes) and such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration shall be in addition to his ordinary remuneration as a Director.

The Board may establish, either on its own or jointly in concurrence or agreement with other companies (being subsidiaries of the Company or with which the Company is associated in business), or may make contributions out of the Company's monies to, such schemes or funds for providing pensions, sickness or compassionate allowances, life assurance or other benefits for employees (which expression as used in this and the following paragraph shall include any Director or former Director who may hold or have held any executive office or any office of profit with the Company or any of its subsidiaries) and former employees of the Company and their dependents or any class or classes of such persons.

In addition, the Board may also pay, enter into agreements to pay or make grants of revocable or irrevocable, whether or not subject to any terms or conditions, pensions

or other benefits to employees and former employees and their dependents, or to any of such persons, including pensions or benefits additional to those, if any, to which such employees or former employees or their dependents are or may become entitled under any such scheme or fund as mentioned above. Such pension or benefit may, if deemed desirable by the Board, be granted to an employee either before and in anticipation of, or upon or at any time after, his actual retirement.

(vii) *Appointment, retirement and removal*

At any time or from time to time, the Board shall have the power to appoint any person as a Director either to fill a casual vacancy on the Board or as an additional Director to the existing Board subject to any maximum number of Directors, if any, as may be determined by the members in general meeting. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election. There is no shareholding qualification for Directors.

At each annual general meeting, one third of the Directors for the time being will retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors who shall retire in each year will be those who have been longest in the office since their last re-election or appointment but as between persons who become or were last re-elected Directors on the same day those to retire will (unless they otherwise agree among themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office. The period for lodgment of such notices will commence no earlier than the day after the dispatch of the notice of the meeting appointed for such election and end no later than seven days prior to the date of such meeting and the minimum length of the period during which such notices to the Company may be given must be at least seven days.

A Director is not required to hold any shares in the Company by way of qualification nor is there any specified upper or lower age limit for Directors either for accession to the Board or retirement therefrom.

A Director may be removed by an ordinary resolution of the Company before the expiration of his term of office (but without prejudice to any claim which such Director may have for damages for any breach of any contract between him and the Company) and the Company may by ordinary resolution appoint another in his place. Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than two.

In addition to the foregoing, the office of a Director shall be vacated:

- (aa) if he resigns his office by notice in writing delivered to the Company at the registered office or head office of the Company for the time being or tendered at a meeting of the Board;

- (bb) if he dies or becomes of unsound mind as determined pursuant to an order made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Board resolves that his office be vacated;
- (cc) if, without special leave, he is absent from meetings of the Board for six (6) consecutive months, and the Board resolves that his office is vacated;
- (dd) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (ee) if he is prohibited from being a director by law;
- (ff) if he ceases to be a director by virtue of any provision of law or is removed from office pursuant to the Articles;
- (gg) if he has been validly required by the stock exchange of the Relevant Territory (as defined in the Articles) to cease to be a Director and the relevant time period for application for review of or appeal against such requirement has lapsed and no application for review or appeal has been filed or is underway against such requirement; or
- (hh) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) then in office.

From time to time the Board may appoint one or more of its body to be managing director, joint managing director, or deputy managing director or to hold any other employment or executive office with the Company for such period and upon such terms as the Board may determine and the Board may revoke or terminate any of such appointments. The Board may also delegate any of its powers to committees consisting of such Director or Directors and other person(s) as the Board thinks fit, and from time to time it may also revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall, in the exercise of the powers so delegated, conform to any regulations that may from time to time be imposed upon it by the Board.

(viii) *Borrowing powers*

Pursuant to the Articles, the Board may exercise all the powers of the Company to raise or borrow money, to mortgage or charge all or any part of the undertaking, property and uncalled capital of the Company and, subject to the Cayman Companies Law, to issue debentures, debenture stock, bonds and other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The provisions summarized above, in common with the Articles of Association in general, may be varied with the sanction of a special resolution of the Company.

(ix) *Register of Directors and officers*

Pursuant to the Cayman Companies Law, the Company is required to maintain at its registered office a register of directors and officers which is not available for

inspection by the public. A copy of such register must be filed with the Registrar of Companies in the Cayman Islands and any change must be notified to the Registrar within 30 days of any change in such directors or officers.

(x) *Proceedings of the Board*

Subject to the Articles, the Board may meet anywhere in the world for the dispatch of business and may adjourn and otherwise regulate its meetings as it thinks fit. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

(c) **Alterations to the constitutional documents**

To the extent that the same is permissible under Cayman Islands law and subject to the Articles, the Memorandum and Articles of the Company may only be altered or amended, and the name of the Company may only be changed by the Company by special resolution.

(d) **Variation of rights of existing shares or classes of shares**

Subject to the Cayman Companies Law, if at any time the share capital of the Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may (unless otherwise provided for by the terms of issue of the shares of that class) be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Articles relating to general meetings shall *mutatis mutandis* apply, but so that the necessary quorum (other than at an adjourned meeting) shall be not less than two persons together holding (or in the case of a shareholder being a corporation, by its duly authorized representative) or representing by proxy not less than one-third in nominal value of the issued shares of that class. Every holder of shares of the class shall be entitled on a poll to one vote for every such share held by him, and any holder of shares of the class present in person or by proxy may demand a poll.

Any special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

(e) **Alteration of capital**

The Company may, by an ordinary resolution of its members, (a) increase its share capital by the creation of new shares of such amount as it thinks expedient; (b) consolidate or divide all or any of its share capital into shares of larger or smaller amount than its existing shares; (c) divide its unissued shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions; (d) subdivide its shares or any of them into shares of an amount smaller than that fixed by the Memorandum; and (e) cancel shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the

amount of its share capital by the amount of the shares so cancelled; (f) make provision for the allotment and issue of shares which do not carry any voting rights; (g) change the currency of denomination of its share capital; and (h) reduce its share premium account in any manner authorized and subject to any conditions prescribed by law.

Reduction of share capital — subject to the Cayman Companies Law and to confirmation by the court, a company limited by shares may, if so authorized by its Articles of Association, by special resolution, reduce its share capital in any way.

(f) Special resolution — majority required

In accordance with the Articles, a special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast by such members as, being entitled so to do, vote in person or by proxy or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 clear days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, except in the case of an annual general meeting, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right and, in the case of an annual general meeting, if so agreed by all members entitled to attend and vote thereat, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 clear days' notice has been given.

Under Cayman Companies Law, a copy of any special resolution must be forwarded to the Registrar of Companies in the Cayman Islands within 15 days of being passed.

An "ordinary resolution", by contrast, is defined in the Articles to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of members which are corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which not less than fourteen clear days' notice has been given and held in accordance with the Articles. A resolution in writing signed by or on behalf of all members shall be treated as an ordinary resolution duly passed at a general meeting of the Company duly convened and held, and where relevant as a special resolution so passed.

(g) Voting rights (generally and on a poll) and right to demand a poll

Subject to any special rights, restrictions or privileges as to voting for the time being attached to any class or classes of shares at any general meeting on a show of hands, every member who is present in person or by proxy or being a corporation, is present by its duly authorized representative shall have one vote, and on a poll every member present in person or by proxy or, in the case of a member being a corporation, by its duly authorized representative shall have one vote for every share which is fully paid or credited as fully paid registered in his name in the register of members of the Company but so that no amount paid up or credited as paid up on a share in advance of calls or installments is treated for the foregoing purpose as paid up on the share. Notwithstanding anything contained in the Articles, where more than one proxy is appointed by a member which is a Clearing House (as defined in the Articles) (or its nominee(s)), each such proxy shall have one vote on a show of hands. On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes he does use in the same way.

At any general meeting a resolution put to the vote of the meeting is to be decided on a show of hands unless (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) a poll is demanded or otherwise required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles). A poll may be demanded by:

- (i) the chairman of the meeting; or
- (ii) at least two members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy for the time being entitled to vote at the meeting; or
- (iii) any member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or
- (iv) a member or members present in person or, in the case of a member being a corporation, by its duly authorized representative or by proxy and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

Should a Clearing House or its nominee(s), be a member of the Company, such person or persons may be authorized as it thinks fit to act as its representative(s) at any meeting of the Company or at any meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized in accordance with this provision shall be entitled to exercise the same rights and powers on behalf of the Clearing House or its nominee(s), as if such person were an individual member including the right to vote individually on a show of hands.

Where the Company has knowledge that any member is, under the Listing Rules, required to abstain from voting on any particular resolution of the Company or restricted to voting only for or only against any particular resolution of the Company, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

(h) Annual general meetings

The Company must hold an annual general meeting each year. Such meeting must be held not more than 15 months after the holding of the last preceding annual general meeting, or such longer period as may be authorized by the Stock Exchange at such time and place as may be determined by the Board.

(i) Accounts and audit

The Board shall cause proper books of account to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipt and expenditure take place, and of the assets and liabilities of the Company and of all other matters required by the Cayman Companies Law necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of accounts of the Company shall be kept at the head office of the Company or at such other place or places as the Board decides and shall always be open to inspection by any Director. No member (other than a Director) shall have any right to inspect any account or book or document of the Company except as conferred by the Cayman Companies Law or ordered by a court of competent jurisdiction or authorized by the Board or the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting balance sheets and profit and loss accounts (including every document required by law to be annexed thereto), together with a copy of the Directors' report and a copy of the auditors' report not less than 21 days before the date of the annual general meeting. Copies of these documents shall be sent to every person entitled to receive notices of general meetings of the Company under the provisions of the Articles together with the notice of annual general meeting, not less than 21 days before the date of the meeting.

Subject to the rules of the stock exchange of the Relevant Territory (as defined in the Articles), the Company may send summarized financial statements to shareholders who has, in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles), consented and elected to receive summarized financial statements instead of the full financial statements. The summarized financial statements must be accompanied by any other documents as may be required under the rules of the stock exchange of the Relevant Territory (as defined in the Articles), and must be sent to the shareholders not less than twenty-one days before the general meeting to those shareholders that have consented and elected to receive the summarized financial statements.

The Company shall appoint auditor(s) to hold office until the conclusion of the next annual general meeting on such terms and with such duties as may be agreed with the Board. The auditors' remuneration shall be fixed by the Company in general meeting or by the Board if authority is so delegated by the members.

The auditors shall audit the financial statements of the Company in accordance with generally accepted accounting principles of Hong Kong, the International Accounting Standards or such other standards as may be permitted by the Stock Exchange.

(j) Notices of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting at which it is proposed to pass a special resolution must be called by at least 21 days' notice in writing, and any other extraordinary general meeting shall be called by at least 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and must specify the time, place and agenda of the meeting, and particulars of the resolution(s) to be considered at that meeting, and, in the case of special business, the general nature of that business.

Except where otherwise expressly stated, any notice or document (including a share certificate) to be given or issued under the Articles shall be in writing, and may be served by the Company on any member either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such member at his registered address as

appearing in the Company's register of members or by leaving it at such registered address as aforesaid or (in the case of a notice) by advertisement in the newspapers. Any member whose registered address is outside Hong Kong may notify the Company in writing of an address in Hong Kong which for the purpose of service of notice shall be deemed to be his registered address. Where the registered address of the member is outside Hong Kong, notice, if given through the post, shall be sent by prepaid airmail letter where available. Subject to the Cayman Companies Law and the Listing Rules, a notice or document may be served or delivered by the Company to any member by electronic means to such address as may from time to time be authorized by the member concerned or by publishing it on a website and notifying the member concerned that it has been so published.

Although a meeting of the Company may be called by shorter notice than as specified above, such meeting may be deemed to have been duly called if it is so agreed:

- (i) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat; and
- (ii) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the issued shares giving that right.

All business transacted at an extraordinary general meeting shall be deemed special business and all business shall also be deemed special business where it is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (aa) the declaration and sanctioning of dividends;
- (bb) the consideration and adoption of the accounts and balance sheet and the reports of the directors and the auditors;
- (cc) the election of Directors in place of those retiring;
- (dd) the appointment of auditors;
- (ee) the fixing of the remuneration of the Directors and of the auditors;
- (ff) the granting of any mandate or authority to the Board to offer, allot, grant options over, or otherwise dispose of the unissued shares of the Company representing not more than 20% in nominal value of its existing issued share capital (or such other percentage as may from time to time be specified in the rules of the Stock Exchange) and the number of any securities repurchased by the Company since the granting of such mandate; and
- (gg) the granting of any mandate or authority to the Board to repurchase securities in the Company.

(k) Transfer of shares

Subject to the Cayman Companies Law, all transfers of shares shall be effected by an instrument of transfer in the usual or common form or in such other form as the Board

may approve provided always that it shall be in such form prescribed by the Stock Exchange and may be under hand or, if the transferor or transferee is a Clearing House or its nominee(s), under hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

Execution of the instrument of transfer shall be by or on behalf of the transferor and the transferee provided that the Board may dispense with the execution of the instrument of transfer by the transferor or transferee or accept mechanically executed transfers in any case in which it in its discretion thinks fit to do so, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time remove any share on the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be removed to any branch register nor shall shares on any branch register be removed to the principal register or any other branch register. All removals and other documents of title shall be lodged for registration and registered, in the case of shares on any branch register, at the relevant registration office and, in the case of shares on the principal register, at the place at which the principal register is located.

The Board may, in its absolute discretion, decline to register a transfer of any share (not being a fully paid up share) to a person of whom it does not approve or any share issued under any share option scheme upon which a restriction on transfer imposed thereby still subsists, and it may also refuse to register any transfer of any share to more than four joint holders or any transfer of any share (not being a fully paid up share) on which the Company has a lien.

The Board may decline to recognize any instrument of transfer unless a fee of such maximum sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time require is paid to the Company in respect thereof, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration office or the place at which the principal register is located accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do).

The registration of transfers may be suspended and the register closed on giving notice by advertisement in a newspaper circulating generally in Hong Kong or, where applicable, any other newspapers in accordance with the requirements of the Stock Exchange, at such times and for such periods as the Board may determine. The register of members shall not be closed for periods exceeding in the whole 30 days in any year.

Fully paid shares shall be free from any restriction with respect to the right of the holder thereof to transfer such shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

(l) Power of the Company to purchase its own shares

The Company is empowered by the Cayman Companies Law and the Articles to purchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirement imposed from time to time by code, rules or regulations issued from time to time by the Stock Exchange and/or the Securities and Futures Commission of Hong Kong.

Where the Company purchases for redemption a redeemable Share, purchases not made through the market or by tender shall be limited to a maximum price, and if purchases are by tender, tenders shall be available to all members alike.

(m) Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Articles relating to the ownership of shares in the Company by a subsidiary.

(n) Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency to be paid to the members but no dividend shall be declared in excess of the amount recommended by the Board.

Except in so far as the rights attaching to, or the terms of issue of, any share may otherwise provide:

- (i) all dividends shall be declared and paid according to the amounts paid up on the shares in respect whereof the dividend is paid, although no amount paid up on a share in advance of calls shall for this purpose be treated as paid up on the share; and
- (ii) all dividends shall be apportioned and paid pro rata in accordance with the amount paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. The Board may deduct from any dividend or other monies payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, installments or otherwise.

Where the Board or the Company in general meeting has resolved that a dividend should be paid or declared on the share capital of the Company, the Board may resolve:

- (aa) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or
- (bb) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit.

Upon the recommendation of the Board the Company may by ordinary resolution in respect of any one particular dividend of the Company determine that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, bonus or other sum payable in cash to the holder of shares may be paid by cheque or warrant sent through the post addressed to the holder at his registered address, but in the case of joint holders, shall be addressed to the holder whose name stands first in the register of members of the Company in respect of the shares at his address as appearing in the register, or addressed to such person and at such address as the holder or joint holders may in writing so direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent and shall be sent at the holder's or joint holders' risk and payment of the cheque or warrant by the bank on which it is drawn shall constitute a good discharge to the Company. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared, the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide, but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the share or the due portion of the shares upon which payment has been advanced by such member before it is called up.

All dividends, bonuses or other distributions unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends, bonuses or other distributions unclaimed for six years after having been declared may be forfeited by the Board and, upon such forfeiture, shall revert to the Company.

No dividend or other monies payable by the Company on or in respect of any share shall bear interest against the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

(o) Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at a general meeting of the Company or at a class meeting. A proxy need not be a member of the Company and shall be entitled to exercise the same powers on behalf of a member who is an individual and for whom he acts as proxy as such member could exercise. In addition, a proxy shall be entitled to exercise the same powers on behalf of a member which is a corporation and for which he acts as proxy as such member could exercise if it were an individual member. On a poll or on a show of

hands, votes may be given either personally (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. Every instrument of proxy, whether for a specified meeting or otherwise, shall be in such form as the Board may from time to time approve, provided that it shall not preclude the use of the two-way form. Any form issued to a member for use by him for appointing a proxy to attend and vote at an extraordinary general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favor of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business.

(p) Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by installments. If the sum payable in respect of any call or installment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20% per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or installments payable upon any shares held by him, and in respect of all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20% per annum as the Board may decide.

If a member fails to pay any call or installment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or installment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or installment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of 14 days from the date of the notice) on or before which the payment required by the notice is to be made, and it shall also name the place where payment is to be made. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, nevertheless, remain liable to pay to the Company all moneys

which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

(q) Inspection of corporate records

Members of the Company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the Company. However, the members of the Company will have such rights as may be set forth in the Articles. The Articles provide that for so long as any part of the share capital of the Company is listed on the Stock Exchange, any member may inspect any register of members of the Company maintained in Hong Kong (except when the register of member is closed) without charge and require the provision to him of copies or extracts thereof in all respects as if the Company were incorporated under and were subject to the Hong Kong Companies Ordinance.

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as its directors may, from time to time, think fit.

(r) Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, and continues to be present until the conclusion of the meeting.

The quorum for a general meeting shall be two members present in person (or in the case of a member being a corporation, by its duly authorized representative) or by proxy and entitled to vote. In respect of a separate class meeting (other than an adjourned meeting) convened to sanction the modification of class rights the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of that class.

(s) Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles concerning the rights of minority members in relation to fraud or oppression. However, certain remedies may be available to members of the Company under Cayman Islands law, as summarized in paragraph 3(f) of this Appendix.

(t) Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily shall be a special resolution.

Subject to any special rights, privileges or restrictions as to the distribution of available surplus assets on liquidation for the time being attached to any class or classes of shares:

- (i) if the Company shall be wound up and the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the

capital paid up at the commencement of the winding up, then the excess shall be distributed *pari passu* amongst such members in proportion to the amount paid up on the shares held by them respectively; and

- (ii) if the Company shall be wound up and the assets available for distribution amongst the members as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up, on the shares held by them respectively.

In the event that the Company is wound up (whether the liquidation is voluntary or compelled by the court) the liquidator may, with the sanction of a special resolution and any other sanction required by the Cayman Companies Law divide among the members in specie or kind the whole or any part of the assets of the Company whether the assets shall consist of property of one kind or shall consist of properties of different kinds and the liquidator may, for such purpose, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members and the members within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator shall think fit, but so that no member shall be compelled to accept any shares or other property upon which there is a liability.

(u) Untraceable members

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants remain uncashed on two consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

In accordance with the Articles, the Company is entitled to sell any of the shares of a member who is untraceable if:

- (i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares have remained uncashed for a period of 12 years;
- (ii) upon the expiry of the twelve years and three months period (being the three months notice period referred to in sub-paragraph (iii)), the Company has not during that time received any indication of the existence of the member; and
- (iii) the Company has caused an advertisement to be published in accordance with the rules of the stock exchange of the Relevant Territory (as defined in the Articles) giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the stock exchange of the Relevant Territory (as defined in the Articles) has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds, it shall become indebted to the former member of the Company for an amount equal to such net proceeds.

(v) Subscription rights reserve

Pursuant to the Articles, provided that it is not prohibited by and is otherwise in compliance with the Cayman Companies Law, if warrants to subscribe for shares have been issued by the Company and the Company does any act or engages in any transaction which would result in the subscription price of such warrants being reduced below the par value of the shares to be issued on the exercise of such warrants, a subscription rights reserve shall be established and applied in paying up the difference between the subscription price and the par value of such shares.

3. CAYMAN ISLANDS COMPANY LAW

The Company was incorporated in the Cayman Islands as an exempted company on 20 May 2010 subject to the Cayman Companies Law. Certain provisions of Cayman Islands company law are set out below but this section does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of the Cayman Companies Law and taxation, which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

(a) Company operations

As an exempted company, the Company must conduct its operations mainly outside the Cayman Islands. Moreover, the Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the amount of its authorized share capital.

(b) Share capital

In accordance with the Cayman Companies Law, a Cayman Islands company may issue ordinary, preference or redeemable shares or any combination thereof. The Cayman Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount or value of the premiums on those shares shall be transferred to an account, to be called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangements in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Cayman Companies Law provides that the share premium account may be applied by the company subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation, the following:

- (i) paying distributions or dividends to members;
- (ii) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (iii) in the redemption and repurchase of shares (in accordance with the detailed provisions of section 37 of the Cayman Companies Law);
- (iv) writing-off the preliminary expenses of the company;
- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and

- (vi) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

Notwithstanding the foregoing, the Cayman Companies Law provides that no distribution or dividend may be paid to members out of the share premium account unless, immediately following the date on which the distribution or dividend is proposed to be paid, the company will be able to pay its debts as they fall due in the ordinary course of business.

It is further provided by the Cayman Companies Law that, subject to confirmation by the court, a company limited by shares or a company limited by guarantee and having a share capital may, if authorized to do so by its articles of association, by special resolution reduce its share capital in any way.

The Articles include certain protections for holders of special classes of shares, requiring their consent to be obtained before their rights may be varied. The consent of the specified proportions of the holders of the issued shares of that class or the sanction of a resolution passed at a separate meeting of the holders of those shares is required.

(c) Financial assistance to purchase shares of a company or its holding company

There are no statutory prohibitions in the Cayman Islands on the granting of financial assistance by a company to another person for the purchase of, or subscription for, its own, its holding company's or a subsidiary's shares. Therefore, a company may provide financial assistance provided the directors of the company when proposing to grant such financial assistance discharge their duties of care and acting in good faith, for a proper purpose and in the interests of the company. Such assistance should be on an arm's-length basis.

(d) Purchase of shares and warrants by a company and its subsidiaries

A company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a member. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorize the manner of purchase, a company cannot purchase any of its own shares without the manner of purchase first being authorized by an ordinary resolution of the company. A company may not redeem or purchase its shares unless they are fully paid. Furthermore, a company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. In addition, a payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

A Cayman Islands company may be able to purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. Thus there is no requirement under Cayman Islands law that a company's memorandum or articles of association contain a specific provision enabling such purchases. The directors of a company may under the general power contained in its memorandum of association be able to buy and sell and deal in personal property of all kinds.

Under Cayman Islands law, a subsidiary may hold shares in its holding company and, in certain circumstances, may acquire such shares.

(e) Dividends and distributions

With the exception of section 34 of the Cayman Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands, dividends may be paid only out of profits. In addition, section 34 of the Cayman Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see sub-paragraph 2(n) of this Appendix for further details).

(f) Protection of minorities and shareholders' suits

It can be expected that the Cayman Islands courts will ordinarily follow English case law precedents (particularly the rule in the case of *Foss v. Harbottle* and the exceptions thereto) which permit a minority member to commence a representative action against or derivative actions in the name of the company to challenge:

- (i) an act which is *ultra vires* the company or illegal;
- (ii) an act which constitutes a fraud against the minority and the wrongdoers are themselves in control of the company; and
- (iii) an irregularity in the passing of a resolution the passage of which requires a qualified (or special) majority which has not been obtained.

Where a company (not being a bank) is one which has a share capital divided into shares, the court may, on the application of members thereof holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine the affairs of the company and, at the direction of the court, to report thereon.

Moreover, any member of a company may petition the court which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

In general, claims against a company by its members must be based on the general laws of contract or tort applicable in the Cayman Islands or be based on potential violation of their individual rights as members as established by a company's memorandum and articles of association.

(g) Disposal of assets

There are no specific restrictions in the Cayman Companies Law on the power of directors to dispose of assets of a company, although it specifically requires that every officer of a company, which includes a director, managing director and secretary, in exercising his powers and discharging his duties must do so honestly and in good faith with a view to the best interest of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

(h) Accounting and auditing requirements

Section 59 of the Cayman Companies Law provides that a company shall cause proper records of accounts to be kept with respect to (i) all sums of money received and expended by the company and the matters with respect to which the receipt and expenditure takes place; (ii) all sales and purchases of goods by the company and (iii) the assets and liabilities of the company.

Section 59 of the Cayman Companies Law further states that proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

(i) Exchange control

There are no exchange control regulations or currency restrictions in effect in the Cayman Islands.

(j) Taxation

Pursuant to section 6 of the Tax Concessions Law (1999 Revision) of the Cayman Islands, the Company has obtained an undertaking from the Governor-in-Council:

- (i) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits or income or gains or appreciation shall apply to the Company or its operations; and
- (ii) in addition, that no tax be levied on profits, income gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (aa) on or in respect of the shares, debentures or other obligations of the Company;
or
 - (bb) by way of withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (1999 Revision).

The undertaking for the Company is for a period of twenty years from 1 June 2010.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments. The Cayman Islands are not a party to any double tax treaties.

(k) Stamp duty on transfers

There is no stamp duty payable in the Cayman Islands on transfers of shares of Cayman Islands companies save for those which hold interests in land in the Cayman Islands.

(l) Loans to directors

The Cayman Companies Law contains no express provision prohibiting the making of loans by a company to any of its directors. However, the Articles provide for the prohibition of such loans under specific circumstances.

(m) Inspection of corporate records

The members of the company have no general right under the Cayman Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

(n) Register of members

A Cayman Islands exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or outside the Cayman Islands, as the directors may, from time to time, think fit. The Cayman Companies Law contains no requirement for an exempted company to make any returns of members to the Registrar of Companies in the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

(o) Winding up

A Cayman Islands company may be wound up either by (i) an order of the court; (ii) voluntarily by its members; or (iii) under the supervision of the court

The court has authority to order winding up in a number of specified circumstances including where, in the opinion of the court, it is just and equitable that such company be so wound up.

A voluntary winding up of a company occurs where the members so resolve in general meeting by special resolution, or, by ordinary resolutions when the company is unable to pay its debt as they fall due; or, in the case of a limited duration company, when the period fixed for the duration of the company by its memorandum or articles expires, or where the event occurs on the occurrence of which the memorandum or articles provides that the company is to be dissolved. In the case of a voluntary winding up, such company is obliged to cease to carry on its business from the commencement of its winding up except so far as it may be beneficial for its winding up. Upon appointment of a voluntary liquidator, all the powers of the directors cease, except so far as the company in general meeting or the liquidator sanctions their continuance.

In the case of a members' voluntary winding up of a company, one or more liquidators shall be appointed for the purpose of winding up the affairs of the company and distributing its assets.

As soon as the affairs of a company are fully wound up, the liquidator must make a report and an account of the winding up, showing how the winding up has been conducted and the property of the company has been disposed off, and thereupon call a general meeting of the company for the purposes of laying before it the account and giving an explanation thereof.

When a resolution has been passed by a company to wind up voluntarily, the liquidator or any contributory or creditor may apply to the court for an order for the continuation of the winding up under the supervision of the court, on the grounds that (i) the company is or is likely to become insolvent; or (ii) the supervision of the court will facilitate a more

effective, economic or expeditious liquidation of the company in the interests of the contributories and creditors. A supervision order shall take effect for all purposes as if it was an order that the company be wound up by the court except that a commenced voluntary winding up and the prior actions of the voluntary liquidator shall be valid and binding upon the company and its official liquidator.

For the purpose of conducting the proceedings in winding up a company and assisting the court, there may be appointed one or more persons to be called an official liquidator or official liquidators; and the court may appoint to such office such person or persons, either provisionally or otherwise, as it thinks fit, and if more than one persons are appointed to such office, the court shall declare whether any act required or authorized to be done by the official liquidator is to be done by all or any one or more of such persons. The court may also determine whether any and what security is to be given by an official liquidator on his appointment; if no official liquidator is appointed, or during any vacancy in such office, all the property of the company shall be in the custody of the court.

(p) Reconstructions

Reconstructions and amalgamations are governed by specific statutory provisions under the Cayman Companies Law whereby such arrangements may be approved by a majority in number representing 75% in value of members or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the courts. Whilst a dissenting member would have the right to express to the court his view that the transaction for which approval is being sought would not provide the members with a fair value for their shares, nonetheless the courts are unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting member would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of their shares) ordinarily available, for example, to dissenting members of a United States corporation.

(q) Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting members to transfer their shares on the terms of the offer. A dissenting member may apply to the court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting member to show that the court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority members.

(r) Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, save to the extent any such provision may be held by the court to be contrary to public policy, for example, where a provision purports to provide indemnification against the consequences of committing a crime.

4. GENERAL

Appleby, the Company's legal advisor on Cayman Islands law, have sent to the Company a letter of advice which summarizes certain aspects of the Cayman Islands company law. This letter, together with a copy of the Cayman Companies Law, is available for inspection as referred to in the paragraph headed "Documents available for inspection" in Appendix VII. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 20 May 2010. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 7 July 2010 and our principal place of business in Hong Kong is at Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. Loong & Yeung of Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles. A summary of the relevant aspects of the Cayman Companies Law and certain provisions of the Articles is set out in Appendix V to this Prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, our authorized share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber on 20 May 2010, which was subsequently transferred to Tian Lun Group on the same date;
- (b) On 11 October 2010, as consideration for the acquisition by us of the entire issued share capital of Upsky Holdings from Tian Lun Group and Pleasant New, (i) 932,999 Shares were allotted and issued to Tian Lun Group, credited as fully paid at par; (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par; and (iii) 67,000 Shares were allotted and issued to Pleasant New, credited as fully paid at par;
- (c) On 12 October 2010, Tian Lun Group transferred 83,000 Shares to Chequers Development at the consideration of HK\$1.0; and
- (d) On 13 October 2010, our Shareholders resolved to increase the authorized share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

Immediately following completion of the Capitalization Issue and the Global Offering, and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 798,000,000 Shares will be issued fully paid or credited as fully paid, and 1,202,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed “Written resolutions of our Shareholders passed on 13 October 2010” in this Appendix and pursuant to the Share Option Scheme, we do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Prospectus, there has been no alteration in our Company’s share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 13 October 2010

By written resolutions of our Shareholders passed on 13 October 2010:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorized share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with our Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this Prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Over-allotment Option, on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this Prospectus:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering to rank pari passu with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) the Over-allotment Option was approved and our Directors were authorized to allot and issue our Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank pari passu with the then existing Shares in all respects; and
 - (iv) the Capitalization Issue was approved and conditional further on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize an amount of HK\$5,975,000 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 597,500,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 13 October 2010 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such capitalization and distributions;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Global Offering, Shares with an

aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganization

The companies comprising our Group underwent the Corporate Reorganization to rationalize our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to

which our Company became the holding company of our Group. The Corporate Reorganization included the following major steps:

- (a) On 10 May 2010, Tian Lun New Energy was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each, one of which was allotted and issued at par to Upsky Holdings on the same date;
- (b) On 13 May 2010, Hebi New Energy was established in the PRC with a registered capital of RMB15 million which was solely and fully contributed by Henan Tian Lun Engineering Investment;
- (c) Pursuant to the equity transfer agreement dated 15 May 2010, referred to in item (a) of the paragraph headed “Summary of material contracts” in this Appendix, Upsky Holdings and Henan Tian Lun Engineering Investment transferred their respective 80% and 20% of the equity interests in Hebi Tian Lun to Tian Lun New Energy for a consideration of RMB9.2 million and RMB2.3 million, respectively;
- (d) On 20 May 2010, our Company was incorporated under the laws of the Cayman Islands as an exempted company and one nil paid Share was allotted and issued to the subscriber, which was subsequently transferred to Tian Lun Group on the same date;
- (e) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (b) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment transferred its 90% of the equity interest in Shangjie Tian Lun to Hebi Tian Lun for a consideration of RMB24.75 million;
- (f) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (c) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment transferred its 100% of the equity interest in Xuchang Tian Lun to Hebi Tian Lun for a consideration of RMB29 million;
- (g) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (d) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment and Xuchang Tian Lun transferred their respective 80% and 20% of the equity interests in Xuchang Tian Lun Vehicle to Hebi Tian Lun for a consideration of RMB4.16 million and RMB1.04 million, respectively;
- (h) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (e) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment transferred its 90% of the equity interest in Hebi Tian Lun Vehicle to Hebi Tian Lun for a consideration of RMB9.18 million;
- (i) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (f) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment transferred its 100% of the equity interest in Hebi New Energy to Hebi Tian Lun for a consideration of RMB15 million;
- (j) On 12 July 2010, *the Bureau of Commerce of Henan Province* (河南省商務廳) approved the increase in the registered capital of Hebi Tian Lun from RMB10,000,000 to RMB90,000,000 by cash contribution from Tian Lun New Energy;

- (k) On 24 August 2010, one share at the par value of US\$0.1 in Upsky Holdings was allotted and issued to Tian Lun Group for a consideration of HK\$93,050,000;
- (l) On 16 September 2010, one share at the par value of HK\$1.0 in Tian Lun New Energy was allotted and issued to Upsky Holdings for a consideration of HK\$94,350,000;
- (m) Pursuant to the sale and purchase agreement dated 11 October 2010 referred to in item (g) of the paragraph headed “Summary of material contracts” in this Appendix, (a) Tian Lun Group transferred 9,330 shares it held in Upsky Holdings to our Company and as consideration, (i) 932,999 Shares, all credited as fully paid, were allotted and issued to Tian Lun Group; and (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par; and (b) Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New.

Immediately after completion of the share transfer referred to in item (m) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this Prospectus. In addition to the alterations described in paragraph headed “Corporate Reorganization” above, the following changes in the share capital (or registered capital, as the case may be) of the subsidiaries of our Company took place within the two years immediately preceding the date of this Prospectus:

Upsky Holdings

On 30 June 2010, pursuant to a shareholder’s resolutions of Upsky Holdings, the authorized share capital of Upsky Holdings changed from US\$50,000 divided into 50,000 shares of US\$1.0 each to US\$50,000 divided into 500,000 shares of US\$0.1 each. The issued share capital changed from US\$10 divided into 10 shares of US\$1.0 each to US\$10 divided into 100 shares of US\$0.1 each.

On 6 July 2010, 9,899 shares in Upsky Holdings were allotted and issued to Tian Lun Group at the consideration of US\$989.90.

On 6 July 2010, pursuant to a share transfer agreement entered into between Tian Lun Group and Pleasant New, Tian Lun Group transferred 670 shares it held in Upsky Holdings to Pleasant New for a consideration of HK\$35,011,500.

On 24 August 2010, one share at the par value of US\$0.1 in Upsky Holdings was allotted and issued to Tian Lun Group for a consideration of HK\$93,050,000.

On 11 October 2010, (a) Tian Lun Group transferred 9,330 shares it held in Upsky Holdings to our Company and as consideration: (i) 932,999 Shares, all credited as fully paid, were allotted and issued to Tian Lun Group; and (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par, and (b) Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New.

Xuchang Tian Lun

On 28 December 2009, Xuchang Shuang Li transferred its 10% equity interests in Xuchang Tian Lun, which was valued at RMB2,526,800 to Henan Tian Lun Engineering Investment for the settlement of the debt pursuant to the judgment made by People's Court in Weidu District, Xuchang, Henan (河南省許昌市魏都區人民法院).

Xuchang Tian Lun Vehicle

On 12 September 2008, Xuchang Tian Lun Vehicle was established as a limited liability company in the PRC with the registered capital of RMB10 million.

The first phase of capital contribution to the registered capital of Xuchang Tian Lun Vehicle was contributed by Henan Tian Lun Engineering Investment and Xuchang Tian Lun as to RMB4 million and RMB1 million, respectively, before 30 September 2008. The second phase of capital contribution was contributed by Hebi Tian Lun as to RMB5 million before 31 August 2010, following its acquisition of the entire equity interests in Xuchang Tian Lun Vehicle from Henan Tian Lun Engineering Investment and Xuchang Tian Lun in July 2010.

Tian Lun New Energy

On 10 May 2010, Tian Lun New Energy was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each, one of which was allotted and issued at par to Upsky Holdings on the same date.

On 16 September 2010, one share at the par value of HK\$1.0 in Tian Lun New Energy was allotted and issued to Upsky Holdings for a consideration of HK\$94,350,000.

Hebi New Energy

On 13 May 2010, Hebi New Energy was established in the PRC with a registered capital of RMB15 million which was solely contributed by Henan Tian Lun Engineering Investment.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 13 October 2010, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorizing our Directors

to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognized by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of our Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 798,000,000 Shares in issue after completion of the Capitalization Issue and Global Offering, could accordingly result in up to 79,800,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this Prospectus and are or may be material:

- (a) an equity transfer agreement dated 15 May 2010 in Chinese entered into among Upsky Holdings, Henan Tian Lun Engineering Investment and Tian Lun New Energy, pursuant to

which Upsky Holdings and Henan Tian Lun Engineering Investment transferred their respective 80% and 20% of the equity interests in Hebi Tian Lun to Tian Lun New Energy for a consideration of RMB9.2 million and RMB2.3 million, respectively;

- (b) an equity transfer agreement dated 29 June 2010 in Chinese entered into between Henan Tian Lun Engineering Investment and Hebi Tian Lun, pursuant to which Henan Tian Lun Engineering Investment transferred its 90% of the equity interest in Shangjie Tian Lun to Hebi Tian Lun for a consideration of RMB24.75 million;
- (c) an equity transfer agreement dated 29 June 2010 in Chinese entered into between Henan Tian Lun Engineering Investment and Hebi Tian Lun, pursuant to which Henan Tian Lun Engineering Investment transferred its 100% of the equity interest in Xuchang Tian Lun to Hebi Tian Lun for a consideration of RMB29 million;
- (d) an equity transfer agreement dated 29 June 2010 in Chinese entered into among Henan Tian Lun Engineering Investment, Xuchang Tian Lun and Hebi Tian Lun, pursuant to which Henan Tian Lun Engineering Investment and Xuchang Tian Lun transferred their respective 80% and 20% of the equity interests in Xuchang Tian Lun Vehicle to Hebi Tian Lun for a consideration of RMB4.16 million and RMB1.04 million, respectively;
- (e) an equity transfer agreement dated 29 June 2010 in Chinese entered into between Henan Tian Lun Engineering Investment and Hebi Tian Lun, pursuant to which Henan Tian Lun Engineering Investment transferred its 90% of the equity interest in Hebi Tian Lun Vehicle to Hebi Tian Lun at the consideration of RMB9.18 million;
- (f) an equity transfer agreement dated 29 June 2010 in Chinese entered into between Henan Tian Lun Engineering Investment and Hebi Tian Lun pursuant to which Henan Tian Lun Engineering Investment transferred its 100% of the equity interest in Hebi New Energy to Hebi Tian Lun for a consideration of RMB15 million;
- (g) a sale and purchase agreement dated 11 October 2010 entered into between Tian Lun Group, Pleasant New and our Company pursuant to which (a) Tian Lun Group transferred 9,330 shares it held in Upsky Holdings to our Company and as consideration for which (i) 932,999 Shares, all credited as fully paid, were allotted and issued to Tian Lun Group; and (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par; and (b) Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration for which, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New;
- (h) an instrument of transfer dated 11 October 2010 entered into between Tian Lun Group and our Company, pursuant to which Tian Lun Group transferred 9,330 shares it held in Upsky Holdings to our Company and as consideration for which (i) 932,999 Shares, all credited as fully paid, were allotted and issued to Tian Lun Group; and (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par;
- (i) an instrument of transfer dated 11 October 2010 entered into between Pleasant New and our Company, pursuant to which Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration for which, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New;
- (j) Deed of Non-competition;


(k) a deed of indemnity dated 26 October 2010 executed by Mr. Zhang, Gold Shine Development, Tian Lun Group and Chequers Development in favor of our Group containing the indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix; and

(l) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademark, the registration of which has not yet been granted:

Trademark	Class	Application Number	Application Date	Place of Application	Applicant
	4	301620972	24 May 2010	Hong Kong	Tian Lun New Energy

As at the Latest Practicable Date, our Group has registered the following domain name:

Domain name	Registrant	Registration Date	Expiration Date
tianlungas.com	Hebi Tian Lun	29 June 2010	29 June 2020

3. Information about the PRC subsidiaries of our Group

Name:	Hebi New Energy
Date of establishment:	13 May 2010
Corporate nature:	Limited liability company owned by single person
Total registered capital:	RMB15 million
Attributable interest of our Company:	100%
Term:	From 13 May 2010 to 12 May 2016
Scope of business:	Operation of gas business in cities; investment in gas business; research and development in new energy technology
Legal representative:	Mr. Sun
Name:	Hebi Tian Lun
Date of establishment:	1 November 2002
Corporate nature:	Limited liability company solely owned by Taiwan, Hong Kong or Macau legal person
Total registered capital:	RMB90 million
Attributable interest of our Company:	100%
Term:	From 23 August 2004 to 19 August 2029
Scope of business:	Operation of gas business in small and medium cities, development and usage of new gas technology
Legal representative:	Mr. Zhang

APPENDIX VI**STATUTORY AND GENERAL INFORMATION**

Name:	Hebi Tian Lun Vehicle
Date of establishment:	29 October 2007
Corporate nature:	Limited liability company owned by single person
Total registered capital:	RMB10 million
Attributable interest of our Company:	100%
Term:	From 18 April 2008 to 16 April 2012
Scope of business:	Investment in CNG facilities; sales: lubricating oil and antifreeze; retail of CNG
Legal representative:	Mr. Sun
Name:	Shangjie Tian Lun
Date of establishment:	18 July 2007
Corporate nature:	Other limited liability company
Total registered capital:	RMB15 million
Attributable interest of our Company:	90%
Term:	From 18 July 2007 to 17 July 2017
Scope of business:	Development and application of new gas technology; investment in gas business: installation, maintenance, sales of gas burning devices and leasing of relevant facilities; operation of pipelined gas
Legal representative:	Mr. Zhang
Name:	Xuchang Tian Lun
Date of establishment:	29 September 2003
Corporate nature:	Limited liability company (solely owned by legal person)
Total registered capital:	RMB25 million
Attributable interest of our Company:	100%
Term:	From 11 April 2008 to 17 April 2018
Scope of business:	Natural gas and liquefied petroleum gas; sales of gas burning devices and leasing of relevant facilities; development and application of new gas technology; investment in gas business; leasing of self-owned property
Legal representative:	Mr. Zhang
Name:	Xuchang Tian Lun Vehicle
Date of establishment:	12 September 2008
Corporate nature:	Limited liability company
Total registered capital:	RMB10 million
Attributable interest of our Company:	100%
Term:	From 12 September 2008 to 19 May 2018
Scope of business:	Investment in and construction of CNG gas station
Legal representative:	Mr. Xie Chaoyang (謝朝陽先生)

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Capitalization Issue and the Global Offering but taking no account of our Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

(i) Long position in our Shares

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage of interest
Mr. Zhang (Note 1)	Interest of controlled corporation	558,400,500	69.98
Mr. Xian (Note 2)	Interest of controlled corporation	40,099,500	5.02

(ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held	Approximate percentage of interest
Mr. Zhang (Note 1)	Tian Lun Group	Interest of controlled corporation	10	100

Notes:

- (1) The entire issued share capital of Tian Lun Group is held by Gold Shine Development, which is in turn held by Mr. Zhang as to 60%. Tian Lun Group owns 508,725,000 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all our Shares held by Tian Lun Group for the purposes of the SFO. The remaining 40% of the equity interests in Gold Shine Development is held as to 20% by Ms. Sun and 20% by Mr. Zhang DY. Mr. Zhang beneficially owns all the issued shares of Chequers Development, which in turn, owns 49,675,500 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all our Shares held by Chequers Development for the purposes of the SFO. Mr. Zhang is a director of Tian Lun Group, Gold Shine Development and Chequers Development.
- (2) Mr. Xian beneficially owns 80% of the issued share capital of Pleasant New which in turn, owns 40,099,500 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all our Shares held by Pleasant New for the purposes of the SFO. Mr. Xian is the sole director of Pleasant New. The remaining 20% of the equity interests in Pleasant New is beneficially held as to 10% by Mr. Feng and 10% by Mr. Sun.

- (b) So far as is known to our Directors and save as disclosed in this Prospectus and taking no account of any Shares which may be taken up under the Global Offering, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalization Issue and the Global Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Substantial Shareholders of our Company

Name	Nature of Interest	No. of Shares held	Approximate percentage of shareholding
Tian Lun Group	Beneficial owner	508,725,000	63.75
Gold Shine Development (Note 1)	Interest of controlled corporation	508,725,000	63.75
Chequers Development	Beneficial owner	49,675,500	6.23
Ms. Sun (Note 2)	Interest of spouse	558,400,500	69.98
Pleasant New	Beneficial owner	40,099,500	5.02
Ms. Qiao Yu (喬瑜女士) (Note 3)	Interest of spouse	40,099,500	5.02

Notes:

- (1) The entire issued share capital of Tian Lun Group is held by Gold Shine Development. Tian Lun Group owns 508,725,000 Shares. Therefore, Gold Shine Development is deemed or taken to be interested in all our Shares held by Tian Lun Group for the purposes of the SFO.
- (2) The entire issued share capital of Tian Lun Group is held by Gold Shine Development, which is in turn held by Mr. Zhang as to 60%. Tian Lun Group owns 508,725,000 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all our Shares held by Tian Lun Group for the purposes of the SFO. The remaining 40% of the equity interests in Gold Shine Development is held as to 20% by Ms. Sun and 20% by Mr. Zhang DY. Mr. Zhang beneficially owns all the issued shares of Chequers Development, which in turn, owns 49,675,500 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all our Shares held by Chequers Development for the purposes of the SFO. Ms. Sun is the spouse of Mr. Zhang and is therefore deemed or taken to be interested in all our Shares in which Mr. Zhang is interested for the purposes of the SFO.
- (3) Mr. Xian beneficially owns 80% of the issued share capital of Pleasant New which in turn, owns 40,099,500 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all our Shares held by Pleasant New for the purposes of the SFO. Ms. Qiao Yu (喬瑜女士) is the spouse of Mr. Xian and is therefore deemed or taken to be interested in all our Shares in which Mr. Xian is interested for the purposes of the SFO. The remaining 20% of the equity interests in Pleasant New is beneficially held as to 10% by Mr. Feng and 10% by Mr. Sun.

Substantial Shareholders of our Subsidiaries

Name of Shareholder	Name of Subsidiary	Nature of interest	Approximate percentage of interests held
Zhengzhou Chengxin	Shangjie Tian Lun	Beneficial owner	10.0

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were approximately RMB81,000, RMB166,000, RMB243,000 and RMB94,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2010 will be approximately RMB331,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	RMB
Mr. Zhang	200,000
Mr. Xian	180,000
Mr. Feng	150,000
Mr. Sun	150,000
Non-executive Director	RMB
Mr. Zhang DY	60,000
Independent non-executive Directors	RMB
Mr. Chang Zongxian (常宗賢先生)	60,000
Mr. Li Liuqing (李留慶先生)	60,000
Mr. Zhang Jiaming (張家銘先生)	60,000
Ms. Zhao Jun (趙軍女士)	60,000

4. Fees or commission received

Save as disclosed in the paragraph headed "Commission and expenses" in the section headed "Underwriting" of this Prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this Prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 31 to the Accountant's Report set out in Appendix I to this Prospectus.

6. Disclaimers

Save as disclosed in this Prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be issued pursuant to options which may be granted under our Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	13 October 2010, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorized committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 13 October 2010:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of

our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 79,800,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 79,800,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option

Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of our Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

- (aa) An offer for the grant of options may not be made after a price sensitive event of our Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
 - (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:
 - (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares

allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a

transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a Capitalization Issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) *Rights on winding-up*

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Cayman Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general

meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) *Alteration to the Share Option Scheme*

- (aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.
- (bb) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the Listing of, and permission to deal in our Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for listing of and permission to deal in 79,800,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this Prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Zhang, Gold Shine Development, Tian Lun Group and Chequers Development (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (k) of the sub-section headed “Summary of material contracts” in this Appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Global Offering becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Global Offering becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Global Offering becomes unconditional; and (c) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Global Offering becomes unconditional and not disclosed in this Prospectus. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined accounts of any member of our Group for each of the three years ended 31 December 2009 and the six months ended 30 June 2010; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Global Offering becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 30 June 2010 up to and including the date on which the Global Offering becomes unconditional.

The Indemnifiers will also indemnify our Company and each member of our Group against:

- (i) any potential costs, damages, liability, fines, expenses or losses of our Company and other members of our Group (including without limitation, disruption of business, relocation of

premises) in respect of the properties of our Group which had title defects as disclosed in the valuation report set out in Appendix IV to this Prospectus;

- (ii) any loss, damages, costs and expenses suffered by any member of our Group arising from the penalty or order for the demolition imposed by competent authorities on properties with defective title or buildings which are regarded as temporary structures and hence proper title registration cannot be effected; and
- (iii) any penalties or liabilities suffered by any member of our Group in relation to the advances made by any member of our Group to Henan Tian Lun Real Estate in breach of the General Principles of Loan in the PRC as disclosed in this Prospectus.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the PRC is likely to fall on our Group.

2. Litigation

On 29 December 2005, Li Shiqun (李士群) brought a proceeding to the People's Court of Shan Cheng District, Hebi (鶴壁市山城區人民法院) against Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司), Hebi Tian Lun and the Bureau of Labor and Social Security of Hebi (鶴壁市勞動和社會保障局) for compensation of personal injury. The complainant claimed that the injury was due to the poor road conditions arisen from improper construction work carried out by Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司) and Hebi Tian Lun.

On 23 August 2009, pursuant to Civil Ruling ((2009) Shan Min Chu Zi No. 533) (民事判決書[(2009)山民初字第533號]), the People's Court of Shan Cheng District, Hebi (鶴壁市山城區人民法院) ruled that Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司), Hebi Tian Lun and the Bureau of Labor and Social Security of Hebi (鶴壁市勞動和社會保障局) have to jointly compensate the complainant in the amount of RMB53,325.80. Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司), Hebi Tian Lun and the Bureau of Labor and Social Security of Hebi (鶴壁市勞動和社會保障局) filed an appeal to the Intermediate Peoples' Court of Hebi, Henan (河南省鶴壁市中級人民法院). On 11 May 2010, the Intermediate Peoples' Court of Hebi, Henan (河南省鶴壁市中級人民法院) ruled to uphold the ruling in Civil Ruling ((2009) Shan Min Chu Zi No. 533) (民事判決書[(2009)山民初字第533號]). As advised by Grandall Legal Group, as at 9 July 2010, Hebi City Water Group Limited* (鶴壁市城市水務(集團)有限責任公司), Hebi Tian Lun and the Bureau of Labor and Social Security of Hebi (鶴壁市勞動和社會保障局) had fulfilled their respective obligations for compensation as ruled by Civil Ruling ((2009) Shan Min Chu Zi No. 533) (民事判決書[(2009)山民初字第533號]) and an amount of RMB53,325.80, out of which RMB17,775.26 being paid by Hebi Tian Lun, had been paid to the complainant as compensation.

On 30 December 2009, Wang Sizhao (王思照) and Zhang Jinfeng (張金鳳) brought a proceeding to the People's Court of Shangjie, Zhengzhou (鄭州市上街區人民法院) against Henan Ya Xing Property Group Limited* (河南亞星置業集團有限公司) and Shangjie Tian Lun for a compensation of RMB497,782 for the death of the daughter of the two complainants. The complainants claimed that the deceased was poisoned due to the gas leakage in the apartment bought from Henan Ya Xing Property Group Limited* (河南亞星置業集團有限公司). The case was heard on 9 March 2010 and as at the Latest Practicable Date, no ruling has been laid down. As advised by Grandall Legal Group, the maximum liability of Shangjie Tian Lun under the relevant case will not exceed RMB497,782, subject to the final adjudication of the court.

Save as disclosed above, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme and the exercise of the Over-allotment Option.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$25,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualifications
CCBI	A licensed corporation under the SFO permitted to engage in type 1 and 6 of the regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Property valuer
Grandall Legal Group	Registered law firm in the PRC
Appleby	Cayman Islands and BVI attorneys-at-law

7. Consents of experts

Each of CCBI, PricewaterhouseCoopers, DTZ Debenham Tie Leung Limited, Grandall Legal Group and Appleby has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Taxation of holders of Shares**(a) Hong Kong**

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

Under the present Cayman Islands law, transfers of our Shares are exempt from the Cayman Islands stamp duty.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that save as disclosed in "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness" and "Financial Information — Dividend Policy" in this Prospectus, there has not been any material adverse change in the financial trading position or prospects of our Group since 30 June 2010 (being the date to which the latest audited combined financial statements of our Company were made up).

11. Miscellaneous**(a) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:**

- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any of our Shares or shares of any of our subsidiaries; and

- (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in this Prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this Prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands Law.
- (i) The English text of this Prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this Prospectus delivered to the Registrar of Companies in Hong Kong for registration were: (a) copies of the **white, yellow** and **green** Application Forms; (b) the written consents referred to in the paragraph headed “Consents of experts” in Appendix VI to this Prospectus; and (c) copies of each of the material contracts referred to in the paragraph headed “Summary of material contracts” in Appendix VI to this Prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Loong & Yeung of Suites 2001-05, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 9:00 am to 5:00 pm up to and including the date which is 14 days from the date of this Prospectus:

- (1) the Memorandum and the Articles;
- (2) the Accountant’s Report issued by PricewaterhouseCoopers, the text of which is set out in Appendix I to this Prospectus;
- (3) the audited combined financial statements of the companies now comprising our Group for each of the three years ended 31 December 2009 and the six months ended 30 June 2010;
- (4) the report from PricewaterhouseCoopers on the unaudited pro forma financial information, the text of which is set out in Appendix II to this Prospectus;
- (5) the letters relating to the profit forecast of our Company, the texts of which are set out in Appendix III to this Prospectus;
- (6) the letter, summary of valuations and valuation certificates relating to the property interests of our Group prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix IV to this Prospectus;
- (7) the material contracts referred to in the paragraph headed “Summary of material contracts” of Appendix VI to this Prospectus;
- (8) the written consents referred to in the paragraph headed “Consents of experts” of Appendix VI to this Prospectus;
- (9) the legal opinions prepared by Grandall Legal Group in respect of certain aspects of our Group and our property interests;
- (10) the letter prepared by Appleby, summarizing certain aspects of Cayman Companies Law referred to in Appendix V to this Prospectus;
- (11) the letter prepared by Appleby in respect of the two declarations of trust executed by Mr. Xian referred to in the section headed “History and Corporate Structure” in this Prospectus;
- (12) the service agreements entered into between our Company and each of our Directors;
- (13) the Cayman Companies Law; and
- (14) the rules of the Share Option Scheme.



China Tian Lun Gas Holdings Limited
中國天倫燃氣控股有限公司