



蘇創燃氣
SUCHUANG GAS

蘇創燃氣股份有限公司

SUCHUANG GAS CORPORATION LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1430

GLOBAL OFFERING



Sole Sponsor and Sole Global Coordinator



BNP PARIBAS

Joint Bookrunners and Joint Lead Managers



BNP PARIBAS



IMPORTANT

IMPORTANT: If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.



蘇創燃氣
SUCHUANG GAS

SUCHUANG GAS CORPORATION LIMITED

蘇創燃氣股份有限公司

(Incorporated in the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	200,000,000 Shares (subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	20,000,000 Shares (subject to adjustment)
Number of International Placing Shares	:	180,000,000 Shares (subject to adjustment and the Over-allotment Option)
Offer Price	:	not more than HK\$2.92 per Offer Share (payable in full on application in Hong Kong dollars, subject to refund, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) and expected to be not less than HK\$2.08 per Offer Share
Nominal Value	:	HK\$0.01 per Share
Stock Code	:	1430

Sole Sponsor and Sole Global Coordinator



BNP PARIBAS

Joint Bookrunners and Joint Lead Managers



BNP PARIBAS



海通國際
HAITONG

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, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" 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 (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 4 March 2015 and, in any event, not later than Monday, 9 March 2015. The Offer Price will be not more than HK\$2.92 and is currently expected to be not less than HK\$2.08 unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK\$2.92 for each Share together with a brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined should be lower than HK\$2.92.

The Sole Global Coordinator (for itself and on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$2.08 to HK\$2.92 per Share) at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Offer Shares in the Global Offering and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. If, for any reason, the Offer Price is not agreed between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse. Further details are set out in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

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

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe for, and to procure applicants for the subscription for, the Hong Kong Offer Shares, are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the day that trading in the Offer Shares commences on the Stock Exchange. Such grounds are set out in the section headed "Underwriting – Hong Kong Public Offering – Grounds for termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States except pursuant to an effective registration statement or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any applicable state securities laws in the United States. The Offer Shares are being offered and sold outside the United States in offshore transactions in accordance with Regulation S under the U.S. Securities Act.

27 February 2015

EXPECTED TIMETABLE

If there is any change in the following expected timetable of the Hong Kong Public Offering, we will issue an announcement in Hong Kong to be published in English in the South China Morning Post and in Chinese in the Hong Kong Economic Times and on the websites of the Stock Exchange at www.hkexnews.hk and our Company on www.suchuanggas.com.

2015
(Note 1)

Latest time to complete electronic applications under HK eIPO White Form service through the designated website www.hkeipo.hk (Note 2)	11:30 a.m. on Wednesday, 4 March
Application lists open (Note 3)	11:45 a.m. on Wednesday, 4 March
Latest time to complete payment of HK eIPO White Form applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Wednesday, 4 March
Latest time to give electronic application instructions to HKSCC (Note 4)	12:00 noon on Wednesday, 4 March
Latest time to lodge WHITE and YELLOW Application Forms	12:00 noon on Wednesday, 4 March
Application lists close	12:00 noon on Wednesday, 4 March
Expected Price Determination Date (Note 5)	Wednesday, 4 March
Announcement of the final Offer Price, an indication of the level of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on our website at www.suchuanggas.com and the website of the Stock Exchange at www.hkexnews.hk on or before	Tuesday, 10 March

EXPECTED TIMETABLE

Announcement of results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including our website at **www.suchuanggas.com** and the website of the Stock Exchange at **www.hkexnews.hk** (for further details, please refer to the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus) from. Tuesday, 10 March

Results of allocations in the Hong Kong Public Offering will be available at **www.tricor.com.hk/ipo/result** with a "search by ID Number/Business Registration Number" function. Tuesday, 10 March

Despatch/Collection of e-Auto Refund payment instructions/refund cheques in respect of wholly or partially successful applications if the final Offer Price is less than the price payable on application (if applicable) and wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before (*Notes 6 to 8*) Tuesday, 10 March

Despatch/Collection of Share certificates on or before Tuesday, 10 March

Dealings in the Shares on the Stock Exchange expected to commence on 9:00 a.m. on Wednesday, 11 March

Notes:

1. All times and dates refer to Hong Kong local time, except as otherwise stated. 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.
2. You will not be permitted to submit your application through the designated website at **www.hkeipo.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 prior to 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.
3. If there is a "black" rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 March 2015, the application lists will not open on that day. For further details, please refer to the section headed "How to Apply for Hong Kong Offer Shares – 10. Effect of bad weather on the opening of the application lists" in this prospectus.
4. Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares – 6. Applying by giving electronic application instructions to HKSCC via CCASS" in this prospectus.
5. The Price Determination Date is expected to be on or around Wednesday, 4 March 2015. If, for any reason, the Offer Price is not agreed by Monday, 9 March 2015 between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters), the Global Offering will not proceed and will lapse accordingly.
6. Share certificates for the Offer Shares are expected to be issued on or before Tuesday, 10 March 2015 but will only become valid certificates of title at 8:00 a.m. on Wednesday, 11 March 2015 provided that (a) the Global Offering has become unconditional in all respects; and (b) none of the Underwriting Agreements has been terminated in accordance with its terms.

EXPECTED TIMETABLE

7. Applicants for 1,000,000 Hong Kong Offer Shares or more on **WHITE** Application Forms or through **HK eIPO White Form** service who have indicated in their Application Forms that they wish to collect their refund cheques (where relevant) and/or Share certificates (where relevant) personally may collect refund cheques (where relevant) and/or Share certificates (where relevant) from our Hong Kong Branch Share Registrar, Tricor Investor Services Limited from 9:00 a.m. to 1:00 p.m. on Tuesday, 10 March 2015 or any other day that we publish in the newspaper as the date of despatch of Share certificates/e-Auto Refund payment instructions/refund cheques.

Individuals who opt for personal collection must not authorise any other person(s) to make collection on their behalf. Corporate applicants which opt for personal collection must attend by their authorised representative(s) bearing a letter of authorisation from such corporation(s) stamped with the corporation's stamp. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Branch Share Registrar. Applicants for 1,000,000 Hong Kong Offer Shares or more on **YELLOW** Application Forms may collect their refund cheques, if any, in person but may not elect to collect their Share certificates personally, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participants' stock accounts, as appropriated. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who apply through the **HK eIPO White Form** service and paid their applications monies through single bank account may have refund monies (if any) despatched to their application payment bank account, in the form of e-Auto Refund payment instructions; Applicants who apply through the **HK eIPO White Form** service and paid their application monies through multiple bank accounts may have refund monies (if any) despatched to the address as specified in their application instructions to the **HK eIPO White Form** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

Uncollected Share certificates and refund cheques (if any) will be despatched by ordinary post at the applicant's own risk to the address specified in the relevant Application Form. For further information, applicants should refer to the section headed "How to Apply for Hong Kong Offer Shares – 14. Despatch/collection of share certificates and refund monies" in this prospectus.

8. Refund cheques/e-Auto Refund payment instructions will be despatched in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the maximum Offer Price of HK\$2.92 per Offer Share.

For details of the structure of the Global Offering, including conditions of the Global Offering, applicants should refer to the section headed "Structure of the Global Offering" in this prospectus.

CONTENTS

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares 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 Offering. 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 in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale 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 authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorised 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 authorised by us, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. The information contained on our website at www.suchuangas.com does not form part of this prospectus.

	<i>Page</i>
EXPECTED TIMETABLE	i
CONTENTS	iv
SUMMARY	1
DEFINITIONS	14
GLOSSARY OF TECHNICAL TERMS	28
FORWARD-LOOKING STATEMENTS	29
RISK FACTORS	30
WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE	47
INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING	51
DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING	55
CORPORATE INFORMATION	58
INDUSTRY OVERVIEW	60

CONTENTS

REGULATORY OVERVIEW	76
HISTORY AND REORGANISATION	96
BUSINESS	122
RELATIONSHIP WITH CONTROLLING SHAREHOLDERS	190
CONNECTED TRANSACTIONS	200
DIRECTORS, SENIOR MANAGEMENT AND STAFF	205
SUBSTANTIAL SHAREHOLDERS	215
CORNERSTONE PLACING	217
SHARE CAPITAL	220
FINANCIAL INFORMATION	223
FUTURE PLANS AND USE OF PROCEEDS	290
UNDERWRITING	292
STRUCTURE OF THE GLOBAL OFFERING	301
HOW TO APPLY FOR HONG KONG OFFER SHARES	311
Appendix I – Accountants’ Report of Suchuang Gas Corporation Limited	I-1
Appendix IA – Accountants’ Report of Target Business of Suzhou Suling Automobile Service	IA-1
Appendix II – Unaudited Pro Forma Financial Information	II-1
Appendix III – Profit Estimate	III-1
Appendix IV – Property Valuation	IV-1
Appendix V – Summary of the Constitution of the 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 this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus 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" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are the dominant piped natural gas operator in Taicang of Jiangsu Province, with an exclusive right under the Concession to sell and transmit piped natural gas to users in the Operating Area for an initial term of 30 years ending 31 August 2043. Taicang is a major industrial county-level city of Jiangsu Province adjacent to Suzhou, Kunshan, Changshu and Shanghai, and the Operating Area¹ represented more than 70% of Taicang's total area as at the Latest Practicable Date. Please refer to the section headed "Business – Our Piped Natural Gas Sale and Transmission Business – Taicang and our Operating Area" in this prospectus for further details on Taicang. Our piped natural gas business could be traced back to 2005, when our first city gateway station for piped natural gas transmission in Taicang was put into commercial operation.

For 2011, 2012, 2013 and the nine months ended 30 September 2014, the sale and transmission of piped natural gas was our core business, representing 87.6%, 83.9%, 82.9% and 87.8%, respectively, of our total revenue for the respective periods. Our piped natural gas was mainly sold to customers on a retail basis (i.e. natural gas purchased from us for users' own consumption), and these retail customers comprise industrial, commercial and residential users, with non-residential users (comprising industrial and commercial users) as our major customers in terms of revenue and sale volume, as they consumed significantly higher quantity of gas and paid higher price when compared to residential users. Revenue derived from our sale of natural gas to non-residential users (comprising industrial and commercial users), in aggregate, accounted for 90.9%, 92.9%, 90.9% and 81.6%, respectively, of our total sale of natural gas for 2011, 2012, 2013 and the nine months ended 30 September 2014, and the sale volume of natural gas to these users, in aggregate, accounted for 88.2%, 90.3%, 87.4% and 77.2%, respectively, of our total gas sold during the respective periods. Revenue from, and volume of, natural gas sold by us to non-residential users grew steadily, with a CAGR of 14.2% and 13.5%, respectively, from 2011 to 2013 and a growth rate of 14.8% and 8.7%, respectively, from the nine months ended 30 September 2013 to the nine months ended 30 September 2014. In addition to retail customers, we also supply piped natural gas to customers on a wholesale basis (i.e. natural gas purchased from us for their onward sale).

In addition to piped natural gas sale, we offer natural gas transmission services through our pipeline network to our customers who have direct natural gas purchase arrangements with PetroChina, and the fee we received from such transmission services accounted for less than 2% of our total revenue during the Track Record Period. In respect of our construction and connection of gas pipeline business, revenue generated from this business segment, in aggregate,

¹ The Operating Area covers the area enclosed by National Highway 204, Shuangfu Highway, the Provincial Highway 338, and the current administrative boundaries of Taicang, and excludes the section of pipelines at Shaxi and Huangjing Districts within Taicang operated by Kunlun Suchuang Gas, in which we own 49% equity interest, and a section of high pressure pipelines which is owned and operated by PetroChina for transmission of gas from Yanglintang to Liuhe Gateway Station.

SUMMARY

accounted for 11.7%, 15.6%, 16.7% and 11.7%, respectively, of our total revenue, for 2011, 2012, 2013 and the nine months ended 30 September 2014. Please refer to the section headed “Business – Our Business Model and Segments” on page 137 in this prospectus.

Our purchase and selling prices of natural gas are generally regulated by the PRC government. The NDRC determines the benchmark gateway station price as well as the transmission tariff. Local government authorities determine the end-user price. For residential users, the end-user price was determined at a fixed rate by the local governments, whereas for industrial and commercial users, the price could be agreed with between us and the users up to the maximum end user price. Since our purchase and selling prices of natural gas are generally regulated by the PRC government, we are affected by risks arising from the PRC government’s price control regime for natural gas. If there is any price adjustment by the relevant pricing authorities or by our suppliers on our purchase price of natural gas and we fail to pass on the corresponding increase in the purchase price of natural gas to our customers in a timely manner, or at all, our revenue, financial condition and operating results may be materially and adversely affected. Further, given that there is generally a time gap between the increase in our purchase price before the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period. For details of the price determination regime and movement in our purchase and selling prices of natural gas, please see “Regulatory Overview – Overview of Regulations – PRC laws and regulations on the distribution and sale of natural gas” from page 76 and “Business – Our Piped Natural Gas Sale and Transmission Business – Pricing of Natural Gas” from page 158.

We have more than eight years of business relationship with PetroChina and have entered into the Master Supply Agreements with PetroChina for a twelve-year term starting from 2011 to secure a stable supply of piped natural gas. In addition to this supplier-customer relationship with PetroChina, we have also established joint ventures with it to expand the scope of our strategic cooperation with PetroChina in Taicang and nearby regions. As there are currently only two upstream suppliers (PetroChina is one of them) in Taicang, we believe that our long-established and strategic relationship with PetroChina enables us to obtain a reliable, stable and abundant supply of natural gas which is essential for the operation and development of our piped natural gas sale and transmission business.

Under the Master Supply Agreements, we have a take-or-pay obligation to purchase a minimum purchase volume (i.e. 90% of the specified purchase volume as specified under the Master Supply Agreements) from PetroChina per year. Our actual purchase volume of natural gas from PetroChina in 2011, 2012 and 2013 was below such minimum purchase volume under the Master Supply Agreements for the respective years. Based on our Directors’ experience and to the best of their knowledge, it is the general practice of PetroChina not to enforce such obligation against local gas distributors sourcing natural gas from it or for local gas distributors to claim compensation for unfulfilled volume against PetroChina, as the specified purchase volume is used by PetroChina for forecast and planning purpose. Our Directors have confirmed that such take-or-pay obligation had not been enforced by PetroChina during the Track Record Period up to the Latest Practicable Date. PetroChina WEG Distribution (a branch company of PetroChina) has confirmed that as of 30 September 2014, all sums payable under the Master Supply Agreements or any sums relating to the Master Supply Agreements had been settled in full, and there were no other outstanding sums payable, and we had fully performed all our obligations and responsibilities under the Master Supply Agreements. Our PRC Legal Advisers are of the view that the above confirmations by PetroChina WEG Distribution are effective and binding. On such basis and based on the above confirmations and our experience that the take-or-pay obligation has not been enforced up to the Latest Practicable Date, our Directors are of the view that the aforesaid purchase shortfall is not expected to have any material adverse impact on our business, financial condition, operating results, and our relationship with PetroChina. Please see “Business – Our Piped Natural Gas Sale and Transmission Business – Supply of Natural Gas” from page 147 for further details.

SUMMARY

Natural gas, as an economical, efficient and clean energy source, has been strongly and actively promoted by the PRC government in recent years. Our business benefits from regulatory support from the PRC government. The PRC government in recent years has been actively promoting natural gas as a clean alternative energy, particularly as a substitute for coal and other fossil fuels. The regulatory supports speed up the construction of infrastructure and increase the overall supply and pipeline coverage for natural gas. Driven by the PRC government's initiatives to foster the utilisation of and access to natural gas across urban households, industries and public sectors to reduce pollutant gas emissions and the increased public awareness of environmental protection in the PRC, the demand of natural gas in China is surging, with population of natural gas consumers in cities increased from approximately 210 million in 2012 to approximately 240 million in 2013, according to PetroChina Economics & Technology Research Institute. We believe that our established operation and experience will enable us to capture growth opportunities.

OUR SUPPLIERS, SUBCONTRACTORS AND CUSTOMERS

PetroChina has been our principal supplier for piped natural gas. Other than PetroChina and Kunlun Suchuang Gas, being our suppliers of natural gas, our major suppliers comprise principally suppliers of materials or service providers for our construction of natural gas pipeline operations, with whom we generally have over six years of business relationship. For 2011, 2012, 2013 and the nine months ended 30 September 2014, purchases from our five largest suppliers collectively were RMB362.5 million, RMB374.1 million, RMB462.0 million and RMB433.5 million, respectively, which accounted for 77.5%, 82.4%, 76.6% and 93.3%, respectively, of our total purchases.

We sub-contract our construction works, including construction of major natural gas facilities and pipelines, to qualified and licensed contractors. The sub-contracting agreements generally provide that (i) the construction fees payable by us are determined by the project with reference to the scale and complexity of the work to be carried out by the contractors; and (ii) the prices set by the local government for construction and installation. We usually make a down payment of 25% to 30% of the total contract price to a contractor with the remainder payable by instalments based on an agreed schedule. We oversee the overall project management to ensure that the construction of the required pipeline network is carried out in accordance with all the relevant standards and regulations.

During the Track Record Period, our major customers comprised principally our wholesale customers, which were local gas distributors, and industrial and commercial users in our retail business segment, with whom we generally had around four years of business relationship on average. We did not rely on any major customer during the Track Record Period. For 2011, 2012, 2013 and the nine months ended 30 September 2014, revenue derived from our sale to our largest five customers collectively were RMB182.5 million, RMB179.6 million, RMB220.9 million and RMB214.3 million, respectively, which accounted for 38.5%, 34.3%, 33.3% and 37.2%, respectively, of our total revenue.

Kunlun Suchuang Gas is an associate of our Company, held as to 49% by us and 51% by PetroChina Kunlun. Besides our Group, Kunlun Suchuang Gas is the only other retail supplier of piped natural gas, operating in Shaxi and Huangjing Districts, in Taicang. It purchases natural gas from PetroChina, which is transmitted through our pipeline network, for which we charge a transmission fee. In addition, at the time where the volume of natural gas required by it exceeded the agreed volume that can be supplied to it by PetroChina in a given period, it also purchased natural gas from us during the Track Record Period to relieve its temporary requirement of natural gas. The price we charged Kunlun Suchuang Gas under the supply agreement entered into between it and our Group was comparable to the price we charged our other wholesale customers

SUMMARY

during the Track Record Period. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our sales to Kunlun Suchuang Gas were RMB0.3 million, RMB10.9 million, RMB7.4 million and RMB4.4 million, respectively, representing 0.1%, 2.5%, 1.3% and 0.9% of our revenue from sale of natural gas for the respective periods, and it has been one of our major customers during the Track Record Period. As the pipeline network of PetroChina that connected with the pipeline network of Kunlun Suchuang Gas has been completed and is expected to be in operation in the first half of 2015, we expect that the amount and frequency of natural gas of Kunlun Suchuang Gas which will be transmitted through our pipeline network may reduce in the future. Given that our sales to Kunlun Suchuang Gas represented a relatively small proportion of our total revenue during the Track Record Period, the above is not expected to have any material adverse impact on our business and results of operations. In addition, we have also purchased piped natural gas from Kunlun Suchuang Gas during the Track Record Period. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our purchase from Kunlun Suchuang Gas amounted to RMB3.5 million, RMB11.9 million, RMB42.9 million and RMB24.6 million, respectively, representing 1.0%, 3.2%, 9.2% and 5.6% of our cost of sales for the respective periods. For details of the circumstances under which we made purchase of natural gas from it, please see “Business – Our Piped Natural Gas Sale and Transmission Business – Sale of Piped Natural Gas to Wholesale Customers – Our Relationship with Kunlun Suchuang Gas” from page 155.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and enable us to capture future opportunities in the natural gas market:

- We are the dominant piped natural gas operator in Taicang under the Concession.
- We operate in the fast growing natural gas industry of China which benefits from favourable government policies and increasing demand.
- We have a well-established and strategic relationship with PetroChina, our principal supplier of natural gas.
- We are located in an area with a substantial industrial and commercial user base to which our piped natural gas could be sold at a relatively high gross profit margin.
- We have stable operating cash inflow from our sale and transmission of piped natural gas business with receipt of payment in advance for our sale of piped natural gas.
- We have an experienced and professional management team supported by highly-skilled employees.

For details, please see “Business – Our Competitive Strengths” from page 123.

OUR STRATEGIES

In order to further develop and strengthen our natural gas business, we intend to expand our business through the following:

- Expand into CNG and LNG refuelling station business;
- Expand and enhance our piped natural gas sale and transmission business in Taicang;
- Expand our business coverage to other cities by acquiring controlling interests in existing natural gas operators; and
- Improve efficiency in and enhance safety of our existing operation.

For details, please see “Business – Our Strategies” from page 127.

SUMMARY

HIGHLIGHTS OF RISK FACTORS

Our business is subject to numerous risks and there are risks relating to investment in the Offer Shares. We believe that the following are some of the major risks that may have a material adverse effect on us:

- (i) We operate sale and distribution of piped natural gas in the Operating Area under the Concession, which will expire or may be terminated before expiration. If the Concession Agreement is terminated for whatever reasons and we are not able to renew it or relocate to an alternative area, our business, financial condition and operating results would be materially and adversely affected.
- (ii) PetroChina is currently our principal natural gas supplier, and any dispute between us and PetroChina may affect the supply of natural gas to us and cause disruption to our other cooperations with it. Further, if we are not able to source sufficient amount of natural gas on commercially acceptable terms, or at all, our business, financial condition and operating results would be materially and adversely affected. We may also face shortage of natural gas in the PRC as a whole.
- (iii) Under the Master Supply Agreements, PetroChina has the right to require us to pay for any difference between the actual purchase volume and the minimum purchase volume of natural gas as specified under the Master Supply Agreements if our actual purchase volume is below the minimum purchase volume for the relevant year(s). In addition, the usage agreement typically entered into between us and our industrial or commercial user provides for the minimum purchase volume by the relevant user in a year, which we did not enforce such provision against our customers in the past. Accordingly, there may remain a mismatch between our obligations to our supplier and the obligations of our customers to us. In the event that PetroChina enforces our take-or-pay obligation, our business, financial conditions and operating results may be materially and adversely affected.
- (iv) We are affected by risks arising from the PRC government's price control regime for natural gas. If there is any price adjustment by the relevant pricing authorities or by our supplier on our purchase price of natural gas and if we fail to pass on the corresponding increase in the purchase price of natural gas to our customers in a timely manner, or at all, our revenue, financial condition and operating results may be materially and adversely affected. Further, given that there is generally a time gap between increase in our purchase price before the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period.

The risks mentioned above are not the only significant risks that may affect our business, operating and financial results. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the entire section headed "Risk Factors" from page 30.

SUMMARY

OUR SHAREHOLDERS

Immediately following completion of the Capitalisation Issue and the Global Offering (but without taking into account the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), Mr. Su and Ms. Zhu will, through their wholly-owned company (namely Fung Yu Holdings), be entitled to exercise or control the exercise of 51.3075% of the issued share capital of our Company and thus both of them together with Fung Yu Holdings will become our Controlling Shareholders. Please see “Relationship with Controlling Shareholders” from page 190. Prax Capital China Growth Fund III, L.P. (“Prax Capital”), through its subsidiary Action East, and Jade Deluxe are our pre-IPO investors, as set out in “History and Reorganisation – Pre-IPO Investments” from page 104.

SUMMARY FINANCIAL INFORMATION AND OPERATING DATA

Results of Operations

The following table sets forth selected items from the consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	<u>For the year ended 31 December</u>			<u>For the nine months ended 30 September</u>	
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2013 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i>
Revenue	474,224	522,980	663,663	481,690	575,730
Cost of sales	(348,207)	(371,874)	(463,588)	(340,216)	(435,707)
Gross profit	126,017	151,106	200,075	141,474	140,023
Other income and gains	5,915	2,795	4,521	3,856	6,583
Selling and distribution costs	(2,277)	(2,794)	(2,796)	(2,154)	(3,733)
Administrative expenses	(7,086)	(8,581)	(20,923)	(12,576)	(15,348)
Other expenses	(42)	(997)	(305)	(298)	(1)
Finance costs	(42,069)	(52,231)	(42,267)	(33,295)	(16,053)
Share of profits and losses of:					
A joint venture	(34)	(3)	–	–	–
Associates	(282)	4,879	3,285	3,316	1,354
Profit before tax	80,142	94,174	141,590	100,323	112,825
Income tax expense	(20,718)	(23,163)	(35,098)	(24,701)	(28,121)
Profit for the year/period	<u>59,424</u>	<u>71,011</u>	<u>106,492</u>	<u>75,622</u>	<u>84,704</u>
Profit for the year/period attributable to:					
Owners of the parent	59,424	71,025	106,703	75,833	84,704
Non-controlling interests	–	(14)	(211)	(211)	–
	<u>59,424</u>	<u>71,011</u>	<u>106,492</u>	<u>75,622</u>	<u>84,704</u>

SUMMARY

Consolidated Statements of Financial Position

The following table sets forth a summary of information on our financial positions as at the dates indicated.

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Non-current Assets	525,631	642,671	722,377	713,912
Current Assets	765,639	797,582	407,826	247,614
Current Liabilities	799,191	913,163	784,615	286,755
Net Current Liabilities	33,552	115,581	376,789	39,141
Total Assets Less Current Liabilities	492,079	527,090	345,588	674,771

We recorded net current liabilities of RMB33.6 million, RMB115.6 million, RMB376.8 million and RMB39.1 million as at 31 December 2011, 2012, 2013 and 30 September 2014, respectively. Our net current liabilities position during the Track Record Period mainly resulted from (i) our continuous capital expenditures for construction of our office building and operating facilities using funds from our operating activities, and (ii) declaration and payments of dividends.

Summary of Consolidated Statements of Cash Flows

The following table sets forth a summary of our cash flows information for the periods indicated.

	For the year ended 31 December			For the nine months ended 30 September	
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2013 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i>
Net cash flows from operating activities	178,662	191,250	103,680	129,670	166,431
Net cash flows used in investing activities	(107,763)	(132,604)	(93,022)	(90,089)	(13,672)
Net cash flows used in financing activities	(31,968)	(64,139)	(4,973)	(18,968)	(108,497)
Net increase/(decrease) in cash and cash equivalents	38,931	(5,493)	5,685	20,613	44,262
Cash and cash equivalents at beginning of year/period	30,685	69,616	64,123	64,123	69,808
Cash and cash equivalents at end of year/period	69,616	64,123	69,808	84,736	114,070

SUMMARY

Key Financial Ratios

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2011	2012	2013	2013 (unaudited)	2014
Gross profit margin	26.6%	28.9%	30.1%	29.4%	24.3%
Net profit margin	12.5%	13.6%	16.1%	15.7%	14.7%
Return on equity (%)	19.2%	18.5%	39.3%	N/A	26.3%
Return on total assets (%)	4.6%	4.9%	9.4%	N/A	11.7%
Interest coverage	2.9	2.8	4.3	4.0	8.0

	As at 31 December			As at 30 September
	2011	2012	2013	2014
Current ratio	1.0	0.9	0.5	0.9
Gearing ratio	207.1%	166.2%	183.7%	39.6%
Net debt to equity ratio	184.7%	149.6%	158.0%	13.0%

Our gearing ratio and net debt to equity ratio decreased significantly as at 30 September 2014 compared to 31 December 2013 mainly as a result of our repayment of bank loans during the nine months ended 30 September 2014.

Please see the section headed “Financial Information – Key Financial Ratios” for further information on these ratios.

Gross profit margin by business segment

The gross profit margin for our sale and transmission of natural gas was 25.7%, 28.7% and 28.3% for 2011, 2012 and 2013, 27.4% and 20.9% for the nine months ended 30 September 2013 and 2014, respectively. The improvement in gross profit margin for the sale and transmission of natural gas from 2011 to 2012 was mainly due to the increase in retail sale of natural gas to our industrial users in 2012 which contributed a higher gross profit margin. The decline in gross profit margin for sale and transmission of natural gas from the nine months ended 30 September 2013 to the nine months ended 30 September 2014 was mainly attributable to the increase in wholesale of natural gas in the nine months ended 30 September 2014 which contributed a lower gross profit margin.

The gross profit margin for the construction and connection of gas pipelines was 31.5%, 29.4% and 38.7% for 2011, 2012 and 2013, 37.4% and 48.4% for the nine months ended 30 September 2013 and 2014, respectively. The decline in gross profit margin for construction and connection of gas pipelines from 2011 to 2012 was mainly attributable to more projects undertaken in relation to the revamping of pipeline networks for the old residential districts which had a lower gross profit margin. The improvement in gross profit margin for construction and connection of gas pipelines from the nine months ended 30 September 2013 to the nine months ended 30 September 2014 was mainly due to more projects undertaken related to newly developed properties in the nine months ended 30 September 2014 which contributed a higher gross profit margin.

SUMMARY

Selected Operating Data

The tables below set forth the key data of our business for the periods indicated:

Business segments	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Sale and transmission of piped natural gas										
– Sales of natural gas	414,600	87.4	430,000	82.2	541,919	81.6	385,721	80.1	498,459	86.6
– Transmission of natural gas	735	0.2	8,779	1.7	8,426	1.3	5,763	1.2	7,194	1.2
Sub-total:	415,335	87.6	438,779	83.9	550,345	82.9	391,484	81.3	505,653	87.8
Construction and connection of gas pipelines										
– Construction of gas pipelines	49,881	10.5	74,209	14.2	100,224	15.1	80,718	16.8	58,394	10.1
– Connection of gas pipelines	5,632	1.2	7,522	1.4	10,674	1.6	7,850	1.6	9,229	1.6
Sub-total:	55,513	11.7	81,731	15.6	110,898	16.7	88,568	18.4	67,623	11.7
Others (Note)	3,376	0.7	2,470	0.5	2,420	0.4	1,638	0.3	2,454	0.5
Total revenue:	474,224	100.0	522,980	100.0	663,663	100.0	481,690	100.0	575,730	100.0

Note: "Others" mainly represents revenue generated from pipeline repair and maintenance services, sale of gas products and property letting in relation to certain areas in our office building since 2013.

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Retail sale										
– Residential	7,516	1.8	10,410	2.4	19,818	3.6	15,549	4.0	16,781	3.4
– Commercial	11,758	2.8	12,613	2.9	15,998	3.0	11,723	3.0	12,954	2.6
– Industrial	365,422	88.1	386,959	90.0	476,143	87.9	342,623	88.8	393,843	79.0
Sub-total:	384,696	92.7	409,982	95.3	511,959	94.5	369,895	95.8	423,578	85.0
Wholesale	29,904	7.3	20,018	4.7	29,960	5.5	15,826	4.2	74,881	15.0
Total:	414,600	100.0	430,000	100.0	541,919	100.0	385,721	100.0	498,459	100.0

	For the year ended 31 December			For the nine months ended 30 September	
	2011	2012	2013	2013	2014
Average selling price (RMB/m³, VAT exclusive)	2.90	2.80	2.91	2.88	2.98

SUMMARY

RECENT DEVELOPMENTS

Based on our unaudited consolidated management accounts for the three months ended 31 December 2014, our Directors are of the view that we continued to experience stable growth in revenue compared with the same period in 2013, while our gross profit margin for the three months ended 31 December 2014 remained stable. Our purchase price of stock natural gas for non-residential usage was adjusted by PetroChina from RMB2.42/m³ to RMB2.82/m³ effective from 1 September 2014 and the maximum selling price for non-residential usage and other (public utilities) usage in Taicang was adjusted upward by RMB0.33/m³ by Taicang Price Bureau effective from 20 October 2014. Given that there existed a time gap between the increase of our purchase price and selling price of natural gas for non-residential usage, the abovementioned price adjustments have slightly impacted our gross profit margin for the transmission and sale of natural gas during the aforementioned period, while afterwards we were able to substantially pass on the increase in purchase price of natural gas to non-residential users. On 30 December 2014, upon the approval of the Jiangsu Price Bureau, Taicang Price Bureau announced that the base selling price of residential usage of natural gas in Taicang shall be adjusted upward by RMB0.25/m³ and a ladder gas pricing system shall be implemented with effect from 1 January 2015. Our management expects that the adjustment would have a positive effect on our gross profit margin for transmission and sales of natural gas for the year ending 31 December 2015. Please refer to the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – Pricing of Natural Gas – Adjustment of Natural Gas Price in 2014” in this prospectus for further information.

Save for the above, our Directors have confirmed that there is no event since 30 September 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this prospectus that would have a material adverse impact on our business operation, financial condition and operating results.

Listing-related Expenses

The total expenses for the Listing are estimated to be HK\$64.9 million (assuming an Offer Price of HK\$2.50, being the mid-point of the indicative Offer Price range), of which HK\$33.3 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from equity and HK\$31.6 million is to be charged as administrative expenses to our profit and loss accounts in the period in which the expenses are incurred. The Listing expenses of HK\$10.8 million and HK\$5.5 million were charged to our profit and loss account for the year ended 31 December 2013 and the nine months ended 30 September 2014, respectively. HK\$15.3 million are expected to be charged to our profit and loss account after 30 September 2014, which will be reflected in our administrative expenses for the year ended 31 December 2014 and the year ending 31 December 2015.

SUMMARY

PROPERTY VALUATION

JLL valued our property interests as at 31 December 2014 at an aggregate market value of RMB276.4 million. Please see Appendix IV to this prospectus for details. The key assumptions adopted by JLL in valuing the property include, among others, the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement; and the property is free from encumbrances, restrictions and outgoing of an onerous nature. Investors are advised that the appraised value of our property interest shall not be taken as their actual realisable value or a forecast of their realisable value.

PROFIT ESTIMATE FOR THE YEAR ENDED 31 DECEMBER 2014

Our Directors estimate, on the bases set out in Appendix III to this prospectus, certain profit estimate data of the Company for the year ended 31 December 2014 as follows:

Consolidated profit attributable to equity holders of the Companynot less than RMB115.0 million
Unaudited pro forma estimated earnings per Sharenot less than RMB0.14

The profit estimate, for which our Directors are solely responsible, has been prepared by them based on our consolidated results for the nine months ended 30 September 2014 as set out in the Accountants' Report of Suchuang Gas Corporation Limited in Appendix I to this prospectus and our unaudited consolidated results for the three months ended 31 December 2014.

The calculation of the unaudited pro forma estimated earnings per Share is based on the unaudited estimated consolidated profit attributable to equity holders of the Company for the year ended 31 December 2014, assuming that the Global Offering had been completed on 1 January 2015 and a total of 800,000,000 Shares were in issue and outstanding during the year ended 31 December 2014. The calculation takes no account of any shares which may be issued upon exercise of the Over-allotment Option or pursuant to the Share Option Scheme.

SUMMARY

USE OF PROCEEDS

Assuming an Offer Price of HK\$2.50, being the mid-point of the indicative Offer Price range, we estimate that we will receive net proceeds of approximately HK\$451.5 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering assuming the Over-allotment Option is not exercised. We intend to use the net proceeds from the Global Offering for the following purposes:

- (i) approximately 25%, or HK\$112.9 million, will be used for acquiring and constructing CNG and LNG refuelling stations for the sale of CNG/LNG for vehicular use;
- (ii) approximately 35%, or HK\$158.0 million, will be used for expanding our pipeline network and sale of piped natural gas to customers in our existing market, such as large industrial users in Taicang;
- (iii) approximately 30%, or HK\$135.5 million, will be used for acquiring controlling interests in natural gas operators outside Taicang, for distribution and sale of natural gas in cities outside Taicang; and
- (iv) approximately 10%, or HK\$45.1 million, will be used as working capital and other general corporate purposes.

Please see “Future Plans and Use of Proceeds” on page 290.

STATISTICS OF THE GLOBAL OFFERING

The following table sets forth certain statistics of the Global Offering, assuming that the Global Offering has been completed and 800,000,000 Shares are in issue. Please see “Unaudited Pro Forma Financial Information” set forth in Appendix II to this prospectus for details.

	Based on an Offer Price of HK\$2.08	Based on an Offer Price of HK\$2.92
Market capitalisation of the Shares	HK\$1,664 million	HK\$2,336 million
Unaudited pro forma adjusted consolidated net tangible assets per Share	HK\$1.14	HK\$1.34

NON-COMPLIANCES

There were certain deficiencies in our legal and statutory compliance in the PRC during the Track Record Period including: (i) non-compliant bill financing; (ii) non-compliant advances to related party enterprises; (iii) non-compliance relating to our properties; and (iv) non-compliance in relation to social insurance and housing provident fund contributions. Pursuant to the relevant laws and regulations, the possible legal consequences and liabilities include administrative penalties or punitive measures imposed on the relevant member of our Group, payment of fines, outstanding contributions and/or overdue penalty, as the case may be. Please see “Business – Non-compliance and Remedial Measures” from page 172.

SUMMARY

DIVIDEND POLICY

Our subsidiary, Taicang Natural Gas, declared a special dividend to its then shareholders of about RMB210.0 million and RMB23.0 million in July 2013 and May 2014, respectively. The dividends declared were generally financed by internally generated funds of Taicang Natural Gas. Save as aforesaid, no dividend has been declared or paid by the Company or its subsidiaries during the Track Record Period and from 30 September 2014 to the Latest Practicable Date. Our Directors consider that, in general, the amount of any future dividends to be declared by our Company will depend on our operating results, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors at their absolute discretion. Future dividend payments will also depend on the availability of dividends received from our subsidiaries in China, which is subject to the relevant PRC laws and regulations. We do not intend to distribute any dividend to our Shareholders in respect of the year ended 31 December 2014. Please see “Financial Information – Dividend Policy” on page 276.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following expressions shall have the following meanings.

“Action East”	Action East International Limited 明崙實業有限公司, a company incorporated in Hong Kong with limited liability on 21 November 2012 and wholly owned by Prax Capital China Growth Fund III, L.P., both are Independent Third Parties, where Action East will become a Substantial Shareholder of our Company upon Listing
“Application Form(s)”	WHITE, YELLOW and GREEN application form(s) or, where the context so requires, any of them
“Articles”	the articles of association of our Company adopted on 16 February 2015 which will take effect on the Listing Date, 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 to it under the Listing Rules
“Big Four Accounting Firms”	PricewaterhouseCoopers, KPMG, Deloitte Touche Tomatsu and Ernst & Young
“BNP Paribas” or “Sole Sponsor” or “Sole Global Coordinator”	BNP Paribas Securities (Asia) Limited, a corporation licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO, and acting as the Sole Sponsor and Sole Global Coordinator of the Global Offering
“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding Saturday(s) and Sunday(s)) in Hong Kong on which licensed banks in Hong Kong are open for banking business throughout their normal business hours
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalisation Issue”	the issue of Shares to be made upon capitalisation of certain sum standing to the credit of the share premium account of our Company as referred to in the section headed “History and Reorganisation” in this prospectus

DEFINITIONS

“Cayman Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, consolidated or supplemented 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
“China5e”	China Energy Net Consulting CO., Ltd, a market research institute and an Independent Third Party
“China5e Report”	the market research report dated 27 February 2015 prepared by China5e on natural gas industry in the PRC
“close associate(s)”	has the meaning ascribed to it under the Listing Rules
“CNG/LNG Business”	the CNG and LNG refuelling station business operated by Suzhou Suling Automobile Service, which Suzhou Suling Automobile Service has granted to our Company a right to acquire under the Deed of First Offer, details of which are set out in the section headed “Relationship with Controlling Shareholders – Information on Other Companies Owned by Our Controlling Shareholders – Suzhou Suling Automobile Service” in this prospectus
“Companies Ordinance”	Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”	Suchuang Gas Corporation Limited (蘇創燃氣股份有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 4 July 2013

DEFINITIONS

“Concession” or “Concession Agreement”	concession agreement between the Concession Grantor and us, with effect from 1 September 2013, to act as the exclusive piped natural gas distributor in our Operating Area in Taicang for a period of 30 years, subject to renewal approval upon expiration
“Concession Grantor” or “Taicang HUDB”	Taicang City Housing and Urban-Rural Development Bureau (太倉市住房和城鄉建設局), the grantor of the Concession under the Concession Agreement, as authorized by the Taicang City People’s Government
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and unless the context requires otherwise, refers to Mr. Su, Ms. Zhu and Fung Yu Holdings
“core connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Deed of First Offer”	the deed of first offer dated 23 February 2015 entered into between Suzhou Suling Automobile Service and our Company pursuant to which Suzhou Suling Automobile Service granted to us the right to acquire the CNG/LNG Business. For further details of the terms of the Deed of First Offer, please refer to the section headed “Relationship with Controlling Shareholders – Information on Other Companies Owned by Our Controlling Shareholders – Suzhou Suling Automobile Service” in this prospectus
“Dekai Energy”	Dekai Energy Investment Limited 德凱能源投資有限公司, a company incorporated in the BVI with limited liability on 13 June 2013 and wholly owned by Ms. Su Yi, daughter of Mr. Su and Ms. Zhu
“Director(s)”	director(s) of our Company
“effective tax rate”	income tax expense divided by profit before tax
“Electronic Application Instruction(s)”	instruction given by a CCASS Participant electronically via CCASS to HKSCC, being one of the methods to apply for the Hong Kong Offer Shares

DEFINITIONS

“Financing Arrangement”	the arrangement during the Track Record Period that Taicang Natural Gas acted as the main channel to obtain financing from banks for our Group and a larger group of private companies in which Ms. Zhu, Mr. Su or their family members have more than 50% direct and indirect interests, details of which are set out in the section headed “Business – Non-compliance and Remedial Measures – Material Non-compliance – Non-compliant bill financing – Background” in this prospectus
“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
“Founders Share Charge”	a deed of charge over shares dated 26 February 2014 entered into among Mr. Su, Ms. Zhu and Action East pursuant to which Mr. Su and Ms. Zhu charged all of their shares in Fung Yu Holdings, any and all future shares in the share capital of Fung Yu Holdings which are issued to or transferred to Mr. Su and Ms. Zhu, their affiliates and their nominees and any dividends, allotments, accretions, offers, interests, stocks, shares, rights, titles, monies and other properties to which Mr. Su and Ms. Zhu, their affiliates and their nominees are or may become entitled to receive on account of the above-mentioned charged shares in favour of Action East
“Fung Yu Holdings”	Fung Yu Holdings Limited, a company incorporated in the BVI with limited liability on 7 January 2014. It is owned as to 70% by Mr. Su and 30% by Ms. Zhu and is one of our Controlling Shareholders
“Fung Yu Share Charge”	a deed of charge over shares dated 26 February 2014 entered into between Fung Yu Holdings and Action East pursuant to which Fung Yu Holdings charged certain Shares, any and all future Shares which are issued to or transferred to Fung Yu Holdings, its affiliates and its nominees and any dividends, allotments, accretions, offers, interests, shares, rights, titles, monies and other properties to which Fung Yu Holdings, its affiliates and its nominees is or may become entitled to receive on account of the above-mentioned charged shares in favour of Action East
“Global Offering”	the Hong Kong Public Offering and the International Placing

DEFINITIONS

“GREEN Application Form(s)”	the application form(s) to be completed by the HK eIPO White Form Service Provider
“Group”, “we”, “our” and “us”	our Company and its subsidiaries or, where the context otherwise requires, in respect of the period prior to our Company becoming the holding company of its present subsidiaries, the present subsidiaries of our Company, some or any of them and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
“HK eIPO White Form”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the HK eIPO White Form Service Provider at www.hkeipo.hk
“HK eIPO White Form Service Provider”	the HK eIPO White Form service provider designated by our Company, as specified on the designated website (www.hkeipo.hk)
“HKSCC”	Hong Kong Securities Clearing Company Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Branch Share Registrar”	Tricor Investor Services Limited
“Hong Kong dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong GAAP”	generally accepted accounting principles in Hong Kong
“Hong Kong Offer Shares”	the 20,000,000 newly issued Shares expected to be offered by us for subscription under the Hong Kong Public Offering, representing 10% of the initial number of the Offer Shares subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares by our Company for subscription by members of the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering” in this prospectus), and subject to the terms and conditions stated herein and in the Application Forms

DEFINITIONS

“Hong Kong Share Charge”	a deed of charge over shares dated 26 February 2014 entered into between our Company and Action East pursuant to which our Company charged all of its shares in Suchuang Hong Kong, any and all future shares in the share capital of Suchuang Hong Kong which are issued to or transferred to our Company, its affiliates and its nominees and any dividends, allotments, accretions, offers, interests, shares, rights, titles, monies and other properties to which our Company, its affiliates and its nominees is or may become entitled to receive on account of the above-mentioned charged shares in favour of Action East
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting – Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated 26 February 2015 relating to the Hong Kong Public Offering entered into between, amongst others, our Company, our executive Directors, our Controlling Shareholders, the Sole Global Coordinator and the Hong Kong Underwriters, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“IFRS”	the International Financial Reporting Standards adopted by the International Accounting Standards Board, as in effect from time to time
“Independent Third Party(ies)”	any entity or person who is not a connected person within the meaning under the Listing Rules
“Instrument”	the instrument dated 26 February 2014 relating to the Notes issued by Fung Yu Holdings
“International Placing”	the conditional placing of the International Placing Shares for and on behalf of our Company outside the United States (including to professional, institutional and corporate investors and excluding retail investors in Hong Kong) in reliance on Regulation S, subject to adjustment and the exercise of the Over-allotment Option as further described in the section headed “Structure of the Global Offering” in this prospectus

DEFINITIONS

“International Placing Shares”	the 180,000,000 Shares expected to be offered by our Company for subscription under the International Placing subject to adjustment and together, where relevant, with any additional Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	a group of underwriters, which is expected to enter into the International Underwriting Agreement to underwrite the International Placing
“International Underwriting Agreement”	the conditional underwriting agreement expected to be entered into on or about the Price Determination Date, between, amongst others, our Company, our executive Directors, our Controlling Shareholders, the Sole Global Coordinator and the International Underwriters in respect of the International Placing, particulars of which are set forth in the section headed “Underwriting” in this prospectus
“Jade Deluxe”	Jade Deluxe Holdings Limited 翠華控股有限公司, a company incorporated in the BVI with limited liability on 2 April 2012. It is wholly owned by Ms. Guo Yan, an Independent Third Party
“Jiangsu” or “Jiangsu Province”	Jiangsu Province, the PRC (中華人民共和國江蘇省)
“Jiangsu Price Bureau”	the Commodity Price Bureau of Jiangsu Province (江蘇省物價局)
“JLL”	Jones Lang LaSalle Corporate Appraisal and Advisory Limited, independent property valuer
“Joint Bookrunners”	BNP Paribas Securities (Asia) Limited and Haitong International Securities Company Limited
“Joint Lead Managers”	BNP Paribas Securities (Asia) Limited and Haitong International Securities Company Limited
“km”	kilometre(s)
“Kunlun Suchuang Gas”	Suzhou PetroChina Kunlun Suchuang Gas Company Limited (蘇州中石油昆侖蘇創燃氣有限公司), formerly known as Taicang Suchuang Pipeline Natural Gas Company Limited (太倉蘇創管道天然氣有限公司), a company established in the PRC with limited liability on 21 July 2006. It is owned as to 51% by PetroChina Kunlun and 49% by Taicang Natural Gas and is an associated company of our Group

DEFINITIONS

“Kunlun Suchuang Usage”	Suzhou PetroChina Kunlun Suchuang Natural Gas Usage Company Limited (蘇州中石油昆侖蘇創天然氣利用有限公司), a company established in the PRC with limited liability on 2 March 2009. It is owned as to 60% by PetroChina Kunlun and 40% by Taicang Natural Gas and is an associated company of our Group
“Latest Practicable Date”	18 February 2015, being the latest practicable date for ascertaining certain information in this prospectus
“Listing”	the listing of the Shares on the Main Board of the Stock Exchange
“Listing Committee”	the listing sub-committee of the board of directors of the Stock Exchange
“Listing Date”	the date on which dealings in the Shares on the Main Board of the Stock Exchange commence
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“m ³ ”	cubic meter(s)
“Macau”	the Macau Special Administrative Region of the PRC
“Master Supply Agreements”	the master supply agreement dated 8 March 2011 (as modified by the supplemental thereof dated 16 March 2012) entered into between PetroChina and Taicang Natural Gas for the sale and transmission of piped natural gas from PetroChina to Taicang Natural Gas
“Mr. Su”	Mr. Su Aping, chairman and one of the executive Directors of our Company. He is one of our Controlling Shareholders and the husband of Ms. Zhu
“Ms. Zhu”	Ms. Zhu Yaying, one of the executive Directors of our Company. She is one of our Controlling Shareholders and the wife of Mr. Su
“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)
“Noteholder”	a holder of the Notes from time to time

DEFINITIONS

“Notes”	senior secured exchangeable notes of Fung Yu Holdings in the aggregate principal amount of the US\$ equivalent of RMB200 million
“Notes Subscription Agreement”	a subscription agreement dated 25 February 2014 entered into among Fung Yu Holdings, Action East, our Company, Suchuang Hong Kong, Taicang Natural Gas, Suzhou Zhongyu, Mr. Su and Ms. Zhu whereby Fung Yu Holdings agreed to issue the Notes to Action East for a consideration of US\$ equivalent of RMB200 million
“Offer Price”	the final price for each Offer Share (exclusive of brokerage, SFC transaction levy and the Stock Exchange trading fee payable thereon) of not more than HK\$2.92 per Offer Share and is expected to be not less than HK\$2.08 per Offer Share at which the Offer Shares are to be offered for subscription pursuant to the Global Offering
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares issued pursuant to the exercise of the Over-allotment Option
“Operating Area”	the area enclosed by National Highway 204, Shuangfu Highway, the Provincial Highway 338, and the current administrative boundaries of Taicang, Jiangsu Province, China, excluding the districts of Shaxi (沙溪) and Huangjing (璜泾), where we are granted the exclusive right to operate under the Concession Agreement
“Over-allotment Option”	the option to be granted by us to the Sole Global Coordinator, exercisable by it on behalf of the International Underwriters pursuant to the International Underwriting Agreement
“PBOC”	the People’s Bank of China (中國人民銀行)
“Person”	any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity
“PetroChina”	PetroChina Company Limited (中國石油天然氣股份有限公司), a joint stock company incorporated in China with limited liability whose H shares are listed on the Stock Exchange (Stock code: 857), and/or its subsidiaries, and an Independent Third Party

DEFINITIONS

“PetroChina Kunlun”	PetroChina Kunlun Gas Co., Ltd. (中石油昆仑燃气有限公司), a company incorporated in the PRC with limited liability on 27 July 2001 and an Independent Third Party. It is a subsidiary of PetroChina and owns 51% of the equity interests in Kunlun Suchuang Gas and 60% of the equity interests in Kunlun Suchuang Usage
“PRC” or “China”	the People’s Republic of China
“PRC government”	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and organs thereof or, as the context requires, any of them
“PRC Legal Advisers”	Grandall Law Firm (Shanghai), a qualified PRC law firm as the PRC legal advisers to our Company for the application for listing on the Main Board of the Stock Exchange
“PRC Pricing Law”	the Pricing Law of the PRC promulgated by the Standing Committee of National People’s Congress on 29 December 1997, effective from 1 May 1998
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as in force before 3 March 2014
“Pre-IPO Investment Requirements”	the requirements as set out in the Interim Guidance on Pre-IPO Investments published by the Stock Exchange in January 2012 and other guidance letters related to pre-IPO investments published by the Stock Exchange, as updated or amended from time to time
“Pre-IPO Investments”	the investments made by Action East and Jade Deluxe as described in the section headed “History and Reorganisation – Pre-IPO Investments” in this prospectus
“Price Determination Agreement”	the agreement to be entered into between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) on or before the Price Determination Date to fix and record the Offer Price
“Price Determination Date”	the date on which the final Offer Price is to be determined by our Company and the Sole Global Coordinator (for itself and on behalf of the other Underwriters), which is expected to be on or about 4 March 2015 and in any event not later than 9 March 2015
“Regulation S”	Regulation S under the US Securities Act

DEFINITIONS

“Reorganisation”	the corporate reorganisation of our Group in preparation for the Listing as described in the section headed “History and Reorganisation – Our Reorganisation” in this prospectus
“RMB” or “Renminbi”	Renminbi yuan, the lawful currency of the PRC
“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 or supplemented from time to time
“Shanghai Shenxin”	Shanghai Shenxin International Trading Co., Ltd. (上海申鑫國際貿易有限公司), a company incorporated in the PRC with limited liability on 29 May 1997. It is owned as to 60% by Ms. Zhu Qiuying, the sister of Ms. Zhu, and as to 40% by Mr. Huang Zixiu, a former director of Taicang Natural Gas
“Share(s)”	share(s) of HK\$0.01 each in the share capital of our Company
“Share Option Scheme”	the share option scheme conditionally adopted by our Company on 16 February 2015, a summary of the principal terms of which is set out in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix VI to this prospectus
“Shareholder(s)”	holder(s) of Share(s)
“Shareholders and Noteholders Agreement”	a shareholders and noteholders agreement in respect of our Company dated 26 February 2014 entered into among Action East, Fung Yu Holdings, our Company, Mr. Su and Ms. Zhu to regulate the relationship among the parties to the Shareholders and Noteholders Agreement and to set out the basis on which the business and affairs of our Group will be managed and controlled
“sq.m.” or “m ² ”	square meter(s)
“Stabilising Manager”	BNP Paribas Securities (Asia) Limited
“Stock Borrowing Agreement”	the stock borrowing agreement to be entered into between the Sole Global Coordinator and Fung Yu Holdings, pursuant to which the Sole Global Coordinator may borrow up to 30,000,000 Shares to cover any over-allocation in the International Placing

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Companies Ordinance
“Substantial Shareholder(s)”	has the meaning ascribed thereto under the Listing Rules
“Suchuang Group”	Suzhou City Suchuang Group Company Limited (蘇州市蘇創集團有限公司), established in the PRC on 4 December 1992 as a collective associated enterprise (集體聯營企業) and became a limited liability company on 30 January 2003. It is owned as to 90% by Mr. Su and 10% by Ms. Zhu
“Suchuang Hong Kong”	China Suchuang Energy Co., (Hong Kong) Limited (中國蘇創能源(香港)有限公司), a company incorporated in Hong Kong with limited liability on 6 August 2013. It is a wholly-owned subsidiary of our Company
“Suzhou City HUDB”	Suzhou City Housing and Urban-Rural Development Bureau (蘇州市住房和城鄉建設局)
“Suzhou Price Bureau”	the Commodity Price Bureau of Suzhou City (蘇州市物價局)
“Suzhou Shunchuang Pipeline”	Suzhou Shunchuang Pipeline Engineering Company Limited (蘇州順創管道工程有限公司), a company established in the PRC with limited liability on 29 June 1998 and an Independent Third Party
“Suzhou Suling Automobile Service”	Suzhou Suling Automobile Service Co., Ltd. (蘇州蘇菱汽車服務有限公司), formerly known as Suzhou Suguang Automobile Service Co. Ltd. (蘇州蘇光汽車服務有限公司), a company established in the PRC with limited liability on 7 December 1992. It is owned as to 83.87% by Taicang Property and 16.13% by Shanghai Shenxin
“Suzhou Zhongyu”	Suzhou Zhongyu Energy Development Co., Ltd. (蘇州中宇能源發展有限公司), a company established in the PRC with limited liability on 14 May 2012. It is a wholly-owned subsidiary of Taicang Natural Gas and is an indirect wholly-owned subsidiary of our Company
“Taicang” or “Taicang City”	Taicang City in Suzhou, Jiangsu Province, the PRC (江蘇省太倉市)

DEFINITIONS

“Taicang Natural Gas”	Taicang Natural Gas Co., Ltd. (太倉市天然氣有限公司), a company established in the PRC with limited liability on 14 May 2002. It is a wholly-owned subsidiary of Suchuang Hong Kong and is an indirect wholly-owned subsidiary of our Company
“Taicang Price Bureau”	the Commodity Price Bureau of Taicang City (太倉市物價局)
“Taicang Property”	Taicang Suchuang Property Development Company Limited (太倉蘇創房地產開發有限公司), a company established in the PRC with limited liability on 27 May 2003 and is held as to 35% by Ms. Su Yi, 35% by Ms. Su Wen, 16.25% by Suzhou Shunchuang Pipeline and 13.75% by Taicang Sunan Petroleum. Both Ms. Su Yi and Ms. Su Wen are daughters of Mr. Su and Ms. Zhu
“Taicang Statistics Bureau”	Taicang Provincial Bureau of Statistics (太倉市統計局)
“Taicang Sunan Petroleum”	Taicang Sunan Petroleum Company Limited (太倉蘇南石油有限公司), a company incorporated in the PRC with limited liability on 1 April 2003. It is owned as to 51% by Ms. Zhu and 49% by Ms. Zhu Qiuying, the sister of Ms. Zhu
“Track Record Period”	the years ended 31 December 2011, 2012, 2013 and the nine months ended 30 September 2014
“Transaction Documents”	the Notes Subscription Agreement, the Shareholders and Noteholders Agreement, the Instrument, the amended and restated memorandum and articles of association of our Company, the Hong Kong Share Charge, the Fung Yu Share Charge, the Founders Share Charge and any other agreements, instruments, resolutions, certificates executed or entered into pursuant to or in connection with any of the foregoing
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder

DEFINITIONS

“USD” or “US\$” or “U.S. dollars”	United States dollars, the lawful currency of the United States
“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
“WHITE Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be issued in the applicants’ own names
“YELLOW Application Form(s)”	the application form(s) for use by the public who require such Hong Kong Offer Shares to be deposited directly in CCASS
“%”	per cent

Unless expressly stated or the context requires otherwise:

- amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.*
- all data in this prospectus is as of the date of this prospectus.*
- all references to any shareholdings in our Company assume no exercise of the Over-allotment Option unless otherwise specified.*
- solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars or US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts and US dollar amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB0.7893 to HK\$1.00, the translation of Renminbi amounts into US dollars have been made at the rate of RMB6.1195 to US\$1.00, and the translations of US dollars amounts into Hong Kong dollars have been made at the rate of US\$1.00 to HK\$7.7553 being the exchange rate set forth in the H.10 weekly statistical average of the Board of Governors of the Federal Reserve System of the U.S. on 13 February 2015.*

For ease of reference, the names of the PRC established companies or entities have been included in this prospectus in both the Chinese and English languages. The name in Chinese language is the official name of such company or entity, while that in English language is only an unofficial translation, and in the event of any inconsistency, the Chinese version shall prevail.

** For identification purpose only*

GLOSSARY OF TECHNICAL TERMS

This glossary of technical terms contains explanations of certain terms used in this prospectus as they relate to our Company and are used in this prospectus in connection with our business or us. These terms and their given meanings may not correspond to standard industry definitions.

“CNG”	compressed natural gas, refers to natural gas that has been compressed to a high density through high pressure and is used as a clean alternative fuel for vehicles
“end-user pipeline networks”	low-pressure gas distribution pipelines connecting our urban branch pipeline networks to our end-users
“end-user price”	the unit price at which natural gas distributors, such as our Group, sell piped natural gas to their end-users
“ex-plant price”	the benchmark price for wholesale of natural gas determined by the PRC government prior to July 2013
“gas”	natural gas, unless specified or the context requires otherwise
“gas usage coverage rate”	the percentage of the non-rural population that are users of natural gas, LPG or coal gas
“gateway station price”	the benchmark price determined by the PRC government for wholesale of piped natural gas sold by upstream supplier to local gas distributors such as our Group
“incremental natural gas”	the volume of natural gas used in a year that exceeds the volume of stock natural gas
“LNG”	liquefied natural gas, refers to natural gas that has been converted into liquid form through cooling
“LPG”	liquefied petroleum gas, refers to a flammable mixture of hydrocarbon gases extracted from petroleum
“natural gas”	gas consisting primarily of methane found in coal beds with or without other fossil fuels
“non-residential usage”	usage of natural gas other than residential usage, i.e. industrial usage and commercial usage and the term “non-residential use” or “non-residential user(s)” shall be construed accordingly
“piped natural gas”	natural gas transmitted to end users through pipelines
“stock natural gas”	the volume of natural gas consumed in year 2012
“urban gas industry”	natural gas industry in urban cities in the PRC

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. The forward-looking statements are contained principally in the sections headed “Summary”, “Risk Factors”, “Industry Overview”, “Business”, “Financial Information” and “Future Plans and Use of Proceeds” in this prospectus. These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under the section headed “Risk Factors” in this prospectus, which may cause our actual results, performance or achievements to be materially different from performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements include, without limitation, statements relating to:

- our business strategies and operating plans;
- our capital expenditure and expansion plans;
- our ability to identify and successfully take advantage of new business development opportunities; and
- our dividend policy.

The words “anticipate”, “believe”, “could”, “expect”, “intend”, “may”, “plan”, “seek”, “will”, “would” and the negative of these terms and other similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual results may differ materially from information contained in the forward-looking statements as a result of a number of uncertainties and factors, including but not limited to:

- any changes in the laws, rules and regulations of the central and local governments in the PRC relating to any aspect of our business or operations;
- general economic, market and business conditions in China;
- macroeconomic policies of the PRC government;
- inflationary pressures or changes or volatility in interest rates, foreign exchange rates or other rates or prices;
- various business opportunities that we may pursue; and
- the risk factors discussed in this prospectus as well as other factors beyond our control.

Subject to the requirements of applicable laws, rules and regulations, we do not have any obligation to 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 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 the cautionary statements set forth in this section as well as the risks and uncertainties discussed in the section headed “Risk Factors” in this prospectus.

RISK FACTORS

In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. Any of the following risks, as well as other risks and uncertainties that are not yet identified or that we currently think are immaterial, may materially and adversely affect our business, financial condition or operating results, or otherwise cause a decrease in the trading price of the Offer Shares and cause you to lose part or all of the value of your investment in the Offer Shares.

RISKS RELATING TO OUR BUSINESS

Our Concession for the operation of our business will expire or may be terminated before expiration.

We are principally engaged in the sale and distribution of piped natural gas in our Operating Area in Taicang under the Concession. During the Track Record Period, over 80% of our total revenue was generated from piped natural gas sale and transmission operations, which are now under the Concession. The Concession is valid for 30 years until 31 August 2043, subject to renewal upon its expiration and the fulfilment of certain conditions. Please refer to the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – The Concession” in this prospectus for detailed terms of the Concession Agreement. Pursuant to the Concession Agreement, if we have good performance records within the term of the Concession Agreement, the Concession Grantor may, two years prior to the expiry of the Concession, negotiate with us on the extension of the concession period in accordance with the terms thereof. We shall also enjoy a preferential right for the renewal of the Concession provided that we are not in breach of the applicable laws and regulations then in force or the stipulations of the Concession Agreement. Should we and the Concession Grantor fail to reach consensus on the renewal issue one year prior to the expiry of the Concession Agreement, the Concession Grantor will be entitled to select another operator for the Concession.

In addition, the Concession Agreement may be terminated before expiration under certain circumstances, which include: (i) the occurrence of force majeure events; (ii) by mutual agreement of the parties; (iii) cancellation of the necessary licences by the PRC Government; and (iv) the occurrence of any serious shortage of natural gas supply caused by our default which seriously affected public welfare and safety.

We cannot assure you that the Concession Agreement will not be terminated before or upon its expiration or we will be successful in renewing the term with the Concession Grantor. If our Concession Agreement is terminated for whatever reasons, and we are not able to renew it or relocate to an alternative area to continue our operations which is comparable to our existing operation in the Operating Area, our business, financial condition and operating results would be materially and adversely affected.

RISK FACTORS

PetroChina is currently our principal natural gas supplier and any instability in, shortages of or disruption to the supply of natural gas to us from PetroChina could significantly and adversely affect our business. We may also face shortage of natural gas in the PRC as a whole.

Natural gas constitutes the major raw material for our piped natural gas business. For 2011, 2012, 2013 and for the nine months ended 30 September 2014, our costs of natural gas purchase amounted to RMB287.6 million, RMB289.5 million, RMB367.4 million and RMB376.0 million, respectively, representing 82.6%, 77.9%, 79.3% and 86.3%, respectively, of our total cost of sales. Due to the highly regulated nature of natural gas supply industry in the PRC, as of the Latest Practicable Date, PetroChina was our principal natural gas supplier.

In 2011, we entered into the Master Supply Agreements with PetroChina for a twelve-year term for the supply of natural gas from PetroChina. For 2011, 2012, 2013 and for the nine months ended 30 September 2014, we purchased 49.6 million m³, 148.6 million m³, 168.4 million m³ and 159.9 million m³, respectively, of natural gas from PetroChina, and our cost of purchase from PetroChina amounted to RMB95.0 million, RMB274.4 million, RMB329.9 million and RMB358.1 million, respectively, during the respective periods. We usually sign a gas volume confirmation letter with PetroChina each year to set the monthly volume of natural gas that we will purchase for the following 12 months.

As we do not maintain a reserve of natural gas, we may need to source alternative supply of natural gas or even to impose temporary limitations on our distribution of natural gas to our customers when we receive an insufficient supply of natural gas from our suppliers. The price at which we purchase natural gas from our suppliers, principally PetroChina, is determined by the NDRC, which we have limited control. Please refer to the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – Pricing of Natural Gas” in this prospectus. Any dispute between us and PetroChina may affect our supply relation with PetroChina, and result in the loss of business opportunities or disruption to or termination of the relevant joint venture. Further, we may also face shortage of natural gas in the PRC as a whole, due to reasons beyond our control, for examples, disruption of natural gas supply of our upstream suppliers or the occurrence of any adverse political and economic conditions in natural gas exporting countries, resulting in the significant fluctuation of natural gas supply in the market. If we are not able to source sufficient amount of natural gas on commercially acceptable terms, or at all, our business, financial condition and operating result would be materially and adversely affected.

We cannot assure you that our take-or-pay obligation will not be enforced, and the obligations of our customers under existing customer contracts may not correspond to our obligations under the Master Supply Agreements with PetroChina.

Our existing natural gas supply arrangement with PetroChina requires us, among other things, to purchase a minimum of 216 million m³ of natural gas per year, subject to adjustment, according to the Master Supply Agreements. Our purchase obligation is on a “take-or-pay” basis. If our actual purchase volume is below the minimum purchase volume for any given year, PetroChina has the right to require us to pay for the difference between the actual purchase volume and the minimum purchase volume in such year. There is no assurance that we will not experience any failure of meeting such minimum purchase volume in the future and that in such case, PetroChina will not enforce our take-or-pay obligation. In the scenario where PetroChina enforces our take-or-pay obligation in respect of any of our future failure(s) of meeting the

RISK FACTORS

minimum purchase volume, we will be required to pay PetroChina for the shortfall in accordance with the Master Supply Agreements. In such case, after we have made the payment, we have the right to require PetroChina to supply the supplemental amount of natural gas, subject to the terms and conditions of the Master Supply Agreements, and our trade payables may materially increase if the amount we are required to pay in such scenario is significant and our business and operating results may be materially and adversely affected if we are not able to sell the supplemental amount of gas supplied by PetroChina in such circumstances. Please refer to the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – Supply of Natural Gas – Master Supply Agreements with PetroChina” in this prospectus for details.

In addition, the usage agreement typically entered into between us and our industrial or commercial user provides for the minimum purchase volume by the relevant user in a year which the user has to pay for even if the actual purchase volume is below such minimum volume. We did not enforce such minimum purchase provision against our customers in the past. While we believe that the arrangement with our customers conforms to industry practice and actual demand for natural gas from some of our customers may exceed the minimum purchase volume specified by us in such agreement, there may remain a mismatch between our obligations to our supplier and the obligations of our customers to us. If a material percentage of our customers decides to suspend purchase or purchases significantly lower amounts of natural gas from us during the term of our usage agreements and we are unable to enforce our rights against them or to secure alternative customers to make up such shortfall, our business, financial condition and operating results may be materially and adversely affected.

We are affected by risks arising from the PRC government’s price control regime for natural gas. For example, given that there is generally a time gap between increase in our purchase price before the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period.

According to the PRC Pricing Law, the PRC government may direct, guide or fix the prices of public utilities according to pricing schedules prescribed by the central or local governments. We are entitled to determine our selling price of natural gas subject to a maximum price imposed by Suzhou Price Bureau and Taicang Price Bureau. We are required to obtain approval from the relevant local pricing authorities for our selling price of piped natural gas sold in a particular region, as well as any adjustment to our selling price. For natural gas for residential usage, the relevant local pricing authorities determine our selling price and any price adjustments. The price of CNG in China is also determined by the relevant local pricing authorities. Please refer to the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – Pricing of Natural Gas – Price determination regime of natural gas in the PRC” for further information of the pricing of natural gas in the PRC.

For any price adjustment, we must submit applications to the Taicang Price Bureau. Our Directors confirm that, from our past experience, the time required for obtaining approval for price adjustments is approximately two months. Given that there is generally a time gap between increase in our purchase price before the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period. Accordingly, if there is any price adjustment by the relevant pricing authorities or our supplier on our purchase price of natural gas and if we fail to pass on the corresponding increase in the purchase price of natural gas to our customers in a timely manner, or at all, we may not be able to maintain our profitability, and our revenue, financial condition and operating results may be materially and adversely affected.

RISK FACTORS

Our business and operating results depend heavily on the economic and social conditions and prosperity of Taicang and its neighboring regions.

Our business is operated in Taicang of Jiangsu Province. During the Track Record Period, we sold piped natural gas to retail customers from which we derived a majority of our total revenue and constructed and connected pipeline network for customers situated in Taicang. We also held 49% equity interest in Kunlun Suchuang Gas, another retail supplier of piped natural gas in Taicang. We expect that Taicang will continue to be our principal market and place of operation. Further, as part of our strategies, we intend to expand our business coverage not only within Taicang but also to its neighboring regions, such as Suzhou.

Our Directors believe that our business, financial condition, operating results and prospect will continue to be affected by (i) economic and social development such as user base for natural gas, degree of industrialisation and urbanisation and the acceptance and perception of customers to natural gas in Taicang and its neighboring regions; and (ii) the continued support of the national and local governments in the promotion and increasing utilisation of natural gas as an economical, efficient and clean energy source. However, we cannot assure you that the economic development in Taicang will continue to develop as anticipated, or that the macro- or local economic environment or PRC government's policy on natural gas will not change. If Taicang or its neighboring regions experience any adverse economic, political or regulatory conditions due to events beyond our control, our business, financial condition, operating results and prospects may be materially and adversely affected.

We require various licences and permits to commence, operate and expand our piped natural gas supply operation. Any failure to obtain or renew any or all of these licences and permits or any enforcement action taken against us for non-compliance incident may materially and adversely affect our business and expansion plans.

In accordance with the applicable PRC laws and regulations, we are required to obtain and maintain various licences and permits in order to commence and continue our operation. The licences and permits necessary for our business operations are set out in the section headed "Business – Legal and Regulatory Matters – Licences, Permits and Approvals" in this prospectus. Also, our operation facilities are subject to inspections by the regulatory authorities for compliance with the applicable PRC laws and regulations. Failure to pass these inspections, or the revocation of or failure to obtain or renew our licences and permits could cause us to temporarily or permanently suspend some or all of our operation facilities, which could disrupt our operations and may materially and adversely affect our business, financial condition, operating results and reputation.

As more particularly disclosed in the section headed "Business – Non-compliance and Remedial Measures" in this prospectus, we had certain deficiencies in legal and statutory compliance in the PRC during the Track Record Period including: (i) non-compliant bill financing; (ii) non-compliant advances to related party enterprises; (iii) non-compliance relating to our properties; and (iv) non-compliance in relation to social insurance and provident fund contributions. Pursuant to the relevant laws and regulations, the possible legal consequences and liabilities include administrative penalties or punitive measures imposed on the relevant member of our Group, return or confiscation of land or demolition of buildings or facilities erected, payment of fines, outstanding contributions and/or overdue penalty, as the case may be. If any of the

RISK FACTORS

government agencies takes enforcement action against us for these non-compliance incidents, we may be ordered to pay fines and/or other penalties, incur legal costs arising from any successful legal action brought against us or the directors of our Group members and may result in business disruption and/or negative media coverage, which may adversely affect our business, operating results and reputation.

We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject.

We conduct a hazardous business due to the flammable and explosive nature of natural gas. Our main assets include, among others, natural gas pipelines and interconnection infrastructure. Operating these assets involves risks and hazards, including equipment failures, natural disasters, environmental hazards and industrial accidents. Significant operational hazards and natural disasters may cause interruptions or suspension in our operations that could have a material adverse impact on our business and financial condition, as well as our reputation. These hazards may also cause significant personal injury or death, severe damage to and destruction of property, plant and equipment, and contamination of or damage to the environment. We may also face criminal liabilities imposed by the government and/or civil liabilities or fines as a result of damage suffered by third parties, which may require us to make indemnification payments in accordance with applicable laws.

We have obtained insurance policies to cover certain risks associated with our business. Please refer to the section headed “Business – Insurance” in this prospectus for details. We cannot assure you that our insurance policies are adequate or that we will be insured fully against all risks and losses that may arise. If we incur a material loss or a loss that significantly exceeded the limits or coverage of our insurance policies, our business, financial condition and operating results may be materially and adversely affected. In addition, our insurance policies may be subject to review by our insurers from time to time, and we cannot assure you that we will be able to renew these policies on similar or acceptable terms, or at all.

Increase in costs of raw materials for our pipeline construction and connection business may affect our business, financial condition and operating results.

For 2011, 2012, 2013 and for the nine months ended 30 September 2014, the pipeline construction cost for our construction and connection of pipeline operation amounted to RMB38.0 million, RMB57.7 million, RMB68.0 million and RMB34.9 million, accounting for 10.9%, 15.5%, 14.7% and 8.0% of our total costs of sales respectively. Raw materials for our gas pipeline construction and connection mainly consist of polyethylene pipes, steel pipes, valves, pipeline connectors and accessories. If costs of these raw materials significantly increase in the future and we cannot procure raw materials which are comparable to our historical procurement costs, or we are unable to pass on such increase in costs of raw materials to our customers, our pipeline construction and connection business and operating results and financial conditions may be materially and adversely affected.

RISK FACTORS

There may be unauthorised alteration of our gas meters which affect our measuring and fee collection for our sale of piped natural gas.

In the past, there have been incidents of unauthorised alteration of our gas meters by our customers in attempt to tamper with the measurement or reading of the volume of natural gas used by the relevant customers. Although we have taken measures to prevent unauthorised alteration or tampering with our gas meters, we cannot assure you that such incident will not happen in the future.

In the event that our gas meters are altered or tampered with, the measurement and reading of the volume of natural gas used by the relevant customers may be significantly less than the actual volume supplied by us, which may adversely affect our business, financial condition and operating results.

Our future growth strategies may not succeed.

We cannot assure you that we can secure the necessary resources to implement our future expansion plan. For example, we may fail to obtain the necessary initial capital to fund our future plans or employ suitable personnel to manage our expanded business. In that case, our future expansion plan may need to be adjusted or some of our future expansion plan may not be achieved or deliver the expected results.

As a critical part of our strategy, we are considering establishing a presence in areas outside our existing market. We currently do not have any exclusive rights other than the Concession within the Operating Area to supply and sell natural gas. Therefore, we may face direct competition from existing piped natural gas companies and new entrants which have the financial resources, technical expertise and market coverage comparable to or better than those of us, as well as local suppliers who may be able to distribute natural gas to these cities and urban districts through other more competitive or cost-efficient means of transportation. We may also encounter unexpected difficulties such as unforeseen costs, delays in negotiating relevant agreements with counterparties and difficulties in dealing with local regulatory and governmental authorities and any changes thereof, over which we have limited control. Certain existing PRC laws and regulations will also affect our strategy to acquire controlling interests in other natural gas operators. For example, as disclosed in the section headed “Regulatory Overview – Overview of Regulations – PRC laws and regulations on foreign investment – Catalogue for the Guidance of Foreign Investment Industries” in this prospectus, the construction and operation of city gas pipeline networks in cities having a urban population exceeding 500,000 fall within the restricted industry category shall be conducted through joint ventures with a Chinese partner as the controlling shareholder. This, or other applicable PRC laws and regulations, will affect the feasibility and/or costs of implementing our strategy to acquire controlling interests in other natural gas operators or our business strategies in general. Any failure or delay of our expansion plans may adversely affect our business, operating results and prospects.

As part of our expansion strategies, we currently intend to acquire and develop CNG/LNG Business, increase our sale of piped natural gas to additional number customers and expand our geographical coverage through strategic acquisition or cooperation with local gas companies. Please refer to the section headed “Business – Our Strategies” in this prospectus for further details.

RISK FACTORS

There can be no assurance that we can secure the necessary resources to implement our future expansion plan, and 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.

The occurrence of any of the above constraints may materially and adversely affect our business, financial condition, operating results and prospects.

The assumptions we use to perform our internal analysis and feasibility studies for our planned expansion may not be up-to-date or accurate.

As disclosed in the section headed “Business – Our Expansion Plan of our Future CNG and LNG Business” in this prospectus, we will conduct internal analysis and feasibility studies before we proceed with constructing a new CNG/LNG refuelling station. In performing internal analysis and feasibility studies, we consider factors and use assumptions including (i) the projected growth in the number of vehicles running with CNG or LNG as vehicular fuel within and outside Taicang in which we intend to construct or acquire gas refuelling stations; (ii) the applicable pricing regime relating to the supply and sale of CNG and LNG in China; (iii) the consumption patterns of the potential customers of CNG and LNG in our target market; (iv) there being no material adverse change in the social and economical conditions and regulatory environment that may affect the CNG and LNG market in China; (v) the speed of development of our target market; (vi) availability of land resources and suitable locations for the construction of new gas refuelling stations; and (vii) availability of financing, etc.. However, there is no assurance that these factors and assumptions considered and used by us in performing our internal analysis and feasibility studies are up-to-date, accurate or within our control. With the rapid development of the PRC natural gas industry in recent years, risk associated with our planned expansion in CNG and LNG segment based on inaccurate or incomplete technical data will increase. As a result, the assumptions we consider and use when performing our internal analyses and feasibility studies may not be accurate or complete. If any of our observations or assumptions, or a combination thereof, proves to be inaccurate, our estimated returns on investments, operating results and our overall growth may be materially adversely affected.

We need additional capital to fund the expansion plan and growth in the future, which we may not be able to obtain on acceptable terms, or at all.

We may need additional capital to fund our capital expenditure associated with our expansion plan such as the proposed acquisition and construction of CNG/LNG refuelling stations and the expansion of our business coverage within our existing market and to regions outside Taicang. We cannot assure you that we will generate sufficient cash flow from our operating activities for our intended expansion plans. In the event we do not have such operating cash flow, we will need to obtain alternative financing. There is no assurance that we will be able to obtain adequate financing on acceptable terms, or at all. Our ability to obtain additional capital on acceptable terms will be subject to a variety of uncertainties, including:

RISK FACTORS

- investor perceptions of and appetite for securities of companies engaged in the natural gas business;
- conditions in the capital and financial markets in which we may seek to raise funds;
- our future cash flows, financial condition and results of operations; and
- economic, political and other conditions in the PRC, Hong Kong and the rest of the world.

We may be required to scale back our planned capital expenditures, which may adversely affect our ability to implement our planned growth strategy. If we raise additional funding, our interest and debt repayment obligations will increase. The terms of any future debt facilities may also impose restrictive covenants that may restrict our business and operations or result in dilution of shareholding of the Shareholders in the case of equity financing. Our inability to raise additional funds in a timely manner and on terms favourable to us, or at all, may have a material adverse effect on our financial condition, operating results and prospects.

Our business requires substantial initial capital investment and any significant increase in the cost of constructing or developing our natural gas facilities may materially and adversely affect our planned expansion and prospects.

We are required to make substantial initial capital investments to construct new gas pipelines and natural gas processing infrastructure. The capital investment required to develop and construct natural gas facilities varies based on the cost of fixed assets and cost of construction. The price of such equipment and/or construction may increase if market demand for such equipment or construction is greater than the available supply, or if the prices of key components, commodities and raw materials necessary to build such equipment increase. Other factors affecting the amount of capital expenditures include, among others, labour costs and finance expenses. A significant increase in the costs of developing and constructing our natural gas facilities could materially and adversely affect our business, financial condition, operating results and cost of implementation of our planned expansion.

We place reliance on pipelines in our operation and engage third party to undertake pipeline construction work.

Our operation requires our pipelines connected to our retail and wholesale customers in order to sell and transmit natural gas. If there is unexpected breakdown or malfunction of these pipelines or gas leakage, we will need to carry out repairs and/or replacement work which takes time, and we may have to temporarily shutdown piped natural gas supply to our customers, which in turn, may adversely affect our business, operating results and reputation. Further, we may choose to subcontract our pipeline construction to third party contractors. We cannot assure you that we are able to exercise the same degree of control over the quality of work performed by such third party contractors as our internal operation or that their workmanship will not contain any defect which may adversely affect our natural gas supply and transmission. We also cannot assure you that the services rendered by such subcontractors will be continuously available on commercially acceptable terms, or at all. Any interruption in or loss of their services and our failure to engage an appropriate replacement on a commercially acceptable terms, or at all, in a timely manner, our business, financial condition and operating results may be materially and adversely affected.

RISK FACTORS

OTHER RISKS RELATING TO OUR GROUP

We may fail to manage our interests in assets, projects and associated companies in which we do not have control.

As at the Latest Practicable Date, we own 49% and 40% equity interest in Kunlun Suchuang Gas and Kunlun Suchuang Usage respectively, both of which are classified as our associated companies. We may not be able to fully or successfully execute our business strategy with respect to assets or associated companies in which we do not have control. Our control over such assets and associated companies is generally subject to the terms of applicable agreements and arrangements.

Under current contractual arrangements, if our joint venture partner, PetroChina, fails to perform their respective obligations or otherwise breach the terms and conditions of our shareholding arrangements or partnerships, our business, financial condition and operating results may be materially and adversely affected. Please also refer to the paragraph headed “Risk Relating to our Business – PetroChina is currently our principal natural gas supplier and any instability in, shortages of or disruption to the supply of natural gas to us from PetroChina could significantly and adversely affect our business. We may also face shortage of natural gas in the PRC as a whole” in this section.

Our business depends substantially on our ability to attract and retain experienced professionals.

The sustainable growth of our business depends upon the continued service of our senior management. The industry experience, expertise and contributions of our executive Directors and other members of our senior management as set out under the section headed “Directors, Senior Management and Staff” in this prospectus remain essential to our continuing success. We will require an increasing number of experienced and competent executives to implement our growth plans. If we lose a number of our key management members and are unable to recruit and retain personnel with equivalent qualifications, the growth of our business could be adversely affected.

Our business, financial performance and prospects also depend on our ability to employ, train and retain highly skilled personnel, including managerial, design, engineering and other technical professionals. We need to recruit and retain a large number of highly qualified engineers and other skilled workers for our natural gas infrastructure and distribution. In addition, we need to hire qualified managerial, technical, marketing and other personnel to implement our business initiatives as we expand our operations.

Competition for skilled personnel is generally intense in the PRC. We cannot assure you that we will be able to maintain an adequate skilled labour force necessary to execute our projects or to perform other corporate activities, and staff costs may increase as a result of a shortage in supply of qualified personnel. If we fail to attract and retain personnel with suitable managerial, technical or marketing expertise or if we fail to maintain an adequate labour force, our business operations could be adversely affected and our future growth and expansion may be hindered.

RISK FACTORS

We may not be able to adequately protect our intellectual property rights, which could reduce our competitiveness.

We rely on a combination of trademarks and contractual rights to protect our intellectual property. As at the Latest Practicable Date, we have been granted the permission to use two registered trademarks in the PRC. We cannot guarantee that the measures we take will be sufficient to prevent any misappropriation of our intellectual property.

China's intellectual property laws are evolving and the protection and enforcement of intellectual property rights in China differ from that of other jurisdictions. Enforcement of our intellectual property rights could be costly, and we may not be able to detect unauthorised use of our intellectual property and take the necessary steps to enforce our rights in a timely manner.

There may be alternative energy sources other than natural gas and our Controlling Shareholders also have interest in the supply of alternative energy sources.

The cost of natural gas in comparison with alternative fuel sources will affect the demand for our transportation and sale of piped natural gas operation. Coal gas, petroleum, LPG, LNG and electricity are the main substitutes for natural gas. End-users will consider factors such as cost, availability, reliability, convenience and safety when choosing the energy source to use. Connection fees, gas usage charges and heat content are the major considerations affecting customers' choice of fuel. Our Controlling Shareholders (through their close associates) are also engaged in the business of supplying CNG and LNG, details of which are set out in the section headed "Relationship with Controlling Shareholders" in this prospectus. In the event that other forms of energy source become more attractive, our customers may shift to use such other forms of energy, which may materially and adversely affect our business, financial condition, operating results and prospects.

Our Group recorded net current liabilities during the Track Record Period.

As at 31 December 2011, 2012, 2013 and 30 September 2014, our Group recorded net current liabilities of RMB33.6 million, RMB115.6 million, RMB376.8 million and RMB39.1 million, respectively. Our net current liabilities position during the Track Record Period mainly resulted from (i) our continuous capital expenditures for construction of our office building and operating facilities using funds from our operating activities, and (ii) declaration and payments of dividends. Please see further information on our net current liabilities position during the Track Record Period in the section headed "Financial Information – Net Current Liabilities" in this prospectus. We cannot assure you that we will be able to raise the necessary funds by borrowing from financial institutions to finance our business, operations and capital expenditure in the future. In the event that the financial institutions providing existing banking and credit facilities do not continue to extend similar or more favourable facilities to us and we fail to obtain alternative banking and credit facilities on reasonable terms, or at all, our business, financial condition and operating results may be adversely affected.

RISK FACTORS

Our financial performance during the Track Record Period was affected by certain related party transactions and bill financing arrangements, and may not fully reflect the results of our Group's operations during the Track Record Period.

During the Track Record Period, Taicang Natural Gas, our wholly-owned subsidiary, had been acting as the principal financing platform for Suchuang Group (including our Group) with the consolidated function of interfacing with and securing facilities from banks and other financial institutions, and was the main channel through which Suchuang Group (including the Excluded Group and our Group) obtained financing from banks (the “**Financing Arrangements**”). As part of the Financing Arrangements, our Group has also made use of bill financing to obtain the funding (“**Bill Financing Arrangements**”), for details of which, please refer to the section headed “Business – Non-compliance and Remedial Measures – Material Non-compliance – Non-compliant bill financing” in this prospectus. As the funds obtained from the Bill Financing Arrangements were used not only to fund our own operations, but also to fund the operations of the Excluded Group, our financial performance during the Track Record Period was affected by certain related party transactions and bill financing arrangements, and may not fully reflect the results of our operations during the Track Record Period.

Such internal corporate arrangement within Suchuang Group is reflected in our consolidated financial statements as “Amounts due from other related parties” of RMB543.4 million, RMB570.5 million, RMB196.1 million and RMB0.6 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. Substantially as a result of the Financing Arrangements, our “Interest-bearing bank loans and other borrowings” amounted to RMB616.5 million, RMB614.3 million, RMB499.0 million and RMB170.0 million as at 31 December 2011, 2012, 2013 and 30 September 2014, respectively, and for which our Group incurred finance costs in the amounts of RMB42.1 million, RMB52.2 million, RMB42.3 million and RMB16.1 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. Please refer to the section headed “Financial Information – Overview – Effect of Related Party Transactions on our Financial Position” for details.

RISKS RELATING TO THE INDUSTRY

Any future changes in laws or regulations or enforcement policies could materially and adversely affect our business, operating results and financial condition.

The natural gas industry is subject to a broad range of laws and regulations in the PRC, such as the laws and regulations on environmental health and safety and foreign investment. As a natural gas company, the impact of the existing environmental health and safety laws and regulations and the corresponding compliance costs on our operations are relatively low compared to that of traditional energy companies. However, any change in existing laws and regulations or their interpretation that may affect our business or operations could require us to incur additional compliance costs or costly and time-consuming changes to our operations, either of which could materially and adversely affect our business, operating results and financial condition. For details of such laws and regulations, please refer to the section headed “Regulatory Overview” in this prospectus.

We are unable to predict future changes in laws or regulations or enforcement policies that may affect our business or operations or to estimate the ultimate cost of compliance with such laws and regulations. Our Directors believe that the requirements of existing laws and regulations

RISK FACTORS

that may affect our business have generally become stricter in recent years, and the trend is likely to continue. Further, the regulatory environment in which we operate is subject to frequent changes and has become more heavily regulated in recent years. We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation or enforcement of existing laws and regulations.

Our business operations may be materially and adversely affected by acts of God and epidemics or pandemics which are beyond our control.

Natural disasters, epidemics or pandemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in the PRC and other parts of the world. Our business, operating results and financial condition may be adversely and materially affected if such natural disasters occur in the PRC or in the regions in which we have operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

All of our operating subsidiaries are organised under the PRC laws and, therefore, our operations are governed by the relevant PRC laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with economic matters, such as the issuance and trading of securities, shareholder rights, foreign investment, corporate organisation and governance, commerce, taxation and trade. However, many of these laws and regulations, particularly with respect to clean energy projects, are relatively new and evolving, subject to different interpretations and may be inconsistently implemented and enforced. In addition, only limited volumes of published court decisions may be cited for reference, and such cases have limited precedential value as they are not binding on subsequent cases. These uncertainties relating to the interpretation, implementation and enforcement of the PRC laws and regulations and a system of jurisprudence that give only limited precedential value to prior court decisions can affect the legal remedies and protections available to investors, and can adversely affect the value of investors' investment.

In particular, the PRC natural gas industry is highly regulated. Many aspects of our business, such as the amount and setting of tariffs, depend upon the receipt of the relevant government authority's approval. Further, according to the *Catalogue for the Guidance of Foreign Investment Industries* (amended in 2011) (the "**Catalogue**") which is the basis of the application of the relevant policies in directing, examining and approving foreign funded projects and foreign-funded enterprises, the construction and operation of city gas pipeline networks in cities having an urban population exceeding 500,000 falls within restricted industries category and the relevant entity would be subject to restriction on foreign ownership for the purpose of the Catalogue. Please refer to the section headed "Regulatory Overview – Overview of Regulations – PRC laws and regulations on foreign investment – Catalogue for the Guidance of Foreign Investment Industries" for further details and the applicability of such restriction to our Group. As the PRC legal system develops, any change in such laws and regulations, or in their interpretation or enforcement, could materially and adversely affect our business, financial condition and operating results. Further, if

RISK FACTORS

there is any change in the provision or interpretation of the Catalogue with retrospective effect such that Taicang Natural Gas will be subject to the aforesaid restriction on foreign ownership, we may need to make appropriate arrangement to ensure compliance with the relevant laws and regulations, and our business, shareholding structure of our PRC subsidiary and financial conditions may be materially and adversely affected.

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

All of our Directors and executive officers reside in China. In addition, substantially all of our assets and those of our Directors and executive officers are located in the PRC. The PRC does not have treaties providing for the reciprocal recognition and enforcement of judgements of courts with the United States, the United Kingdom and many other countries. As a result, it may not be possible for investors to serve process upon us or those persons in the PRC, or to enforce against us or them in the PRC, any judgements obtained from non-PRC courts. In addition, judgements of a court of any other jurisdiction related to any matter not subject to a binding arbitration provision may be difficult or impossible to enforce.

Under the current arrangement for reciprocal enforcement of arbitral awards between the PRC and Hong Kong, awards made by the PRC arbitral authorities that are recognised under the Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitration awards are also enforceable in the PRC. On July 14, 2006, the Supreme People's Court of the PRC and the Government of the Hong Kong Special Administrative Region signed an Arrangement on Reciprocal Recognition and Enforcement of Judgements in Civil and Commercial Matters. Under this arrangement, where any designated People's Court or Hong Kong court has made an enforceable final judgement requiring payment of money in a civil and commercial case pursuant to a choice of court agreement, any party concerned may apply to the relevant People's Court or Hong Kong court for recognition and enforcement of the judgement. Although this arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the arrangement remain uncertain.

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

Under the Corporate Income Tax Law of the PRC ("**New Tax 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 New Tax 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 State Administration of Taxation 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 New Tax 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

RISK FACTORS

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 New Tax 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 New Tax 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.

Governmental control of currency conversion may affect the value of your investment.

The PRC government imposes controls on the convertibility of the RMB into foreign currencies, including HK\$, and, in certain cases, the remittance of currency out of China. We receive all of our revenues in RMB. Under our current corporate structure, a majority of our income is derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and expenditures from trade-related transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. However, approval from appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. If the foreign exchange control system prevents us from obtaining sufficient foreign currency to satisfy our currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the Shares.

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 Sole Global Coordinator on behalf of the underwriters 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 price and trading volume of our Shares may be volatile, which could result in substantial losses for investors purchasing our Shares in the Global Offering.

Factors such as fluctuations in our revenue, earnings, cash flows, new investments, regulatory development, additions or departures of key personnel, or actions taken by competitors could cause the market price of our Shares or trading volume of our Shares to change

RISK FACTORS

substantially and unexpectedly. In addition, stock prices have been subject to significant volatility in recent years. Such volatility has not always been directly related to the performance of the specific companies whose shares are traded. Such volatility, as well as general economic conditions, may materially and adversely affect the prices of shares, and as a result investors in our Shares may incur substantial losses.

Subscribers and purchasers of our Shares under the Global Offering will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The Offer Price of the Offer Shares is higher than our net tangible assets value per Share immediately prior to the Global Offering. Therefore, subscribers and purchasers of our Shares under the Global Offering will experience an immediate dilution in pro forma net tangible assets value per Share. In order to expand our business, we may consider offering and issuing additional Shares in the future. Subscribers and purchasers of our Shares may experience dilution in the net tangible assets value per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

Future sale or major divestment of Shares by any of our Substantial Shareholders could adversely affect the prevailing market price of our Shares.

The Shares held by certain Substantial Shareholders are subject to certain lock-up periods, the details of which are set out in the section headed “History and Reorganisation – Pre-IPO Investments” in this prospectus. However, we cannot give any assurance that after the restrictions of the lock-up periods expire, these Shareholders will not dispose of any Shares. Sale of substantial amounts of our Shares in the public market, or the perception that such sale may occur, may materially and adversely affect the prevailing market price of our Shares.

The market price of the Shares when trading begins could be lower than the Offer Price.

The Offer Price will be determined on the Price Determination Date. However, the Shares will not commence trading on the Stock Exchange until they are delivered, which is expected to be the fifth Business Day after the expected Price Determination Date. Investors may not be able to sell or otherwise deal in the Shares during that period. As a result, holders of the Shares are subject to the risk that the price of the Shares when trading begins could be lower than the Offer Price as a result of adverse market conditions or other adverse developments that may occur during that period.

Shareholders’ interests in our Company may be diluted in the future.

Our Company may issue additional Shares pursuant to the Share Option Scheme. In addition, we may need to raise additional funds in the future to finance our business expansion, for 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, then (i) the percentage ownership of the existing Shareholders may be reduced, and they may experience subsequent dilution and reduction in their earnings per share, and/or (ii) such newly issued securities may have rights, preferences or privileges superior to those of the Shares of the existing Shareholders.

RISK FACTORS

Investors should not place undue reliance on facts, forecasts and other statistics in this prospectus relating to the economy and our industry obtained from official resources.

Facts, forecasts and other statistics in this prospectus relating to the economy and the industry in which we operate our business on have been collected or extracted from materials from official government sources and/or China5e. While we have exercised reasonable care in compiling and reproducing such information and statistics derived from government publications and China5e Report, we cannot assure you nor make any representation as to the accuracy or completeness of such information.

Neither we or any of our respective affiliates or the Sole Sponsor, Sole Global Coordinator, Joint Bookrunners and Joint Lead Managers or advisers, nor the Underwriters or any of its affiliates or advisers, have independently verified the accuracy or completeness of such information directly or indirectly derived from official government sources and/or China5e Report. In particular, due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice, such information and statistics may be inaccurate or may not be comparable to information and statistics produced with respect to other countries. Statistics, industry data and other information relating to the economy and the industry derived from the official government sources and/or China5e Report used in this prospectus may not be consistent with other information available from other sources and therefore, investors should not unduly rely upon such facts, forecasts and statistics while making investment decisions.

We strongly caution you not to place any reliance on any information contained in press articles or other media regarding the Global Offering.

There may have been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering. You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding the Global Offering. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any estimates, views or opinions expressed by the press or other media regarding the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication.

Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions whether to invest in the Global Offering. Prospective investors in the Global Offering are reminded that, in making their decisions as to whether to purchase our Shares, they should rely only on the financial, operational and other information included in this prospectus and the Application Forms. By applying to purchase our Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

RISK FACTORS

Forward-looking statements contained in this prospectus are subject to risks and uncertainties.

This prospectus contains certain statements that are “forward-looking” and uses forward looking terminology such as “anticipate”, “forecast”, “believe”, “expect”, “may”, “plan”, “consider”, “ought to”, “should”, “would”, and “will”. Those statements include, among other things, the discussion of our growth strategy and the expectations of our future operations, liquidity and capital resources.

Purchasers of our Offer Shares are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that, any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. The uncertainties in this regard include those identified in the risk factors discussed above. In light of these and other uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our Company’s plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. We do not intend to update these forward-looking statements in addition to our on-going disclosure obligations pursuant to the Listing Rules or other requirements of the Stock Exchange. Investors should not place undue reliance on such forward-looking information.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the Listing Rules and exemption from the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance:

MANAGEMENT PRESENCE

Pursuant to Rule 8.12 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must ordinarily reside in Hong Kong. Our Group's core business and operations have been located, managed and conducted in the PRC since our Group's establishment, and substantially all of our Directors ordinarily reside in the PRC. Therefore, we do not, and in the foreseeable future will not, have a sufficient management presence in Hong Kong for the purpose of satisfying the requirements under Rule 8.12 of the Listing Rules.

As a result, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 8.12 of the Listing Rules, on the following conditions to ensure that regular and effective communication is maintained between the Stock Exchange and our Company:

1. Authorised Representatives

We have appointed two authorised representatives pursuant to Rule 3.05 of the Listing Rules, who will act as our principal channel of communication with the Stock Exchange. The two authorised representatives are Mr. Du Shaozhou and Mr. Ng Chi Kit (the "**Authorised Representatives**"). The Authorised Representatives will provide their usual contact details to the Stock Exchange and will be readily contactable by telephone, facsimile and email, and will be available to meet the Stock Exchange to discuss any matters within a reasonable time frame.

2. Directors

As and when the Stock Exchange wishes to contact our Directors on any matters, each of the Authorised Representatives has means to contact all of our Directors (including the independent non-executive Directors) promptly at all times. We will implement the following measures: (a) each Director must provide his/her mobile numbers, office telephone numbers, email addresses and facsimile numbers to the Authorised Representatives; and (b) in the event that a Director expects to travel and/or otherwise be out of office, he/she will provide the phone number of the place of his/her accommodation to the Authorised Representatives.

We have provided the mobile phone numbers, office phone numbers, email addresses and facsimile numbers of each Director to the Stock Exchange.

Meetings with the Stock Exchange and our Directors can be arranged through the Authorised Representatives, or directly with our Directors with reasonable notice. Each of our Directors who does not ordinarily reside in Hong Kong holds valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

3. Compliance Adviser

We have appointed RHB OSK Capital Hong Kong Limited as our compliance adviser pursuant to Rule 3A.19 of the Listing Rules, who will act as our additional principal channel of communication with the Stock Exchange for a period commencing on the Listing Date until the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing following the Listing.

RHB OSK Capital Hong Kong Limited will have access to the Authorised Representatives, our Directors and other senior management staff of our Company to ensure that it is in a position to provide prompt responses to any enquiries or requests from the Stock Exchange.

RULE 4.04(1) OF THE LISTING RULES AND PARAGRAPH 27 OF PART I AND PARAGRAPH 31 OF PART II OF THE THIRD SCHEDULE TO THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

Rule 4.04(1) of the Listing Rules requires our Company to include in the prospectus an accountants' report covering the consolidated results of the Group in respect of each of the three financial years immediately preceding the issue of the prospectus or such shorter period as may be acceptable to the Stock Exchange.

Section 342(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to include in the prospectus, among other things, an accountants' report which contains the matters specified in the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

Paragraph 27 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to set out in the prospectus a statement as to, among other things, the gross trading income or sales turnover (as may be appropriate) of our Group during each of the three financial years immediately preceding the issue of the prospectus, including an explanation of the method used for the computation of such income or turnover and a reasonable breakdown between the more important trading activities.

Paragraph 31(1) and (3) of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance requires our Company to include in the prospectus a report by the auditors with respect to, among other things, the profits and losses and assets and liabilities of our Group in respect of each of the three financial years immediately preceding the issue of the prospectus.

Pursuant to the Guidance Letter HKEx-GL25-11 issued by the Stock Exchange, where an applicant issues its prospectus within two months after the latest year end, the existing conditions for granting a waiver from strict compliance with Rule 4.04(1) of the Listing Rules are as follows:

- (a) the applicant must list on the Stock Exchange within three months after the latest year end;
- (b) the applicant must obtain a certificate of exemption from the SFC on compliance with the requirements of the section 342(1), and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance;

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES AND EXEMPTION FROM THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

- (c) a profit estimate for the latest financial year (which must comply with Rules 11.17 to 11.19 of the Listing Rules) must be included in the prospectus or the applicant must provide justification why a profit estimate cannot be included in the prospectus; and
- (d) there must be a directors' statement in the prospectus that there is no material adverse change to its financial and trading positions or prospect with specific reference to the trading results from the end of the stub period to the latest financial year end.

The accountants' report for the three years ended 31 December 2013 and the nine months ended 30 September 2014 is set out in Appendix I to this prospectus. However, strict compliance with Rule 4.04(1) of the Listing Rules and paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance would be unduly burdensome on us, as the Listing is expected to take place on 11 March 2015, which is within three months after 31 December 2014 and there would not be sufficient time for us and the reporting accountants to finalise the audited financial statements for the full financial year ended 31 December 2014 for inclusion in this prospectus. The additional audit work to be done by our reporting accountants would not only involve additional costs and expenses but also require substantial volume of work to be carried out for audit purposes. Such additional work will lead to a delay in the Listing timetable. Our Directors consider that the additional risks, works and expenses involved may not be justified given that there has not been any material adverse change in the financial position or prospects of the Group since 30 September 2014, being the last date of the period to be reported on by the reporting accountants.

Our Directors confirm that they have performed sufficient due diligence on our Group and after conducting all due enquiries they are not aware of any event since 30 September 2014 which would adversely and materially affect the information shown in the accountants' report of the Group as set out in Appendix I to this prospectus and other financial information set out in this prospectus. Our Directors also confirm that there has been no material adverse change in the financial and trading positions or prospects of the Group from 30 September 2014 to 31 December 2014. Our Directors consider that the inclusion of financials for the three financial years ended 31 December 2013 and the nine months ended 30 September 2014 in this prospectus includes all information as may be reasonably necessary to enable the investors to make an informed assessment of the activities, assets and liabilities and financial position of our Group and the exemption from strict compliance would not prejudice the interests of the investing public.

An estimate of the consolidated profit of our Group for the year ended 31 December 2014 has been included in the section headed "Appendix III – Profit Estimate" to this prospectus. The investing public would be given some guidance as to our Group's financial performance for the year ended 31 December 2014.

Our Company will publish its annual results and annual report within the time prescribed under the Rules 13.49(1) and 13.46(1) of the Listing Rules, respectively.

**WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES
AND EXEMPTION FROM THE COMPANIES (WINDING UP
AND MISCELLANEOUS PROVISIONS) ORDINANCE**

An application has been made to the SFC for a certificate of exemption from strict compliance with paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the inclusion of the accountants' report of the Group for the full financial year ended 31 December 2014 in this prospectus. A certificate of exemption has been granted by the SFC under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the conditions that (i) the particulars of the exemption be set forth in this prospectus; and (ii) this prospectus be issued on or before 27 February 2015.

Our Company has also applied for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 4.04(1) of the Listing Rules on conditions that (i) the Company obtains a certificate of exemption from strict compliance with the requirements under paragraph 27 of Part I and paragraph 31 of Part II of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance from the SFC; (ii) our Company will issue this prospectus by 28 February 2015 and list on the Stock Exchange by 31 March 2015; (iii) a profit estimate for the year ended 31 December 2014 (which complies with Rules 11.17 and 11.19 of the Listing Rules); and (iv) a Directors' statement that there is no material adverse change to our financial and trading positions or prospect with specific reference to the trading results from 30 September 2014 to 31 December 2014 be included in this prospectus.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) and the Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors, having made all reasonable enquiries, confirm that 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 conditions set out herein and therein. No person has been authorised to give any information or make any representations other than those contained in this prospectus and the Application Forms and, if given or made, such information or representations must not be relied on as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their affiliates or any of their respective directors, officers, employees or agents or any other person or party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares shall, 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 in this prospectus is correct as of any subsequent 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, and the procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus and on the relevant Application Forms.

UNDERWRITING

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

The Listing is sponsored by the Sole Sponsor and the Global Offering is managed by the Sole Global Coordinator. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement. The International Underwriting Agreement relating to the International Placing is expected to be entered into on or around the Price Determination Date, subject to agreement on pricing of the Offer Shares between the Sole Global Coordinator (on behalf of the Underwriters) and us.

If, for any reason, the Offer Price is not agreed on or before the Price Determination Date, the Global Offering will not proceed and will lapse. For further 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 SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, and is deemed by his acquisition of Hong Kong Offer Shares to have confirmed, that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

No action has been taken to permit an offering of the Hong Kong Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, 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 authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the securities laws of such jurisdiction pursuant to registration with or an authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been publicly offered and sold, and will not be offered or sold, directly or indirectly in the PRC or the United States.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares on the Stock Exchange and we comply with the stock admission requirements of HKSCC, our 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 as determined by HKSCC.

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. You should seek the advice of your stockbroker or other professional advisor for details of those settlement arrangements as such arrangements will affect your rights and interests.

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

All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

Our Company has applied to the Listing Committee of the Stock Exchange for the granting of the listing of and permission to deal in the Shares in issue and to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and shares which may be issued pursuant to the exercise of the options that may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of the Shares or loan capital 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.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in the Offer Shares on the Stock Exchange is refused before the expiration of three weeks from the date of the closing of the application lists, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Stock Exchange.

HONG KONG SHARE REGISTER AND THE STAMP DUTY

All Shares issued by us pursuant to applications made in the Hong Kong Public Offering will be registered on our branch register of members to be maintained in Hong Kong. Our principal register of members will be maintained by Appleby Trust (Cayman) Ltd. in the Cayman Islands.

No stamp duty is payable by applicants in the Global Offering.

Dealings in the Shares registered on our Hong Kong branch register will be subject to Hong Kong stamp duty.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in or exercising any rights in relation to, the Shares. None of our Company, the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, 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 for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, the Shares.

STABILISATION AND OVER-ALLOTMENT

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

In connection with the Global Offering, we intend to grant to the International Underwriters the Over-allotment Option, which is exercisable in full or in part by the Sole Global Coordinator (on behalf of the International Underwriters) within 30 days after the last day for lodging applications under the Hong Kong Public Offering. Pursuant to the Over-allotment Option, we may be required to issue and allot up to an aggregate of 30,000,000 Shares (in aggregate representing 15% of the total number of the Shares initially available under the Global Offering) at the Offer Price to cover, among other things, over-allocation in the International Placing.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

Further details with respect to stabilisation and the Over-allotment Option are set out in the sections headed “Structure of the Global Offering – Over-allotment Option” and “Structure of the Global Offering – Stabilisation” in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The application procedure for the Hong Kong Offer Shares is set out in the section headed “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 Global Offering, including their respective conditions, and the Over-allotment Option, are set out in the section headed “Structure of the Global Offering” in this prospectus.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars or US dollars at specified rates. You should not construe these translations as representations that the Renminbi amounts could actually be, or have been, converted into Hong Kong dollar amounts and US dollars amounts (as applicable) at the rates indicated or at all. Unless we indicate otherwise, the translations of Renminbi amounts into Hong Kong dollars have been made at the rate of RMB0.7893 to HK\$1.00, being the exchange rate prevailing on 13 February 2015 published by the PBOC, the translations of Renminbi amounts into US dollars have been made at the rate of RMB6.1195 to US\$1.00, being the exchange rate prevailing 13 February 2015 published by the PBOC, and the translations of US dollars amounts into Hong Kong dollars have been made at the rate of US\$1.00 to HK\$7.7553 being the exchange rate set forth in the H.10 weekly statistical average of the Board of Governors of the Federal Reserve System of the U.S. on 13 February 2015.

ROUNDINGS

Amounts and percentage figures, including share ownership and operating data in this prospectus, may have been subject to rounding adjustments. In this prospectus, where information is presented in thousands or millions, amounts of less than one thousand or one million, as the case may be, have been rounded to the nearest hundred or hundred thousand, respectively, unless otherwise indicated or the context requires otherwise. Amounts presented as percentages have been rounded to the nearest tenth of a percent, unless otherwise indicated or the context requires otherwise. Accordingly, totals of rows or columns of numbers in tables may not be equal to the apparent total of the individual items.

WEBSITE

The contents of any website mentioned in this prospectus do not form a part of this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
------	---------	-------------

Executive Directors

Su Aping (蘇阿平)	Room 1102, 7/F Building 10, Shanghai Garden 57 Shanghai West Road Taicang, PRC	Chinese
----------------	-----------------------------------------------------------------------------------------	---------

Zhu Yaying (朱亞英)	Room 1102, 7/F Building 10, Shanghai Garden 57 Shanghai West Road Taicang, PRC	Chinese
------------------	-----------------------------------------------------------------------------------------	---------

Du Shaozhou (杜紹周)	Room 2403 Building 15, Shanghai Garden 35 Changchun South Road Taicang, PRC	Chinese
-------------------	-----------------------------------------------------------------------------------------	---------

Non-executive Director

Xu Lei (許雷)	Room 2301, 23/F No. 23, Lane 555 Wuyi Road Changning District Shanghai, PRC	Chinese
-------------	--------------------------------------------------------------------------------------	---------

Independent non-executive Directors

Zhou Qingzu (周慶祖)	Room 702, Door 4, Building 16 District 3, Liupukang Xicheng District Beijing, PRC	Chinese
-------------------	--------------------------------------------------------------------------------------------	---------

He Junjie (何俊傑)	Room 501, Building 36 Jingbeinan 1008 Huangbei Road Luohu District Shenzhen, PRC	Chinese
-----------------	----------------------------------------------------------------------------------------------	---------

Luk Wai Keung (陸偉強)	Flat D, 28th Floor Evelyn Towers, 38 Cloud View Road North Point Hong Kong	Chinese
---------------------	----------------------------------------------------------------------------------------	---------

For more information on our Directors and members of senior management, please refer to the section headed “Directors, Senior Management and Staff” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Sole Global Coordinator	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Joint Bookrunners and Joint Lead Managers	BNP Paribas Securities (Asia) Limited 59/F-63/F, Two International Finance Centre 8 Finance Street Central Hong Kong Haitong International Securities Company Limited 22/F, Li Po Chun Chambers 189 Des Voeux Road Central Hong Kong
Legal advisers to our Company	<i>As to Hong Kong law:</i> Joseph P. C. Lee & Associates in association with Cadwalader, Wickersham & Taft LLP 27/F, 100QRC 100 Queen's Road Central Hong Kong <i>As to PRC law:</i> Grandall Law Firm (Shanghai) 23-25/F, Garden Square 968 West Beijing Road Shanghai China <i>As to Cayman Islands law:</i> Appleby 2206-19 Jardine House 1 Connaught Place Central Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

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

As to Hong Kong law:
Deacons
5th Floor, Alexandra House
18 Chater Road Central
Hong Kong

As to PRC law:
Jingtian & Gongcheng
34/F, Tower 3, China Central Place
77 Jianguo Road
Beijing 100025
China

Auditors and reporting accountants

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

Property valuer

Jones Lang LaSalle Corporate Appraisal and
Advisory Limited
6/F Three Pacific Place
1 Queen's Road East
Admiralty
Hong Kong

Receiving banker

Standard Chartered Bank (Hong Kong) Limited
15/F Standard Chartered Tower
388 Kwun Tong Road
Hong Kong

CORPORATE INFORMATION

Registered office	Clifton House 75 Fort Street PO Box 1350 Grand Cayman KY1-1108 Cayman Islands
Headquarters	116 Loujiang South Road Taicang Suzhou, Jiangsu Province PRC, 215400
Principal place of business in Hong Kong	Suite 2703, 27th Floor 100QRC 100 Queen's Road Central Hong Kong
Company's website address	www.suchuanggas.com <i>(information on this website does not form part of this prospectus)</i>
Company Secretary	Mr. Ng Chi Kit <i>CPA, FCCA</i> Flat 11A, Block 9 Beverly Garden 1 Tong Ming Street Tseung Kwan O New Territories Hong Kong
Audit committee	Mr. Zhou Qingzu (<i>Chairman</i>) Mr. He Junjie Mr. Luk Wai Keung Mr. Xu Lei
Remuneration committee	Mr. He Junjie (<i>Chairman</i>) Mr. Zhou Qingzu Ms. Zhu Yaying
Nomination committee	Mr. Su Aping (<i>Chairman</i>) Mr. He Junjie Mr. Zhou Qingzu

CORPORATE INFORMATION

Authorised representatives

Mr. Ng Chi Kit
Flat 11A, Block 9
Beverly Garden
1 Tong Ming Street
Tseung Kwan O
New Territories
Hong Kong

Mr. Du Shaozhou
Room 2403
Building 15
Shanghai Garden
35 Changchun South Road
Taicang, PRC

Compliance adviser

RHB OSK Capital Hong Kong Limited
12/F, World-Wide House
19 Des Voeux Road Central
Hong Kong

Principal bankers

China Construction Bank Corporation
Taicang Branch
44 Xianfu Street
Cheng Xiang Town
Taicang, PRC

Bank of China Limited
Taicang Branch
68 Xinhua Road East
Cheng Xiang Town
Taicang, PRC

**Principal share registrar and transfer office
in Cayman Islands**

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

Hong Kong Branch Share Registrar

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

INDUSTRY OVERVIEW

We have utilised certain information and statistics set out in this section from various government sources or publications, market data providers and other independent third party sources. 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 Sole Global Coordinator, the Joint Bookrunners, the Joint Lead Managers and the Underwriters, their respective directors, officers, representatives, affiliates or other advisers or any other party involved in the Global Offering and no representation is given as to its accuracy. Accordingly, you should not unduly rely on such information. No representation is given as to the accuracy of the China5e Report. After taking reasonable care, our Directors confirm that there has been no adverse change in the market information since the date of the China5e Report up to the Latest Practicable Date. We have commissioned China5e to prepare the China5e Report at a fee of RMB404,100.

SOURCE OF INFORMATION

China5e was founded in Beijing in 2001 and is an independent provider in the field of energy information and research consulting services. China5e has become an independent consultant in the energy industry and is well known for its extensive research efforts.

In compiling the China5e Report, China5e has conducted primary and secondary research, including: (i) desk research; (ii) on-site visit to our Group; and (iii) interviews with experts and officials from the China Gas Association, the China Road Transport Association and the Taicang Management Bureau of Public Utilities. According to China5e, the information gathered was cross-referenced to ensure accuracy and intelligence gathered had been analysed, assessed and validated using China5e's in-house analysis models and techniques.

The following assumptions are used by China5e in its report:

- The supply and demand of products and services provided by our Group are assumed to be stable and without shortage over the forecast period;
- It is assumed that there are no external emergencies such as financial crisis or natural disasters which would affect the demand and supply for products and services of our Group.

In compiling the China5e Report, China5e has taken into account the latest available market information, publications and reference materials relating to the natural gas industry, principally sourced from the BP Statistical Review of World Energy, the Domestic and International Oil and Gas Industry Report 2013, The Research Center of Petroleum Resources Strategies of The Ministry of Land and Resources of China, The National Bureau of Statistics of China, the website of the NDRC, the website of the Suzhou government, the website of the Taicang City People's Government, the websites of the Taicang Statistics Bureau, the Jiangsu Statistics Bureau, the Suzhou Statistics Bureau, the Taicang Management Bureau of Public Utilities and the China Natural Gas Vehicle.

INDUSTRY OVERVIEW

The following parameters are considered in China5e's market demand assessment and forecast model:

- Gross industrial output value and industrial investment amount in Jiangsu Province and Taicang City for 2013;
- National and local policies relating to gas and gas pipelines for 2010-2014.

The research conducted by China5e may be affected by the accuracy of the assumptions and choice of parameters as stated above.

1. SUMMARY OF CHINA ENERGY INDUSTRY

1.1 Overview

China is the largest primary energy consumer in the world. Based on the BP Statistical Review of World Energy, in 2013, China's energy consumption reached 4.07 billion tonnes of standard coal², with an increase of 4.7% from that in 2012 and continued to rank top in the world. In terms of energy consumption mix, coal accounted for 67.5%, while petroleum and natural gas only accounted for 17.8% and 5.1% respectively. China's primary energy consumption mix in 2013 is set out below:

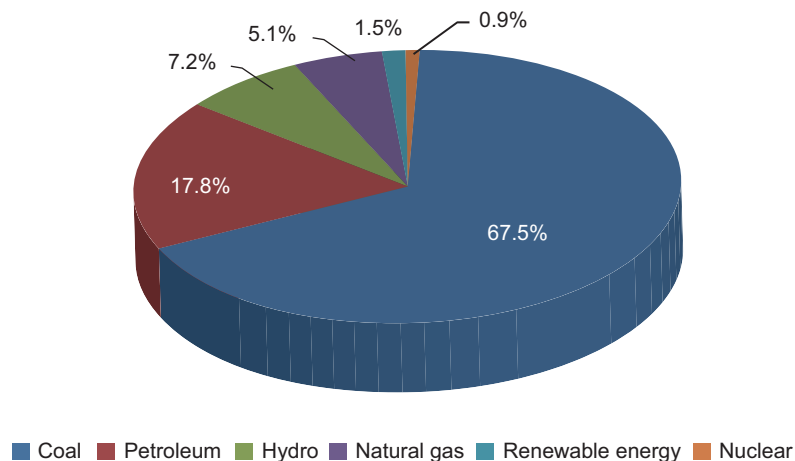


Figure 1 China's primary energy mix in 2013

Source: BP Statistical Review of World Energy

Note: The renewable energy referred to in the above chart does not include hydropower.

² It was shown as 2.85 billion tonnes of oil equivalents in the BP Statistical Review of World Energy. The figure is converted based on 1 tonne of oil equivalent = 1.4286 tonnes of standard coal.

INDUSTRY OVERVIEW

With the relatively strong growth of China's economy, energy demand is expected to rise consistently. China has become the largest greenhouse gas emitting country, which has led to enormous domestic and international pressure to deal with climate change and reducing pollutant gas emissions. Currently, the Chinese government has set the strategic target that carbon dioxide intensity per dollar of GDP should drop by 40%-45% by 2020 compared to that in 2005. Furthermore, the China's 12th Five-Year Plan set the target to reduce carbon emission intensity by 17% in 2015 as compared to 2010. In order to achieve the above targets, China will have to change its coal-based energy mix during the period of 12th Five-Year Plan and for an extended period in the future with the goal of emphasising the development of clean energy alternatives such as natural gas, hydropower and renewable energy.

1.2 Natural Gas

Natural gas is a clean fossil fuel. Its key component, paraffin, is mainly composed of methane, with traces of ethane, propane and butane. It is primarily found in oilfields, gas fields, coal beds and shale. Unconventional natural gases include shale gas, coal bed methane, tight gas and natural gas hydrate, etc.. Based on the 2014 BP Statistical Review of World Energy, as of the end of 2013, China had 3.3 trillion m³ of proven natural gas reserves representing 1.8% of global reserves. The ratio of reserves to production is 28 years. In 2013, although natural gas consumption in China only accounted for 5.1% of the country's energy mix, it still ranked fourth in the world in terms of absolute value. In 2013, China's natural gas consumption was 161.6 billion m³, with an increase of 10.8% over that in 2012.

2. SUMMARY OF CHINA NATURAL GAS INDUSTRY

2.1 Analysis of the Current Natural Gas Consumption in China

China's natural gas consumption has been growing rapidly and China had become the world's fourth largest natural gas consumption country in 2013. In terms of consumption mix in 2013, urban gas consumption amounted to 68.7 billion m³, representing a 19.8% year-on-year increase and accounting for more than 40.0% of total consumption; industrial gas consumption amounted to 46.9 billion m³, representing a year-on-year increase of 13.1% and accounting for 28.0%; gas consumption for power generation was 30.2 billion m³, representing a year-on-year increase of 9.1% and accounting for 18.0%; gas consumption for the chemical industry was 21.8 billion m³, representing a year-on-year increase of 5.8% and accounting for 13.0%. The proportion of urban gas consumption recorded the fastest growth, from 30.0% in 2010 to 41.0% in 2013.

Table 1: Structural change of natural gas consumption in China in 2010 and 2013

	Gas for power generation	Gas for chemicals	Urban gas	Gas for industrial fuel
2010	20.0%	18.0%	30.0%	32.0%
2013	18.0%	13.0%	41.0%	28.0%

Source: *The 12th Five-Year Plan for Natural Gas Development, Report on Development of Domestic and International Oil & Gas Industry in 2013*

2.2 Key Drivers of China's Natural Gas Industry

(1) Favorable Policy Accelerated the Development of Natural Gas

Being a leading energy consumption country, China's major source of energy is coal. The development of natural gas will serve as an alternative for China as it moves towards clean energy consumption. The Chinese government has set the target to increase the proportion of gas consumption from 4% in 2012 to 8% by 2015, and further increase it to 10% by 2020. In 2012, the National Energy Administration issued the "12th Five-Year Plan for Natural Gas Development" (《天然氣發展「十二五」規劃》), which clearly outlined the goals and the six main focuses for natural gas development. In October 2012, the NDRC issued the *Natural Gas Utilisation Policy* (《天然氣利用政策》), which stated that natural gas, being a lower-carbon energy, will play a strategic role in optimising the country's energy supply structure, enhancing energy efficiency and reducing emissions, as well as combating climate change. In 2014, China issued a new series of policies and regulations on natural gas, for example the *Regulatory Measures (Trial) for Fair and Open Access to Oil and Gas Pipeline Infrastructure Business* (《油氣管網設施公平開放監管辦法(試行)》), *Administrative Measures for the Construction and Operation of Gas Pipeline Infrastructure* (《天然氣基礎設施建設及運營管理辦法》) and *Strengthen Air Pollution Control in Energy Industry Program of Work* (《能源行業加強大氣污染防治工作方案》) etc., which will continue to have profound influence on the development of the natural gas industry in the future.

(2) Environmental Concerns Further Enhanced Natural Gas Demand

In recent years, air pollution in China has worsened, and the impacts of hazy weather have further widened. The state and local governments have subsequently launched related policies to optimise the energy structure, including "Coal to Gas" in the industrial sector, "Oil to Gas" in the transportation sector, as well as natural gas distributed energy etc.. In April 2014, according to the NDRC's *Opinions regarding Steady Supply of Natural Gas* (《關於建立保障天然氣穩定供應長效機制的若干意見》), China's natural gas supply capacity will reach 400 billion m³ by 2020, and is striving to achieve 420 billion m³. It is expected that the demand for natural gas in China will rapidly increase along with economic development, population growth, industrialisation and the urbanisation process. According to the forecast by the PetroChina Economics & Technology Research Institute, under the baseline scenario, the total demand for natural gas will be 230 billion, 350 billion and 500 billion m³ by 2015, 2020 and 2030 respectively, representing 8%, 10% and 12% respectively of the total volume of primary energy consumption.

2.3 Barriers to Entry to the Natural Gas Industry

The piped natural gas sale and distribution market in Jiangsu Province is generally dominated by the local natural gas companies in the nearby vicinities or regions, which usually have obtained concession from the relevant local governments or have gained monopolistic or near-monopolistic status. As regulatory authorities in the PRC closely control the development of natural gas pipelines to prevent duplicative investments and uneconomic use of resources, gas companies do not build natural gas transmission pipelines covering the same areas and customers.

3. DEVELOPMENT OF GAS PIPELINES AND URBAN GAS INDUSTRY IN CHINA

3.1 Pipeline Network Construction in China

A common method for large scale transmission of natural gas on land is pipeline transmission. In recent years, China's network of pipelines began to take shape as a result of fast growth in natural gas production and rapid infrastructure development. In 2013, China built pipelines of a length of 5,795 km, and the total accumulative length of major natural gas trunk lines and feeder lines reached 60,000 km. Also comprehensive regional networks have already been formed in the Sichuan-Chongqing region, Northern China region and the Yangtze River Delta Region.



3.2 Development of Urban Gas industry

Implementation of relevant economic policies in China have boosted the rapid growth of China's gas industry. In 2013, the number of natural gas consumers in urban areas of China increased to 240 million from 210 million in 2012, and the urban gas usage coverage rate was 32.0%.

As of the end of 2012, the number of gas consumers in Jiangsu Province reached 45.9 million, of which gas consumers in cities (including counties) reached 32.9 million, and the natural gas usage coverage rate was 98.9%. With the promotion of urban-rural integration, gas utilities construction in towns and rural districts also achieved remarkable progress, the number of gas consumers in towns was 13.0 million, and the gas usage coverage rate was 86.0%. Jiangsu Province holds a leading position in terms of gas usage coverage rate and gas consumption volume. In 2012, natural gas supply in Jiangsu Province was 13.1 billion m³, representing a 24.0% increase year on year, with the total supply volume ranking first among all the provinces in China, far higher than other provinces in the Yangtze River Delta Region.

INDUSTRY OVERVIEW

In terms of the end-user price of gas, the government imposes strict regulations on the prices of gas for residential and public service usage. The cost-plus pricing mechanism is adopted and a hearing must be conducted before the end-user price is adjusted. After the implementation of the *Provisional Measures for Management of Natural Gas Prices* (《天然氣價格管理暫行辦法》) in Jiangsu Province in September 2010, the end-user price in Jiangsu Province was in the middle range as compared with the rest of China. In August 2014, the NDRC issued the *Notice on Price Adjustment of Stock Natural Gas for Non-Residential Usage* (《關於調整非居民用存量天然氣價格的通知》), which set the maximum gateway station price in Jiangsu Province to RMB2.82/m³. This price adjustment did not affect the gateway station prices for residential usage.

In recent years, gas receiving stations, various high and medium pressure regulating stations, natural gas command centres and CNG primary refuelling stations were built in Taicang City and gas supply commenced in November 2005. As of the end of 2012, two gateway stations and one CNG primary station were built, with the daily compression capacity reaching 300,000 m³ and the total natural gas supply volume was 214.6 million m³.

3.3 Supply and Consumption of Piped Natural Gas in Jiangsu Province

(1) Natural gas supply in Jiangsu Province

According to the Development and Reform Commission of Jiangsu Province, the supply volume of natural gas in Jiangsu Province in 2013 was 14 billion m³, with a year-on-year growth rate of 6.5%, or 850 million m³. In 2014, the monthly supply of natural gas in Jiangsu Province grew consistently and reached 1.3 billion m³ in April, but began to drop from May to June. There are three main reasons for this. The first reason is the weak growth of gas supply in China in 2014 with almost all the provinces facing a shortage in the supply of natural gas. Secondly, due to the pressure from atmospheric pollution prevention, vast areas in Northern China were in the process of “coal to gas” transformation in 2013, resulting in a large amount of gas resources being diverted to the north. Thirdly, price adjustments led to an increase in gas prices, which affected the eagerness of natural gas customers to use natural gas.

(2) Consumption of natural gas in Jiangsu Province

In 2013, urban gas and industrial fuel consumption in Jiangsu Province amounted to 8.1 billion m³ in aggregate, representing 57.8% of consumption of the entire province. For the six months ended 30 June 2014, the natural gas consumption in Jiangsu Province was 7.1 billion m³ (which increased by 4% compared with the same period in 2013), of which, urban gas industrial users in Jiangsu Province consumed 4.5 billion m³ natural gas in aggregate from January to June 2014, accounting for 63% of the total consumption in Jiangsu Province and increased by 4% compared with the same period in 2013. For the regional gas usage, the annual natural gas consumption in southern Jiangsu, central Jiangsu and northern Jiangsu in 2013 was 10.9 billion m³, 1.7 billion m³ and 1.4 billion m³ respectively, and accounted for 78%, 12% and 10% of the total consumption in Jiangsu Province respectively.

(3) Historical price trend of natural gas

For information on the historical price trends of natural gas, which is our principal raw material, please refer to the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – Pricing of Natural Gas” in this prospectus.

INDUSTRY OVERVIEW

(4) Prediction of natural gas supply in Jiangsu Province

In terms of pipeline construction, the supply of natural gas in Jiangsu Province is guaranteed. The main pipelines which pass through Jiangsu Province include the First Pipeline of West-East Transmission and the Sichuan-Eastbound Natural Gas Pipeline. In order to obtain more incremental natural gas sources, Jiangsu Province is actively increasing its coordination with resource companies such as PetroChina and CPDC and planning the construction of pipeline networks. During the 12th Five-year Plan period, the proportion of natural gas in the energy consumption of Jiangsu Province is targeted to rise from the current 5% to 10%, while annual demand for natural gas is targeted to rise from 17 billion m³ to 30 billion m³.

3.4 Competition in the Urban Gas Industry in China and Jiangsu Province

(1) Current competition of the urban gas industry in major cities in China

The urban gas industry in China is in a development and growth stage, and can be characterised as having stable demand, low volatility, stable profits, low risk and natural monopoly. This has attracted a large number of investors to the gas industry, and existing large-scale gas companies are focusing on expanding the scope and scale of their business. As a result of provinces and cities in China introducing policies which encourage the development of the urban gas industry, the urban gas market has strong regional characteristics with fierce competition. In 2013, the number of urban gas companies in China exceeded 800.

(2) Analysis of the competition in the urban gas industry in Jiangsu Province

The Jiangsu government regulates the gas pipeline construction through gas source distribution, price approval, approval of new projects and concession system, which creates a barrier for new investors to conduct cross-regional operations. The monopolistic nature of the industry, the scarcity of resources and the level of saturation in the market has led companies which entered the industry in early stages to gain market share in other regions through mergers and acquisitions and equity investment. The players in this industry mainly enter new regions through mergers and acquisitions, joint venture and it is difficult to enter the industry through self establishments. Since the operating system reforms in 2003, the competitive landscape has been gradually transformed from local monopoly to cross-regional market competition and cooperation. Private and foreign capital have entered the urban gas industry.

3.5 Overview of Jiangsu Province and its Natural Gas Market

According to the Statistical Gazette of Jiangsu Statistics Bureau on 2013 National Economic And Social Development, as of 31 December 2013, Jiangsu Province had a population of 79.4 million. Covering an area of 102,600 km², it had a population density of 773.8/km², making it the most densely populated province in China. In 2013, the total GDP of Jiangsu Province was RMB5,916.2 billion, ranking second in China, while GDP per capita was RMB74,607, ranking fourth in China, after Beijing, Shanghai and Tianjin.

INDUSTRY OVERVIEW

According to the China Urban-Rural Construction Statistical Yearbook 2012, the total volume of natural gas supply in Jiangsu Province reached 6,917.6 million m³ in 2012, among which, 1,219.9 million m³ was attributed to natural gas supply to households. The total number of households with access to natural gas reached 6.2 million, and the total number of natural gas consumers was 17.4 million. Under the relevant government's planning, during the "12th Five-Year Period", natural gas will account for around 10% of Jiangsu Province's total energy consumption. The urbanisation rate of Jiangsu Province increased from 61.9% in 2011 to 63.4% in 2012, and further increased to 64.1% in 2013. In 2013, the urban residential population of Jiangsu Province was 50.9 million, and the rural population was 28.5 million.

The downstream gas enterprises in Jiangsu Province mainly consist of: (i) subsidiaries of PetroChina Kunlun; (ii) listed companies or their subsidiaries; and (iii) local private enterprises. Several major state-owned gas companies and listed companies enjoy certain advantages.

3.6 Overview of Taicang City and its Natural Gas Market

Taicang City is adjacent to affluent cities in eastern China, such as Suzhou, Kunshan, Changshu and Shanghai, and is also one of the main county level industrial cities in Jiangsu Province. Based on the statistics of the Taicang Statistics Bureau, Taicang City has experienced strong economic growth and social development in recent years. Taicang City attained a GDP of RMB100.2 billion in 2013 at a growth rate of 10.1% compared to the previous year. Its gross industrial output value in 2013 was RMB256.4 billion at a growth rate of 5.3% compared to the previous year. The amount of fixed asset investment of Taicang City for 2013 was RMB52.0 billion, at a growth rate of 10.2% compared to the previous year. According to the statistics of Taicang Management Bureau of Public Utilities, the number of residential users of natural gas in Taicang City was approximately 140,000 as at 30 June 2014. According to our operating data, as of 30 June 2014, the number of the residential users of our natural gas customers was 140,787. According to the statistics of Suzhou Taicang Administration for Industry and Commerce, as of 30 June 2014, Taicang City had a total of 15,846 industrial and commercial enterprises. Taicang Management Bureau of Public Utilities has verified that among those industrial and commercial enterprises, there were approximately 229 industrial users and approximately 208 commercial users of natural gas. According to our operating data, as of 30 June 2014, the numbers of industrial and commercial users of our natural gas customers were 193 and 202 respectively.

Gas pipelines in Taicang City

Starting from 2004, Taicang Natural Gas, a wholly-owned subsidiary of our Company, began to lay pipelines towards the direction of Kunshan in order to connect to the West-East Transmission network. The project lasted for about 10 years with investment of RMB400-500 million, and approximately 600 km of high and medium pressure pipelines were constructed. A total of eight stations, six pressure regulating stations and two gateway stations have been built, excluding those built by Kunlun Suchuang Gas. Today, Taicang City's natural gas pipelines are well established, with natural gas pipelines connected to each town of Taicang City. Our operations cover over 74% of the total area of Taicang City.

INDUSTRY OVERVIEW

4. APPLICATION OF NATURAL GAS IN THE FIELD OF TRANSPORTATION

4.1 Analysis of Policy Guidance and Key Driver Factors

(1) Policy guidance

The relevant policies introduced since 2012 have indicated that the Chinese government supports the development of natural gas vehicles, as set out below:

In 2012, the Ministry of Transport promulgated multiple documents encouraging the use of natural gas vehicles. In particular, the *Guiding Opinions on the Establishment of a Low Carbon Transportation System* (《建設低碳交通運輸體系指導意見》) and the *12th Five-Year Plan on Energy Saving and Emission Reduction on Land and Water Transport* (《公路水路交通運輸節能減排「十二五」規劃》) clearly state that: (i) the promotion of the use of natural gas vehicles will be included in the promotional works of energy saving; (ii) in areas with suitable conditions, transportation companies will be encouraged to use vehicles fueled by natural gas or hybrid fuel, while gas refuelling stations will be constructed along highways; and (iii) the proportion of public buses and taxis using natural gas in cities will be gradually raised. The promotional work will be carried out in pilot locations for urban logistics and delivery vehicles and inter-city transportation vehicles, replacing old vehicles with natural gas vehicles.

In January 2014, the National Energy Conference introduced a comprehensive and thorough energy reform proposal. The proposal advocates opening up the LNG market and ensuring fair marketisation of oil and gas pipeline networks, as well as promoting independence of the gas pipeline networks when suitable. It also advocates the promotion of natural gas for vehicle usage, which has high added value. In March, the NDRC issued the *Administrative Measures for the Construction and Operation of Gas Pipeline Infrastructure* (《天然氣基礎設施建設與運營管理辦法》), which gave clear support and encouragement to different kinds of capital to invest in natural gas infrastructure, including gas refuelling stations, which are part of the centrally planned natural gas infrastructure. In April, the NDRC promulgated the *Opinions regarding Steady Supply of Natural Gas* (《關於建立保障天然氣穩定供應長效機制若干意見》), which emphasised the adequate supply of civilian used gas, meeting the general civilian gas demands including residential gas used in the development of urbanisation, concentrated heating gas and gas used by public buses and taxis.

(2) Key drivers

(1) Environmental protection drivers

Environmental concern is one of the key drivers for the use of natural gas in transportation. According to the research by PetroChina Economics & Technology Research Institute, compared with traditional vehicles, natural gas vehicles emit 97% less carbon monoxide, 72% less hydrocarbons, 39% less nitrogen oxide and 100% less dust particles. For Chinese cities which face a serious problem of hazy weather, the promotion of natural gas vehicles will undoubtedly be an effective method to reduce exhaust pollution. The *12th Five-Year Plan for Prevention of Atmospheric Pollution in Major Areas* (《重點區域大氣污染防治「十二五」規劃》) has set the target of reducing emissions of sulfur dioxide, nitrogen oxide and dust particles of industrial smoke by 12%, 13% and 10% respectively in major areas by 2015. In September 2013, the *Prevention of*

INDUSTRY OVERVIEW

Atmospheric Pollution Action Plan (《大氣污染防治行動計劃》) has set the target of reducing the concentration of breathable particles by 10% or more by 2017 as compared with 2012 for major cities across China. The plan also clearly states that natural gas vehicles will be promoted.

(2) Economic drivers

The advantage in costs of vehicular natural gas compared with gasoline and diesel fuels is another important driver for users to purchase natural gas vehicles. According to the research by the PetroChina Economics & Technology Research Institute, natural gas buses are estimated to save about 22% of fuel costs compared with diesel buses, while natural gas heavy trucks are estimated to save about 15% fuel costs compared with diesel heavy trucks.

4.2 Development Trends of Natural Gas Vehicles

(1) *Major applications of natural gas vehicles*

Natural gas vehicles are mainly classified as CNG vehicles and LNG vehicles. The use of CNG vehicles were promoted relatively early in China, and they have been widely used in the forms of public buses and taxis in cities, with market share reaching a sizable amount. LNG vehicles are primarily suited for long distance transportation, especially cargo transportation, and are gradually gaining market share.

(2) *Rapid growth of natural gas vehicle ownership*

According to the latest survey conducted by China Natural Gas Vehicles (《中國天然氣汽車》) on natural gas vehicles, natural gas vehicle ownership in China has increased from 1.50 million in May 2013 to 3.05 million in May 2014, representing a growth rate of approximately 103.3%. Within the total number of 3.05 million natural gas vehicles owned, the number of LNG commercial vehicles (including modified vehicles) reached 169,000, which were mainly LNG cargo trucks and large public buses. CNG vehicles continue to account for over 94.5% of natural gas vehicles owned in China.

4.3 Licensing and Approval of Natural Gas Refuelling Stations

(1) *Entry into market*

In 2002, the Ministry of Housing and Urban-Rural Development (“MOHURD”) promulgated the *Opinion in Speeding up the Marketisation of Municipal and Public Utilities* (《關於加快市政公用行業市場化進程的意見》), initiating the marketisation reforms of the urban gas market. The government began to encourage and guide private and foreign capitals to participate in the construction and operation of urban gas infrastructure through sole proprietorship, cooperation, joint venture, equity investment and concession. As the downstream market of the gas industry began to open up, capital from Hong Kong, private capital, foreign capital and capital from the state-owned companies which have expanded subsequent to the reforms began to pour into the market.

(2) *Licensing and Approval for Natural Gas Refuelling Stations*

Pursuant to the related provisions of *The Measures for the Administration on the Concession of Municipal Public Utilities* (《市政公用事業特許經營管理辦法》) promulgated by the Ministry of Construction (currently the Ministry of Housing and Urban-Rural Development of the People’s Republic of China) in March 2004 and implemented in May 2004, projects subject to the concession system shall be determined by the provinces, autonomous regions, and municipalities

INDUSTRY OVERVIEW

directly under the Central Government through legal forms and procedures. According to the *Regulations of Jiangsu on the Administration of Gas* adopted by the Standing Committee of Jiangsu Provincial People's Congress on 1 April 2005, and effective from 1 July 2005, the operation of piped gas in Jiangsu Province shall adopt the concession system, while the establishment and acquisition of CNG/LNG refuelling stations shall be subject to the administrative licensing from the government (which principally requires operators of natural gas refuelling stations to obtain the two permits described below) and a bidding process is not required.

According to the *Regulations of Jiangsu on the Administration of Gas*, as well as the *Measures of Suzhou on the Administration of Gas* promulgated by the Suzhou Municipal People's Government on 8 September 2007, and effective from 1 November 2007, CNG/LNG refuelling station operators shall be in compliance with the planning of CNG/LNG refuelling stations and the relevant requirements laid down by such regulations and measures. They shall also obtain the supply of bottled gas supply licence (瓶裝燃氣供應許可證) issued by local competent authorities of construction administration at the location where those CNG/LNG refuelling station operators would operate their CNG/LNG refuelling stations. The CNG/LNG refuelling station operators shall also maintain storage, refuelling and installation equipment which meet the national or industrial standards, and shall also obtain the gas bottle filling permit (氣瓶充裝許可證) issued by the competent authority of quality and technical supervision.

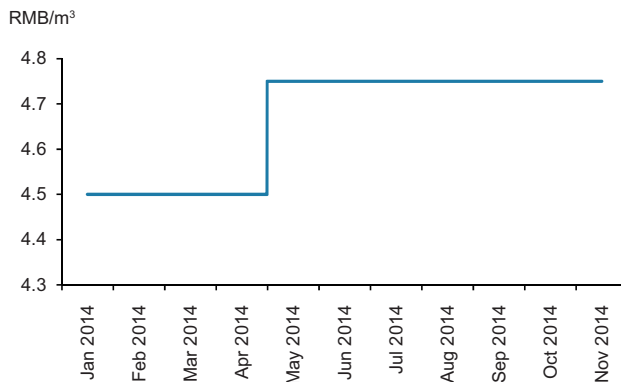
4.4 Price trend of CNG and LNG

(1) Price trend of CNG

The selling price of CNG is determined by local price bureaus, and is adjusted when appropriate. The cost of CNG is derived from the sum of the gateway station price of piped natural gas and compression cost of approximately RMB0.15-0.30/m³.

In accordance with the arrangements of the NDRC and the provincial government, on 1 September 2013, the price of non-residential piped natural gas in Suzhou City was adjusted. To ensure the stability of the taxi industry, the selling price of vehicular CNG was not adjusted. Following the rise in prices of piped natural gas, in order to ease conflicts in prices, the documentation of Suzhou Price Bureau provides that the selling price of urban vehicular CNG in Suzhou City starting from 1 May 2014 was adjusted from the current rate of RMB4.50/m³ to RMB4.75/m³.

Figure 2: Price trend of vehicular CNG in Suzhou City



Source: Suzhou Price Bureau

INDUSTRY OVERVIEW

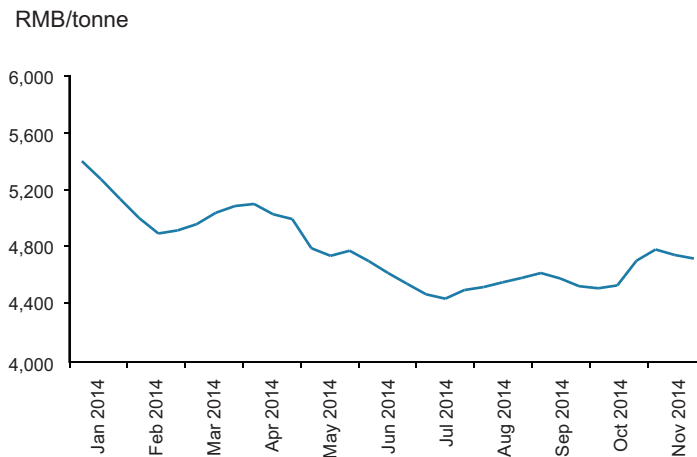
According to the *Notice on the Adjustment to vehicular CNG selling prices in Taicang City* (《關於太倉市車用壓縮天然氣銷售價格調整的通知》) promulgated by the Taicang Price Bureau on 8 May 2014, starting from 10 May 2014, the price of vehicular CNG in Taicang City was adjusted from RMB4.50/m³ to RMB4.75/m³, which is the same adjustment rate as Suzhou City.

(2) Price trend of LNG

In the *Notice on Price Adjustment of Stock Natural Gas for Non-Residential Usage* (《關於調整非居民用存量天然氣價格的通知》) promulgated by the NDRC on 10 August 2014, it clearly stated that the fuel source prices of imported LNG were to be further liberalized. Both the supply and demand side can individually enter into sale and purchase and transportation contracts for different fuel sources, while the fuel source prices and ex-plant prices are to be determined by the market. This implies that LNG prices can be autonomously determined by the market. The PRC government will no longer regulate prices through gateway station prices, and LNG price levels will mainly be determined by market demand and supply.

Based on the statistics on average LNG prices issued by the National Bureau of Statistics of China, LNG prices have been falling since early 2014. Since the beginning of winter, increased demand has caused prices to rebound. The current production capacity of the LNG market exceeds demand. China5e predicts that the excess capacity will cause LNG prices to fall. The LNG vehicle market is in a development phase, and most LNG gas refuelling stations hope to attract users to adopt LNG vehicles by setting lower prices.

Figure 3: Average price trend of LNG in China



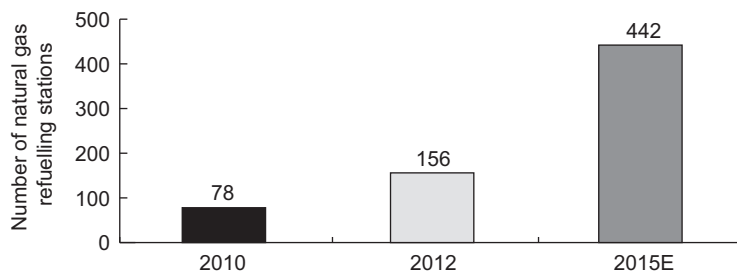
Source: National Bureau of Statistics of China

4.5 Overview of the Development of Natural Gas Vehicles and Gas Refuelling Stations in Jiangsu Province

(1) Development of natural gas refuelling stations in Jiangsu Province

According to the Yearbook of China Gas Industry 2013, 156 natural gas refuelling stations have been built in Jiangsu Province by the end of 2012. According to the *12th Five-Year Plan for Natural Gas Development Project in Jiangsu Province* (《江蘇省「十二五」天然氣發展專項規劃》), it is estimated that about 442 natural gas refuelling stations will be built in Jiangsu Province by the end of 2015, representing a CAGR of more than 40%.

Figure 4: Number of natural gas refuelling stations in Jiangsu Province



Source: Yearbook of China Gas Industry, the 12th Five Year Plan for Urban Gas in Jiangsu Province

Based on China5e's forecast, the total vehicular natural gas consumption in 2012 in Jiangsu Province was approximately 0.7 billion m³ (according to the Regulatory Standard of Design and Construction of Petrol and Gas Stations for Motor Vehicle (GB50156-2012) (GB50156-2012汽車加油加氣站設計與施工規範), assuming the daily gas supply capacity for a conventional gas refuelling station generally ranged from 10,000 m³ to 15,000 m³, based on a gas supply capacity of 12,500 m³/day/station for a natural gas refuelling station that operated 360 days a year). The *12th Five-Year Plan for Natural Gas Development Project in Jiangsu Province* (《江蘇省「十二五」天然氣發展專項規劃》) predicts that the total vehicular natural gas consumption in Jiangsu Province will reach approximately 2 billion m³ in 2015, representing a CAGR of more than 40% based on the above forecast. According to the above predictions, the gas refuelling stations currently built are insufficient to satisfy the future demands of vehicular natural gas, and more gas refuelling stations need to be established to meet the increasing demand.

(2) Supporting policies by the Jiangsu provincial government

According to the *Implementation Plan on Promoting the Application of Natural Gas vehicles in Transportation Industry* (《道路運輸行業推廣運用車用天然氣汽車實施方案》), during the period of the 12th Five-Year Plan, Jiangsu Province will focus on promoting the usage of LNG in inter-city buses, tour coaches and fixed-route trucks, as well as continue to guide public buses and taxis to use CNG or LNG. The numbers of public buses and taxis fueled by natural gas will increase by more than 5% and 10% respectively compared to the end of the period of the 11th Five-Year Plan, which indicates a rapid growth in the application of natural gas to vehicles.

INDUSTRY OVERVIEW

According to the *Provincial Government Opinion Regarding the Expedition of New Energy Vehicle Usage* (Su Zheng Fa [2014] No. 51) (《省政府關於加快新能源汽車推廣應用的意見》蘇政發[2014] 51號), the Ministry of Finance of Jiangsu Province will provide a subsidy of RMB20,000 for each LNG bus or truck purchased in 2014. In 2015, the Ministry of Finance of Jiangsu Province will determine the actual subsidising standard in light of the subsidising standard of the Ministry of Finance of the PRC and the actual situation in Jiangsu Province. Further, according to government regulations, public vehicles which were upgraded to natural gas fueled models could be exempted from purchasing taxes. Under a series of incentives and subsidising policies, it is predicted that the number of natural gas vehicles in Jiangsu Province will rapidly grow, and the market demand for natural gas refuelling stations will also increase.

4.6 Overview of the Development of Natural Gas Refuelling Stations in Suzhou City

(1) *The supply of natural gas refuelling stations in Suzhou City*

According to the China Urban Construction Statistical Yearbook, there were 10 natural gas refuelling stations built in Suzhou City as of the end of 2012. According to Suzhou City HUDB, there will be 34 natural gas stations in Suzhou City by the end of 2015. In terms of gas supply capacity, it is estimated that there will be approximately 85 gas refuelling stations in Suzhou City by the end of 2020, representing a CAGR of more than 20% from 2015 to 2020. The gas supply capacity in Suzhou City will reach approximately 0.2 billion m³ and 0.5 billion m³ by the end of 2015 and 2020 respectively, while the approximate aggregate daily gas supply in Suzhou City will be 560,000 m³ and 1,390,000 m³ by the end of 2015 and 2020 respectively.

(2) *Market demand of natural gas refuelling stations in Suzhou City*

- *CNG Taxis*

China5e forecasts that the number of CNG taxis in Suzhou City would reach approximately 3,494 as of the end of 2015. Based on the industry statistics, China5e assumed the CNG daily gas usage per CNG taxi to be approximately 40.1 m³. The total CNG daily gas usage by taxis in Suzhou City is estimated to be approximately 140,100 m³ by the end of 2015.

- *CNG private vehicles*

Based on the interview between China5e and the gas administration office of the Suzhou City HUDB, the number of CNG private vehicles in Suzhou City will reach approximately 19,078 by the end of 2015. Based on the industry statistics, China5e assumes the CNG daily gas usage per private vehicle in Suzhou City to be 2.7 m³, and CNG daily gas usage by private vehicles to be approximately 51,500 m³. On such basis, it is estimated that CNG total daily gas usage of private vehicles in Suzhou City will reach approximately 191,600 m³ by the end of 2015.

- *LNG buses and LNG trucks*

According to the data obtained through an interview with the Suzhou City Department of Transportation, China5e estimated that the number of LNG buses and LNG trucks will be approximately 2,500 and 140 respectively by the end of 2015. Based on the industry statistics, China5e assumed that the daily gas usage per LNG public bus is 64.4 m³, and that the daily gas usage per LNG truck is 320.0 m³. On such basis, it is estimated that LNG total daily gas usage in Suzhou City will reach approximately 205,800 m³ by the end of 2015.

INDUSTRY OVERVIEW

(3) Market outlook of natural gas refuelling stations in Suzhou City

- *CNG refuelling stations*

In terms of CNG market demand, China5e predicted that CNG total daily gas usage in Suzhou City will reach approximately 191,600 m³ by the end of 2015. Based on the assumption that the daily supply of each CNG refuelling station will be approximately 12,500 m³, it is expected that 15 CNG refuelling stations will need to be built by the end of 2015 in order to meet the market demand.

- *LNG refuelling stations*

In terms of LNG market demand, China5e predicted that total daily gas usage of LNG vehicles in Suzhou City will reach approximately 205,800 m³ by the end of 2015. Based on the assumption that the daily supply of each LNG refuelling station will be approximately 15,000 m³, it is expected that 14 LNG refuelling stations are needed to be built by the end of 2015 to meet the market demand for vehicular LNG. Encouraged by the government's low carbon and emission reduction policies, the proportion of clean fuel used in transportation will possibly be enhanced. According to Suzhou City HUDB, Suzhou City plans to build approximately 34 CNG/LNG refuelling stations by the end of 2015. As a result, a balance between supply and demand of CNG and LNG in the market may generally be attained by the end of 2015.

(4) Competition of natural gas refuelling stations in Suzhou City

Currently, the gas refuelling station business in Suzhou City are facing diversified competition. Major competitors include pipe operators in the urban gas production chain, gas companies listed in Hong Kong and subsidiaries of stated-owned companies with upstream natural gas business, and such competition grows fiercely. Enterprises investing in building LNG refuelling stations are usually companies with LNG resources. A small number of companies building gas refuelling stations also operate LNG vehicle business such as public buses and heavy trucks. Since the operation of natural gas refuelling stations are subject to the licences and approvals granted by the competent authority of the local government where those natural gas refuelling stations are to be built, entry barriers to such industry are relatively high.

4.7 Overview of the Development of Natural Gas Vehicles and Gas Refuelling Stations in Taicang City

(1) The supply of natural gas refuelling stations in Taicang City

Prior to 2012, the development of natural gas refuelling stations in Taicang City was still at the preliminary stage. However, the number of natural gas vehicles grew rapidly in the past two years and more natural gas refuelling stations have been built. As of the end of August 2014, two natural gas refuelling stations were built in Taicang City, both of which were operated by the Suzhou Suling Automobile Service. As of the end of September 2014, the sales of CNG and LNG by Suzhou Suling Automobile Service were approximately 3,220,000 m³ and 1,200,000 m³ respectively and averaged daily sales volumes were approximately 11,800 m³ and 4,400 m³ respectively.

INDUSTRY OVERVIEW

(2) Market demand of natural gas refuelling stations in Taicang City

- *CNG vehicles*

China5e expected that the number of CNG vehicles in Taicang City will increase to 722 by the end of 2015. Based on the industry statistics, as most of the CNG vehicles in Taicang City are taxis, China5e assumed that the daily gas usage per CNG vehicle is 40.1 m³ and the CNG total daily gas usage in Taicang City will reach approximately 29,000 m³ by the end of 2015.

- *LNG vehicles*

Based on the interview with the Taicang City Transport Management Division conducted by China5e, the number of LNG public buses in Taicang City will reach 92 by the end of 2015 and the number of LNG trucks in Taicang City will reach 16 by the end of 2015. Based on the industry statistics, China5e assumed the daily gas usage per LNG public bus to be 56.0 m³ and the daily gas usage per LNG truck to be 360.0 m³. On such basis, it is estimated that the LNG total daily gas usage in Taicang City will reach approximately 11,000 m³ by the end of 2015.

(3) Market outlook of natural gas refuelling stations in Taicang City

- *CNG refuelling stations*

China5e estimated that the CNG total daily gas usage in Taicang City will reach approximately 29,000 m³ by the end of 2015. Based on the assumption that the daily supply of each CNG refuelling station will be approximately 12,500 m³, it is expected that two CNG refuelling stations are needed to be in operation by the end of 2015 to satisfy the short term growth in demand.

- *LNG refuelling stations*

China5e estimated that the LNG total daily gas usage in Taicang City will be approximately 11,000 m³ by the end of 2015. Based on the assumption that the daily supply of each LNG refuelling station will be approximately 15,000 m³, the sole LNG refuelling station currently operated by Suzhou Suling Automobile Service is able to satisfy the market demand. Propelled by the government's low carbon and emission reduction policies, and development of the regional economy, China5e anticipates a likely growth in the use of various LNG vehicles in Taicang City.

(4) Competition of natural gas refuelling stations in Taicang City

Currently, natural gas refuelling stations in Taicang City are all operated by Suzhou Suling Automobile Service. The construction of gas refuelling stations is required to be in line with the city master plan and other local requirements regarding the use of land and environmental impact assessment. The approval process for the construction of new gas refuelling stations is relatively complicated as the local government will take into account various aspects, rendering it difficult for other gas refuelling station operators to enter the local market in Taicang City. Therefore, Suzhou Suling Automobile Service has monopolistic competitive advantages in the gas refuelling station operation business in Taicang City.

REGULATORY OVERVIEW

OVERVIEW OF REGULATIONS

Our businesses are mainly operated by our subsidiaries and affiliates in the PRC, which in their business operations should abide by relevant laws, regulations and other normative documents of China. Such laws, regulations and normative documents are summarised as follows:

PRC laws and regulations on the distribution and sale of natural gas

Regulation on the Administration of Urban Gas

On 19 November 2010, the State Council of the People's Republic of China ("**State Council**") promulgated *Regulation on the Administration of Urban Gas*, effective as from 1 March 2011. This Regulation aims to strengthen the administration of urban gas, guarantee gas supply, prevent and reduce gas safety accidents, safeguard the life and property safety of citizens and the public safety, protect the legitimate rights and interests of gas operators and gas users and promote the healthy development of gas industry.

This Regulation shall mainly apply to urban gas development planning and emergency guarantee, gas operation and service, gas using, gas facilities protection, prevention and handling of gas safety accidents and relevant administrative activities and mainly includes:

Gas development planning

Based on the national economic and social development planning, overall land use planning, urban-rural planning and energy planning and taken into account the balance of total resources in China, competent construction department under the State Council and relevant departments under the State Council shall organise formulation and implementation of national gas development plan. Based on the national economic and social development planning, overall land use planning, urban-rural planning, energy planning and gas development planning of the authority at the next higher level gas management departments under local people's governments at or above the county level and relevant departments shall organise formulation of gas development plans for local administrative regions, which shall be implemented upon approval by the people's governments at the same level and reported to gas management departments under people's governments for filing at the next higher level.

Gas operation and service

Gas operators for state-invested urban gas facilities will be selected through a bidding process. For social capital invested facilities, investors may operate the gas facilities on their own or select a third party gas operator.

The state implements a licence system for gas operation and prohibits individuals from engaging in piped natural gas operation. Enterprises meeting provisions of the *Regulation on the Administration of Urban Gas* will be granted with gas operation licence certificate by the gas management departments under the local people's government at or above the county level.

Gas selling price shall be determined reasonably and adjusted responsively according to purchase cost, operating cost and local economic and social development level. In determining and adjusting gas selling price, competent pricing bureaus under local people's government at or above the county level shall seek opinions from piped natural gas users, piped natural gas operators and relevant parties.

REGULATORY OVERVIEW

Gas using

Gas users shall, in compliance with gas safety regulations, use qualified gas burners and gas cylinders, promptly replace gas burners, connecting pipes, etc. which the state has eliminated by official order or have reached the end of their service life, and pay gas fees as per the specified schedule.

Protection of gas facilities

To carry out alteration in municipal gas facilities, gas operators shall prepare and submit alteration plans for the approval of the gas management departments under local people's government at or above the county level.

Prevention and handling of gas safety accidents

Gas operators shall formulate emergency plans for gas safety accidents, assign emergency staff, provide necessary emergency facilities and equipment, organise regular drilling, establish sound gas safety evaluation and risk management system and take responsive measures to avoid possible gas safety accidents.

Concession

The main legislations and rules in the PRC relating to the grant of concession with respect to our piped natural gas business include the *Measures for the Administration on the Concession of Municipal Public Utilities*, the *Regulations of Jiangsu on the Administration of Gas* and the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*.

On 19 March 2004, Ministry of Construction (currently the Ministry of Housing and Urban-Rural Development of the People's Republic of China) promulgated *Measures for the Administration on the Concession of Municipal Public Utilities* ("**Concession Measures**"), effective as from 1 May 2004. The Concession Measures aims to speed up the marketisation of the municipal public utilities, regulate the concession activities of municipal public utilities, strengthen market supervision, safeguard the social public interests and public security and promote the healthy development of the municipal public utilities.

The concession of municipal public utilities shall refer to the systems that the government chooses the investors or operators for municipal public utilities through market competition mechanism in accordance with relevant laws and regulations, clarifying 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 projects shall be determined by the provinces, autonomous regions, and municipalities through legal forms and procedures. The competent construction department under the State Council shall be responsible for guidance and supervision on the concession activities of municipal public utilities of the PRC, while the competent construction department under the people's governments of the provinces and autonomous regions shall be responsible for guidance and supervision on the concession activities of municipal public utilities within their own administrative regions. The competent departments of municipal public utilities under the people's

REGULATORY OVERVIEW

governments of municipalities, cities and counties shall, upon the authorisation of the people's government, be responsible for the specific implementation of the concession of municipal public utilities within their own administrative regions.

The Concession Measures shall be applicable to the implementation of concession of water supply, gas supply, heating, public transport, sewage treatment, waste disposal and relevant industries. The term of concession shall be determined according to such factors as the characteristics, scale, and mode of operation of the industry, etc.; the maximum term shall not exceed 30 years.

On 1 April 2005, the Standing Committee of Jiangsu Provincial People's Congress promulgated the *Regulations of Jiangsu on the Administration of Gas*, effective from 1 July 2005. Pursuant to Rule 13 of the said regulations, piped natural gas business shall be operated under a concession system. Piped natural gas operators shall obtain the concession granted by city, county (city) people's government of the relevant area, and shall enter into the concession agreement with the relevant people's government or the competent administrative department of construction authorized by the people's government. Piped natural gas concession shall be granted through an open and fair way such as bidding, in accordance with the *Regulations of Jiangsu on the Administration of Gas*. The granting procedures of piped natural gas concession, the contents of the Concession Agreement, the requisite requirements that companies shall be fulfilled while applying for the Concession and the obligations that shall be executed by the piped natural gas operating companies are subject to requirements of the *Regulations of Jiangsu on the Administration of Gas*.

On 5 July 2006, the Construction Department of Jiangsu Province (currently the Jiangsu Provincial Department of Housing and Urban-Rural Development) promulgated *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*, effective as from the date of promulgation. The said Measures aimed at regulating the concession activities of piped natural gas in Jiangsu Province and to safeguard the social public interests and public security.

The competent administrative department of construction at the provincial level shall be responsible for guidance to and supervision over the implementation of concession of piped gas in the province. The competent departments of municipal public utilities under the people's governments of municipalities, cities and counties (together referred as the Competent Administrative Department of Construction) shall be responsible for the implementation of the piped natural gas concession and the supervision of the concession grantee in their respective administrative regions.

Pursuant to the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*, the implementation of the piped natural gas concession projects are subjected to the approval granted by the people's government of municipalities, cities and counties. In actualizing the piped natural gas concession projects, the relevant implementation plans on piped natural gas concession shall be formulated in accordance with the *Regulations of Jiangsu on the Administration of Gas*. The competent administrative department of construction under the local people's government at city or county level shall implement evaluation system for implementation plan of piped natural gas concession, while the implementation plan shall be formulated upon discussion with relevant departments. The implementation plan shall be reviewed and approved by the local people's government before such plan is reported to the competent administrative department of construction at the next higher level for review, and be implemented once approved by the reporting local people's government.

REGULATORY OVERVIEW

According to Article 22 of the *Measure of Jiangsu on the Administration of Concession of Piped Natural Gas*, it requires that enterprises which began piped natural gas construction and operation without carrying out concession system before the implementation of the *Regulations of Jiangsu on the Administration of Gas* shall follow the *Regulations of Jiangsu on the Administration of Gas* to implement systems relating to concession, and sign concession agreements to specify the contents and requirements of the concession prior to reporting the concession agreements to the competent administrative department of construction at the next higher level for filling.

In September 2007, Suzhou Municipal People's Government promulgated the *Measures of Suzhou on the Administration of Gas*, effective as from 1 November 2007, and on 18 May 2012, Suzhou City HUDB issued Notice of Suzhou on Extending Gas Operation Licensing to Cities and Counties. In December 2012, Taicang HUDB formulated the *Implementation Plan for Concession of Piped Natural Gas in Taicang City* (the "**Taicang Gas Implementation Plan**") and entered into the Concession Agreement with Taicang Natural Gas in 2013.

Taicang Natural Gas, a Chinese subsidiary of our Group which has commenced natural gas operations before the implementation of the *Regulations of Jiangsu on the Administration of Gas*, has obtained concession rights for the distribution and sale of urban piped natural gas through entering into the Concession Agreement with Taicang HUDB according to the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*. Upon expiration of relevant concession, the company shall not continue distributing and selling piped natural gas of our Group before it extends the concession according to the Measures of Jiangsu on the Administration of Concession of Piped Natural Gas and the Concession Agreement entered into with Taicang HUDB.

Price determination regime of natural gas

On 29 December 1997, the Standing Committee of National People's Congress ("**the Standing Committee of NPC**") promulgated the PRC Pricing Law, effective as from 1 May 1998. According to the PRC Pricing Law, the government is implementing and gradually optimizing the pricing mechanisms mainly formed by the market under macroeconomic control policies. Most merchandise and services adopt the market price. Only very few merchandise and services are priced according to government guidance or priced by the government. Market price refers to the price set by operators in accordance to production and operating costs and market demand and supply. The government may enforce government-guided prices or government-set prices when necessary for the prices of the following commodities and services: (1) the prices of an extremely small number of commodities vital for the development of the national economy and people's life; (2) the prices of a small number of commodities the resources of which are rare or short; (3) the prices of commodities under natural monopoly management; (4) the prices of essential public utilities; and (5) the prices of essential non-profit services. For the pricing of merchandise and services, in addition to the adoption of the government-guided price or the government-set price in accordance with the aforesaid requirements, merchandise and services could be priced according to the market price, which is set by operators.

The competent department of price and other departments concerned under the State Council shall determine the government-guided prices and government-set prices in pursuance of the pricing authority and the specific applicable scope provided for in the Central Pricing Catalog, among which the government-guided prices and government-set prices of the prices of essential commodities and services shall be submitted to the State Council for approval in accordance with provisions.

REGULATORY OVERVIEW

The competent departments of price and other departments concerned of people's governments of autonomous regions and municipalities directly under the Central Government shall determine the government-guided prices and government-set prices for implementation in their respective areas in pursuance of the pricing authority and specific applicable scope provided for in Local Pricing Catalogs.

Municipal and county people's governments may, in accordance with the authorisation of people's governments of the provinces, autonomous regions and municipalities directly under the Central Government and in pursuance of the pricing authority and specific applicable scope provided for in Local Pricing Catalogs, determine the government-guided prices and government-set prices for implementation in their respective areas.

On 28 June 2013, NDRC promulgated Notice of the National Development and Reform Commission on the Adjustment of Natural Gas Prices (NDRC Prices [2013] No. 1246) ("國家發展改革委關於調整天然氣價格的通知 – 發改價格[2013]1246號"). According to the notice, for natural gas, the PRC government would control the gateway station prices instead of ex-plant prices. Gateway station prices are government-guided prices, subject to price ceiling management. Suppliers and users may agree on a contractual price within the maximum price range stipulated by the state. Gateway station price is applicable to domestic onshore natural gas and imported piped natural gas. The liberalisation of LNG source prices are determined after negotiations between the demand and supply side. Pricing adjustment policy relating to natural gas shall take effect as from 10 July 2013. The main contents are as follows:

- (1) By adopting a market-driven approach, establishing a dynamic adjustment mechanism that reflects change in market supply and demand and resource scarcity, and links to prices of alternative energy, gradually rationalising the price relation between natural gas and alternative energy, and laying a foundation for market-based natural price.
- (2) The natural gas price adjustment differentiates stock natural gas (the consumption volume of 2012) and incremental natural gas (the volume exceeding that consumed in 2012). Gateway station price for the incremental natural gas is further adjusted to 85% of alternative energy price for the second half of 2012 and no longer be classified by use. Gateway station price for stock natural gas is raised appropriately. Specifically, price of fertiliser gas increased by a maximum of RMB0.25/m³ from the existing gateway station price, and prices of gas for other purposes increase by a maximum of RMB0.4/m³ from the existing gateway station prices.
- (3) Price of natural gas for residential usage was not adjusted^(Note). Prices of natural gas for residential usage in cities newly connected with natural gas supply in 2013 shall be subject to provincial policies of gateway station prices of the stock part. Following such price adjustment of natural gas in 2013 the maximum gateway station price for stock and incremental natural gas for non-residential usage in Jiangsu Province shall be RMB2.42/m³ and RMB3.30/m³, respectively.
- (4) Different areas should take into account local, reasonable arrangements and adopt vehicular natural gas selling prices.

Note: Price of natural gas for residential usage was not adjusted and has remained as RMB1.75/m³ as at the Latest Practicable Date.

REGULATORY OVERVIEW

On 11 July 2013, the Jiangsu Price Bureau promulgated the Notice to NDRC on Adjustment of Natural Gas Prices (Su Jia Gong [2013] No. 246) (“省物價局轉發國家發展改革委關於調整天然氣價格通知 – 蘇價工[2013]246號”). According to the notice, competent departments of price at city or county level of Jiangsu Province shall develop and implement their own pricing adjustment policy relating to natural gas for implementation in their respective areas by 1 September 2013. The notice also required that the selling price of vehicular natural gas be adjusted autonomously according to changes in procurement costs of natural gas. On 28 August 2013, the Suzhou Price Bureau promulgated the Notice on Adjustment of Non-Residential Usage Natural Gas Prices in the Suzhou Area (Su Jia Gong Zi [2013] No. 108) (“關於蘇州市區非居民用天然氣價格調整的通知 – 蘇價工字[2013]108號”). According to the notice, the benchmark price for piped natural gas within Suzhou City shall be adjusted to RMB0.25/m³ (for non-residential and other (public utilities) usage). The maximum selling price had been adjusted to “not exceeding 15%” from “not exceeding 20%” of the gateway station price. No limitation had been imposed for the downward movement. Following the adjustment, the maximum end-user price of piped natural gas for non-residential usage shall be RMB3.623/m³ while for public utility usage shall be RMB3.443/m³. The pricing adjustment policy has become effective from 1 September 2013. Price of vehicular natural gas will not be adjusted.

On 18 September 2013, the Taicang Price Bureau promulgated the Notice on Adjustment of Non-Residential Usage Natural Gas Prices in Taicang Area (Taicang Guan Zi [2013] No. 75) (“關於太倉市非居民用天然氣價格調整的通知 – 太倉管字[2013]第75號”). The notice serves as the pricing adjustment policy relating to natural gas in Taicang in accordance with the Notice on Adjustment of Non-Residential Usage Natural Gas Prices in the Suzhou Area promulgated by the Suzhou Price Bureau as mentioned above. Following the adjustment, the maximum end-user price of piped natural gas for residential, non-residential and public utility usage in Taicang shall be RMB2.20/m³, RMB3.616/m³ and RMB3.436/m³ respectively. The price of vehicular natural gas will not be adjusted.

On 29 April 2014, the Suzhou Price Bureau promulgated the Notice on the Adjustment of Selling Prices of Vehicular CNG in Urban Areas of Suzhou (Su Jia Gong Zi [2014] No. 36). Pursuant to the notice, the selling price of vehicular CNG in the Suzhou area was to be adjusted from the current RMB4.5/m³ to RMB4.75/m³, representing an increase of RMB0.25/m³. The adjustment shall take effect from 1 May 2014.

On 8 May 2014, the Taicang Price Bureau promulgated the Notice on the Adjustment of Selling Prices of Vehicular CNG in Taicang City (Tai Jia Guan Zi [2014] No. 31). Pursuant to the notice, the selling price of vehicular CNG in the Taicang City area was to be adjusted from the current RMB4.5/m³ to RMB4.75/m³, representing an increase of RMB0.25/m³. The adjustment shall take effect from 10 May 2014.

On 10 August 2014, the NDRC promulgated Notice of the National Development and Reform Commission on Price Adjustment of Stock Natural Gas for Non-Residential Usage (NDRC Prices [2014] No. 1835) (“國家發展改革委關於調整非居民用存量天然氣價格的通知 – 發改價格[2014]1835號”), pursuant to which the NDRC would further adjust the price of the stock part of natural gas for non-residential usage, aligning with the target on implementing price adjustments to both stock and incremental natural gas in 2015, in order to realise the 2014 general arrangement to deepen the reform of the economic system. Following the adjustment, the highest selling price for stock natural gas for non-residential usage shall be raised by RMB0.4/m³, while price for gateway

REGULATORY OVERVIEW

station natural gas for residential usage shall not be adjusted. The selling price for vehicular natural gas was determined autonomously according to actual local conditions. Such pricing adjustment policy relating to natural gas shall take effect as from 1 September 2014.

Following such price adjustment of natural gas, the maximum gateway station price for both stock and incremental natural gas in Jiangsu Province shall be RMB2.82/m³ and RMB3.30/m³, respectively.

On 27 August 2014, the Jiangsu Price Bureau promulgated the Notice to the NDRC on Price Adjustment of Stock Natural Gas for Non-Residential Usage (Su Jia Gong [2014] No. 295) (“省物價局轉發國家發展改革委關於調整非居民用存量天然氣價格的通知 – 蘇價工[2014]295號”). According to the notice, all competent departments of price in Jiangsu Province shall develop and implement their pricing adjustment policy relating to natural gas in accordance with the abovementioned *NDRC Prices [2014] No. 1835 Notice*. The price for natural gas for residential usage will not be adjusted, while price for natural gas for non-residential usage shall be adjusted with effect from 1 September 2014 in accordance with the *Price Adjustment of Stock Natural Gas*. According to the policy, the new price of stock natural gas for non-residential usage shall be RMB2.82/m³. The selling price for vehicular natural gas was determined autonomously according to changes in the procurement costs of natural gas.

On 24 September 2014, the Suzhou Price Bureau promulgated the Notice on Selling Price Adjustment of Non-Residential Piped Natural Gas in the Urban Areas of Suzhou City (Su Jia Gong Zi [2014] No.80) (“關於調整蘇州市區非居民管道天然氣銷售價格的通知 – 蘇價工字[2014]80號”). According to the notice, the selling price of non-residential and other (public utilities) usage piped natural gas in the Suzhou City area is to be adjusted upward by RMB0.35/m³. After the adjustment, the highest selling price of non-residential piped natural gas was RMB3.973/m³. The highest selling price of other (public utilities) usage piped natural gas was RMB3.793/m³. Price adjustment of vehicular natural gas was delayed. The adjustment shall take effect from 1 October 2014.

On 13 October 2014, the Taicang Price Bureau promulgated the Notice on Selling Price Adjustment of Non-Residential Piped Natural Gas in Taicang City (Tai Jia Guan Zi [2014] No.60) (“關於調整太倉市非居民用管道天然氣銷售價格的通知 – 太價管字[2014]60號”). According to the notice, the selling price of non-residential and other (public utilities) usage piped natural gas in the Taicang City area is to be adjusted upward by RMB0.33/m³. After the adjustment, the highest selling price of non-residential piped natural gas was RMB3.946/m³. The highest selling price of other (public utilities) usage piped natural gas was RMB3.766/m³. Price adjustment of vehicular natural gas was delayed. The adjustment shall take effect from 20 October 2014.

On 30 December 2014, upon the approval of the Jiangsu Price Bureau, Taicang Price Bureau promulgated the Notice on Selling Price Adjustment of Residential Natural Gas in Taicang and Implementation of Ladder Gas Price (Tai Jia Guan Zi [2014] No. 69) (“關於調整太倉市居民生活用天然氣銷售價格並實行階梯式氣價的通知 – 太價管字[2014]第69號”). According to the said notice, the base selling price of residential usage natural gas in Taicang is to be adjusted upward from RMB2.20/m³ to RMB2.45/m³ and a ladder gas pricing system will be implemented, i.e. for households with four persons or less, a 3-tier ladder pricing system will be implemented based on annual natural gas consumption: (1) Tier 1: gas consumption of 300 m³ or below, gas selling price is RMB2.45/m³; (2) Tier 2: gas consumption falls between 300 m³ and 600 m³, the gas selling price

REGULATORY OVERVIEW

will be increased by 20% to RMB2.94/m³; and (3) Tier 3: gas consumption above 600 m³, gas selling price will be increased by 50% to RMB3.68/m³. For households with more than four persons, the exceeding number will be calculated based on annual gas consumption per person, i.e. 60 m³ annual gas consumption will be added for each additional person. For those non-residential users (such as schools, elderly homes, charity houses, residential common facilities, urban social services facilities, rural social services facilities), the ladder gas pricing system will not be applied, and the gas selling price for those non-residential users will be adjusted from RMB2.20/m³ to RMB2.70/m³. The price adjustment came into effect on 1 January 2015.

The government-guided prices shall be applicable to the sales of piped natural gas and vehicular CNG within Suzhou City (which includes Taicang City geographically), Jiangsu Province. In respect of the vehicular LNG, its selling price shall be the market price, which is set by the operators in accordance with the demand and supply of vehicular LNG in the market, and there are no relevant requirements regarding the applicable government-guided price in Suzhou City (which includes Taicang City geographically), Jiangsu Province currently.

Main regulations of Suzhou City on the administration of gas

On 1 April 2005, the Standing Committee of Jiangsu Provincial People's Congress adopted *Regulations of Jiangsu on the Administration of Gas*, effective as from 1 July 2005. On 5 July 2006, the Construction Department of Jiangsu Province (currently the Jiangsu Provincial Department of Housing and Urban-Rural Development) promulgated *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*, effective as from the date of promulgation. On 8 September 2007, Suzhou Municipal People's Government promulgated *Measures of Suzhou on the Administration of Gas*, effective as from 1 November 2007.

The abovementioned regulations and measures specify the planning, construction and operation of natural gas, piped natural gas concession system, use of natural gas, the safety and supervision of gas burners and facilities in Jiangsu Province and Suzhou City and mainly include:

Gas planning and construction

Based on local social and economic development needs and overall city planning, competent construction department and relevant departments shall conduct professional gas planning, which shall first be certified by competent construction departments at the next higher level and then implemented upon approval by the people's government at the same level. The construction modification and expansion of gas projects shall conform to the professional gas planning and be approved by the development and reform departments and competent construction departments at the same level according to relevant provisions of the state. Gas projects are subject to environment impact assessment and safety assessment system in accordance with law.

After completion of gas projects, the construction units shall organise check and acceptance in accordance with law. Projects that have not been examined and accepted or have failed in the examination shall not be delivered for use. After completion and acceptance of gas projects, construction units shall report the projects to competent construction departments for filing in accordance with relevant provisions of the state.

Gas operation

Administrative licence is required for gas operation. Gas operators shall obtain approval from the competent administrative department for gas before it engages in gas operation.

REGULATORY OVERVIEW

Piped natural gas operation is based on a concession system. Piped natural gas operators shall obtain concession granted by people's governments of districts-divided cities, counties (cities), and sign concession agreements with people's governments of districts-divided cities, counties (cities) or the authorised competent construction departments thereof. The term of concession shall be determined according to such factors as the scale and mode of operation; the maximum term shall not exceed 30 years. The concession shall be granted in an open and fair way such as bidding. Enterprises which began piped natural gas construction and operation before implementation of *Regulations of Jiangsu on the Administration of Gas* and have not abide by the concession system shall, in accordance with relevant provisions, obtain the relevant concession system, sign concession agreements to specify the contents and requirements of concession, and report the same to the competent administrative department of construction at the next higher level for filing.

An enterprise that applies for piped natural gas concession right shall meet the following conditions:

- (a) It is a corporate legal person approved and registered according to law;
- (b) It satisfies safe production conditions;
- (c) It has good credit standing, is in good financial condition and has corresponding debt-paying ability;
- (d) It has corresponding equipment;
- (e) It has production, service, management personnel and engineering technicians appropriate to the scale of production and business;
- (f) It has feasible operation plans;
- (g) It satisfies other conditions specified in the laws and regulations.

Piped natural gas operators shall abide by the following rules:

- (a) Making investment in and constructing gas facilities in accordance with professional gas planning;
- (b) Operating within the scope specified in the concession agreement;
- (c) Carry out safe production in accordance with laws and regulations concerning production safety and national standards and norms on production safety;
- (d) Fulfilling concession agreement, and providing sufficient up-to-standard products and services for the society;
- (e) Intensifying the operating, maintenance, upgrading and refit of gas facilities and equipment, ensuring facilities and equipment are in good condition, and ensuring instruments and meters for metering and charging are verified as qualified by statutory metrology institutes and in validity period;

REGULATORY OVERVIEW

- (f) Having its operating cost, product and service quality subject to supervision and examination by competent departments;
- (g) Reporting long/medium-term development plan, annual business plan, relevant annual report, board resolution, etc. to competent construction department for filing on the specified time;
- (h) Satisfying other provisions of laws and regulations.

Bottled gas operators shall obtain bottled gas business licence issued by competent construction departments of districts-divided cities.

Gas price and service charge basis, and formulation of charge items and charge standard shall abide by relevant provisions of laws and regulations on pricing. Adjustment of gas price and service charge standard shall be heard in public according to law. Gas operators shall charge in line with the items and prices decided by competent pricing bureaus.

Gas usage

Piped natural gas operators shall fulfil the universal service obligation. Piped natural gas operators shall sign a gas supply contract with any unit or individual that applies for use of piped natural gas and meets corresponding conditions to specify rights and obligations of the two parties. Gas users shall pay gas fees on time.

Gas burner

Gas burner shall undergo the sampling source matching tests by legally qualified testing institutions, and the testing institutions shall report the test results to provincial competent construction department, which will make public the results regularly.

Competent construction departments or gas operators shall not promote specified gas burner to users.

Gas facilities safety

Gas operators shall establish a responsibility system for gas safety management, improve safety management network, inspect, overhaul and update gas facilities regularly, and eliminate possible accident in time.

Gas operators shall examine gas users' gas meters, pipelines and auxiliary facilities thereof and their use of gas burner, and dissuade and stop any use counter to rules on safe use of gas.

Gas operators shall examine the piped natural gas facilities built by industrial and mining enterprises and public institutions and shall not supply gas to them unless they meet safety requirements.

REGULATORY OVERVIEW

Supervision on gas

Competent construction departments, departments in charge of public security and fire control, quality and technology supervision, industry and commerce administration, safe production supervision and administration department, etc. shall, according to their respective duties, supervise and examine engineering construction, operation and use of gas, gas facilities protection, and installation and maintenance of gas burner, etc..

PRC laws and regulations on foreign investment

On 29 December 1993, the Standing Committee of NPC promulgated *Company Law of the People's Republic of China* ("**Company Law of China**"), effective as from 1 July 1994, and revised on 25 December 1999, 28 August 2004, 27 October 2005 and 28 December 2013 respectively. The establishment, operation and management of corporate entities in China shall be subject to our Company Law of China. According to provisions of Company Law of China, companies with limited liability or companies limited by shares can be incorporated in China. Affiliates operating in China of our Group are all companies with limited liability. Unless otherwise specified by laws on foreign investment, foreign-funded companies shall also abide by provisions of Company Law of China.

Procedures for establishment and examination and approval, provisions on registered capital, foreign exchange control, accounting, taxation, employment and all other relevant matters of foreign-funded enterprises shall be subject to *Law of the People's Republic of China on Foreign-funded Enterprises*, which was promulgated and implemented by the Standing Committee of NPC on 12 April 1986 and revised on 31 October 2000, *Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises* (as to wholly foreign-owned enterprises), which was promulgated and implemented by the State Council on 12 December 1990 and revised on 12 April 2001 and 19 February 2014, *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures*, which was promulgated and implemented by National People's Congress (NPC) on 1 July 1979 and revised on 4 April 1990 and 15 March 2001, and *Regulations for the Implementation of the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* (as to foreign-funded joint ventures), which was promulgated and implemented by the State Council on 20 August 1983 and revised on 15 January 1986, 21 December 1987, and 22 July 2001.

Catalogue for the Guidance of Foreign Investment Industries

According to Article 3(2) of the *Guide on Foreign Investment Directions Regulation* (指導外商投資方向規定) promulgated by the State Council on 11 February 2002 and effective as from 1 April 2002 (the "**Provisions**"), the *Catalogue for the Guidance of Foreign Investment Industries* (外商投資產業指導目錄) and the *Catalogue of Foreign-funded Dominant Industries of the Mid-West Region* (中西部地區外商投優勢產業目錄) shall be the basis of the application of relevant policies in directing and examining and approving foreign funded projects and foreign-funded enterprises. When a foreign-funded enterprise has any change in its shareholding of the domestic or foreign shareholders, its change of shareholder shall be approved by the competent authority pursuant to the Catalogue for the Guidance of Foreign Investment Industries. On 24 December 2011, the National Development and Reform Commission and the Ministry of Commerce of the People's Republic of China ("**MOC**") jointly promulgated the *Catalogue for the Guidance of Foreign*

REGULATORY OVERVIEW

Investment Industries (amended in 2011), which came into effect on 30 January 2012 (the “**Catalogue**”). The Catalogue is a long-standing tool that the PRC government have used to manage and direct foreign investment. The Catalogue divides industries into three basic categories: encouraged industries, restricted industries and prohibited industries. Industries not listed in the Catalogue are generally open to foreign investment unless specifically barred in other PRC regulations. According to the Catalogue, the construction and operation of city gas pipeline networks in cities having an urban population exceeding 500,000 falls within restricted industries category, which shall be conducted through joint ventures with the Chinese partner as the controlling shareholder.

According to the Taicang Statistics Bureau, as at 31 December 2013, Taicang had an urban population of less than 500,000. Therefore, the construction and operation of city gas pipeline networks through Taicang Natural Gas by our Group does not fall into the restricted industries category under the Catalogue. Our PRC Legal Advisers have also opined that, (i) according to the abovementioned provisions, the Catalogue shall be the basis of the application of relevant policies in directing, examining and approving foreign-funded projects and foreign-funded enterprises; (ii) when Taicang Natural Gas became a wholly foreign-owned enterprise in April 2014, its change of shareholders and scope of business had been approved by competent authority for foreign investment pursuant to the catalogue; (iii) the PRC laws and regulations currently in force do not specify the legal requirements or consequence for the foreign-funded projects and foreign-funded enterprises when the urban population of the cities in which they construct and operate city gas pipeline networks subsequently exceeds 500,000; and (iv) any subsequent increase of the urban population of Taicang to more than 500,000 will not have any impact on the ownership or the scope of operations of Taicang Natural Gas according to the Catalogue currently in force and will not give rise to any legal impediment for Taicang Natural Gas to renew its Gas operating licence when it expires in 2018. Our PRC Legal Advisers have also conducted an interview with the competent officers of the Department of Commerce of Jiangsu Province (江蘇省商務廳) and the Ministry of Commerce (商務部), respectively, which are responsible for regulating foreign investment in Jiangsu Province and the PRC, respectively, and are the competent authorities on this issue, and confirmed with such authority that (i) the Catalogue is the basis of the application of the relevant policies in directing and examining and approving foreign funded projects and foreign-funded enterprises and the provisions under the Catalogue do not have retrospective effect; and (ii) the increase of the urban population to more than 500,000 subsequent to the grant of the relevant approval of foreign-funded projects and foreign-funded enterprises will not affect the validity of such approval. Further, having made enquiry to competent officers of Suzhou City HUDB and the Jiangsu Provincial Department of Housing and Urban-Rural Development, which are responsible for regulating and supervising the operation of piped natural gas in Suzhou and Jiangsu, respectively, and are the competent authorities on the Concession as advised by our PRC Legal Advisers, these authorities confirmed that they would not require the termination of the Concession Agreement due to changes in the urban population of Taicang in the future. As such, according to the PRC laws and regulations currently in force and based on the enquiries with and confirmations obtained from the relevant authorities, the relevant requirements under the Catalogue do not have any material adverse effect on Taicang Natural Gas and its continuing business operation in accordance with the scope specified in its business licence.

REGULATORY OVERVIEW

Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors

On 8 August 2006, the MOC, State-owned Assets Supervision and Administration Commission of the State Council, State Administration of Taxation, State Administration for Industry & Commerce, China Securities Regulatory Commission, and State Administration of Foreign Exchange (SAFE) promulgated *Provisions on the Merger and Acquisition of Domestic Enterprises by Foreign Investors* (“**M&A Provisions**”), effective as from 8 September 2006, and further revised by the MOC on 22 June 2009. Merger and acquisition of PRC domestic enterprises by foreign investors shall mean a foreign investor purchases the equity from a shareholder of a PRC domestic non-foreign-funded enterprise (“**domestic company**”) or subscribes to the increased capital of a PRC domestic company so as to convert and re-establish a PRC domestic company as a foreign-funded enterprise (“**equity M&A**”); or, a foreign investor establishes a foreign-funded enterprise and through which it purchases by agreement the assets of a PRC domestic enterprise and operates its assets, or, a foreign investor purchases the assets of a PRC domestic enterprise by agreement and invests such asset to establish a foreign-funded enterprise and operate the assets (“**asset M&A**”).

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

At the time when Kiska International Inc. acquired the 25.71% of the equity interests in Taicang Natural Gas from the then PRC domestic shareholders in 2009, the de facto controller of Kiska International Inc. was not a PRC domestic natural person, thus the said equity transfer was not subject to the approval of the MOC under the M&A Provisions, and has been approved by the relevant competent authorities of foreign investment. The transfer of equity interests in Taicang Natural Gas to PRC domestic shareholders by Kiska International Inc. in 2011 does not fall into the circumstances of merging and acquisition of PRC domestic companies by foreign investors as provided under the M&A Provisions, and the said equity transfer has been approved by the relevant competent authorities of foreign investment.

Pursuant to Article 11 of the M&A Provisions, if any PRC domestic company, enterprise or natural person (hereinafter referred to as “**acquirers**”) acquires/merges its affiliated PRC domestic company by a company legally established or controlled by the aforesaid acquirers in foreign countries or regions, it shall be subject to the approval of the MOC. Given that upon the capital increase to Taicang Natural Gas made by Suchuang Hong Kong in 2013, the de facto controller of Suchuang Hong Kong was Ms. Su Yi, who was not a PRC domestic natural person, Article 11 of the M&A Provisions does not apply to the capital increase. Pursuant to Article 6 of the M&A Provisions, the aforesaid capital increase shall be approved by the competent authority of foreign investment. Our PRC Legal Advisers have confirmed that the aforesaid capital increase by Suchuang Hong Kong has been approved by the competent authority of foreign investment under the M&A Provisions, being the Taicang Economic and Technological Development Zone Management Committee (太倉港經濟技術開發區管理委員會).

REGULATORY OVERVIEW

On 15 April 2014, Suchuang Hong Kong acquired 74.47% of the equity interests in Taicang Natural Gas from the then PRC domestic shareholders. At the time of such equity transfer, the de facto controllers of Suchuang Hong Kong were Mr. Su and Ms. Zhu, who were PRC domestic natural persons. Pursuant to the relevant provisions of the Notice on Distributing the Manual of Guidance on Administration for Foreign Investment Access (2008 Edition) (Shang Mao Fu Zi No. [2008] 530) (“關於下發《外商投資准入管理指引手冊》(2008年版)的通知 – 商貿服字[2008]530號”), the M&A Provisions do not apply to equity transfer of a foreign-funded enterprise. Given Taicang Natural Gas was an established foreign-funded enterprise, the aforesaid equity transfer was not subject to the approval of the MOC under the M&A Provisions. Our PRC Legal Advisers have confirmed that the acquisition of 74.47% of the equity interests in Taicang Natural Gas by Suchuang Hong Kong has been approved by the competent authority, being the Taicang Economic and Technological Development Zone Management Committee (太倉港經濟技術開發區管理委員會).

The requirement that “the overseas listing and trading of a special purpose vehicle shall be subject to the approval of the State Council’s securities regulatory authority” as provided under the M&A Provisions applies where the shareholders of a special purpose vehicle, for the purpose of overseas listing of the vehicle, use the equity in the company that they hold, or where a special purpose vehicle uses shares from a subsequent offering of shares, as the payment method to acquire equity in a PRC domestic company from the shareholders thereof or the shares offered in a subsequent offering of shares by a PRC domestic company. Suchuang Hong Kong’s participation in the capital increase of Taicang Natural Gas and acquisition of its equity interests through monetary payment did not fall into the above circumstances. The PRC Legal Advisors are of the view that the Listing by way of share offer does not fall into the circumstances of “acquisition of domestic company’s shares through share exchange by special purpose vehicle for the purpose of its overseas listing” as provided under M&A Provisions and our Company does not require CSRC approval for the Listing.

PRC laws and regulations on foreign exchange and dividend distribution

Foreign exchange

According to *Regulation of the People’s Republic of China on Foreign Exchange Administration* promulgated by the State Council on 29 January 1996, effective as from 1 April 1996 and revised on 14 January 1997 and 5 August 2008, as well as various regulations promulgated by the SAFE and other regulatory authorities of the PRC, the State generally has no restriction on international payment under current foreign exchange accounts (such as foreign exchange trade or dividend payment relating to goods trade and service), but has restriction on international payment under capital projects (such as capital transfer, direct investment, securities investment, derivatives and loans), which are subject to approval of or registration with the SAFE and other relevant government bodies.

On 29 August 2008, the SAFE promulgated Notice of the *General Affairs Department of the State Administration of Foreign Exchange on the Relevant Operating Issues concerning the Improvement of the Administration of Payment and Settlement of Foreign Currency Capital of Foreign-funded Enterprises* (“**Document 142**”), effective as from the date of promulgation. In accordance with Document 142, RMB capital gained from capital settlement of foreign-funded enterprises shall be used within the scope of business approved by relevant government

REGULATORY OVERVIEW

departments, and shall not be used for domestic equity investment unless otherwise specified; a foreign-funded enterprise (excluding foreign-funded real estate enterprise) shall not use RMB capital gained from capital settlement to purchase domestic real estate except for its own use. Foreign-funded enterprises shall not arbitrarily change the use of RMB capital gained from exchange settlement and use it to repay unused RMB loans.

Dividend distribution

Dividend distribution of foreign-funded enterprises (such as wholly foreign-owned enterprises and foreign-funded joint ventures) shall primarily be governed by Company Law of China and more specifically, by *Law of the People's Republic of China on Foreign-funded Enterprises*, *Rules for the Implementation of the Law of the People's Republic of China on Foreign-funded Enterprises*, *Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures* and *Regulations for the Implementation of the Law of the People's Republic of China on Chinese-Foreign Equity Joint Ventures*.

In accordance with the said laws and regulations, foreign-funded enterprises in China can only distribute dividend from their accumulated profits as determined by PRC accounting standards. A foreign-funded enterprise in China shall annually withdraw no less than 10% of its after-tax profits as reserve fund, until the reserve fund accumulates to 50% of its registered capital. The said reserve fund shall not be distributed as cash dividend. The foreign-funded enterprise in China shall also reserve part of its after-tax profits as bonus and welfare fund for staff at a percentage determined by the foreign-funded enterprise itself. The said staff bonus and welfare fund shall not be used for dividend distribution, either.

According to the New Tax Law promulgated by the NPC on 16 March 2007, effective as from 1 January 2008, dividend of non-resident enterprises and other passive income coming from China shall be subject to a withholding tax as per 20% of standard tax rate. Afterwards, the *Regulation on the Implementation of the Corporate Income Tax Law of the People's Republic of China* ("**Regulation on the Implementation of the New Tax Law**"), promulgated by the State Council on 6 December 2007, effective as from 1 January 2008, adjusted the tax rate from 20% to 10%.

On 21 August 2006, China signed the *Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income* with Hong Kong. Accordingly, the rate of withholding tax for dividend the PRC company shall pay to the Hong Kong resident shall be no more than 5% provided that the Hong Kong resident shall be a company which has been holding no less than 25% of share capital of the said PRC company for twelve months before the dividend distribution. If the Hong Kong resident is a company holding less than 25% of share capital of the PRC company, the rate of withholding tax for dividend the said PRC company shall pay to the Hong Kong resident shall be 10%.

In accordance with the *Administrative Measures for Non-residents to Enjoy the Treatments of Tax Treaties (for Trial Implementation)* promulgated by State Administration of Taxation on 24 August 2009, effective as from 1 October 2009, non-resident enterprises (as defined by PRC tax law) charging dividend from PRC resident enterprises shall, upon application to and approval by the competent tax authority in advance, enjoy tax preferences under relevant tax treaties. Non-resident enterprises without approval may not be able to enjoy the tax preferences under relevant tax treaties.

REGULATORY OVERVIEW

Circular 75 and Circular 37

On 21 October 2005, the SAFE promulgated the *Notice on the Relevant Issues about Foreign Exchange Administration of the Financing and Return Investment of Domestic Residents through Overseas Special Purpose Vehicles* (“**Circular 75**”), effective as from 1 November 2005.

According to Circular 75: (a) before establishing or controlling special-purpose vehicles (“**special-purpose vehicles**”) for financing for overseas equity, PRC residents shall register with the local branch of the SAFE; (b) if the PRC resident injects the assets or equity of domestic enterprises it possesses to the special-purpose vehicle, or financing for overseas equity after the injection, the said PRC resident shall change registration of foreign exchange concerning equity of net assets and its changes of special purpose vehicles in the local branch of the SAFE; (c) if any significant asset change (such as change of share capital or M&A) occurs in overseas special purpose vehicles outside China, PRC residents shall register relevant changes with the local branch of the SAFE within 30 days after occurrence of the said change.

According to Circular 75 and relevant rules, foreign exchange activities (such as increasing registered capital, distributing dividend to overseas parent company or affiliates and other distribution and acquiring the capital injected from overseas companies) of relevant domestic companies may be limited due to failed registration formalities specified in Circular 75, and relevant PRC residents may be punished as per laws and regulations of the People’s Republic of China on the administration of foreign exchange.

On 4 July 2014, the SAFE promulgated the *Circular on Relevant Issues Concerning Foreign Exchange Administration of Overseas Investment and Financing and Return Investments Conducted by Domestic Residents Through Overseas Special Purpose Vehicles* (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) (“**Circular 37**”), which became effective and superseded Circular 75 on the same date, and Circular 37 shall prevail over any inconsistency between itself and relevant regulations promulgated earlier.

According to Circular 37: (a) “special-purpose vehicle” is defined as “offshore enterprise directly established or indirectly controlled by the domestic resident (including domestic institution and individual resident) with their legally owned assets or equity of the domestic enterprise, or legally owned offshore assets or equity, for the purpose of offshore investment and financing; (b) domestic resident must register with SAFE before he or she contributes assets or equity interests to special purpose vehicle; (c) following the initial registration, any major changes such as change in the overseas special purpose vehicle’s domestic resident shareholders, name of the overseas special purpose vehicle and term of operation or any increase or reduction of the overseas special purpose vehicle’s registered capital, share transfer or swap, merger or division, or similar development, shall report to the SAFE for registration in time.

According to Circular 37, domestic residents who fail to comply with the registration procedures as set out in Circular 37 may result in penalties.

Our PRC Legal Advisers confirm that, Mr. Su and Ms. Zhu have applied for the Domestic Residents Personal Offshore Investment Foreign Exchange Registration in accordance to the regulations of “Circular 75” and “Circular 37”.

REGULATORY OVERVIEW

PRC laws and regulations on tax revenue

Enterprise income tax

The New Tax Law, passed by the NPC on 16 March 2007, and Regulation on the Implementation of the New Tax Law, promulgated by the State Council on 6 December 2007, both effective as from 1 January 2008, provided that taxpayers shall comprise resident enterprises and non-resident enterprises. A resident enterprise refers to an enterprise incorporated pursuant to PRC laws or pursuant to foreign laws but under management by an institution located in China. A non-residential enterprise refers to an enterprise incorporated pursuant to foreign laws and under management by an institution located outside of China, but with an establishment in China or having income from China despite no establishment in China. According to the aforesaid two regulations, the enterprise income tax shall be levied at the rate of 25%. However, a non-residential enterprise without any establishment in China or one with an establishment in China but having income from China not related to the said establishments shall be subject to 10% of the enterprise income tax.

Value-added tax

On 13 December 1993, the State Council promulgated *Interim Regulation of the People's Republic of China on Value Added Tax* ("**Interim Regulation on Value Added Tax**"), effective as from 1 January 1994 and revised on 10 November 2008; on 25 December 1993, Ministry of Finance of the People's Republic of China ("**Ministry of Finance**") promulgated *Rules for the Implementation of the Interim Regulation of the People's Republic of China on Value Added Tax* ("**Rules for Implementation of the Interim Regulation on Value Added Tax**"), effective as from the date of promulgation and revised on 15 December 2008 and 28 October 2011. According to the aforesaid two regulations, all enterprises and individuals engaged in the sale of goods, provision of processing, repairing and replacement services, and the importation of goods within the territory of China shall pay value-added tax (VAT). Save as otherwise specified in the aforesaid two regulations, the VAT rate shall be 17%; as for selling or importing natural gas, the VAT rate shall be 13%.

Business tax

On 13 December 1993, the State Council promulgated *Interim Regulation of the People's Republic of China on Business Tax* ("**Interim Regulation on Business Tax**"), effective as from 1 January 1994 and revised on 10 November 2008; on 25 December 1993, Ministry of Finance promulgated *Rules for the Implementation of the Interim Regulation of the People's Republic of China on Business Tax* ("**Rules for the Implementation of the Interim Regulation on Business Tax**"), effective as from the date of promulgation and revised on 15 December 2008 and 28 October 2011. In accordance with the aforesaid two regulations, all enterprises and individuals engaged in the provision of taxable services, the transfer of intangible assets or the sale of real estate within the territory of China shall pay business tax, and the tax rate applicable to different industries shall be distinguished accordingly.

On 16 November 2011, Ministry of Finance and State Administration of Taxation jointly promulgated *Notice on the issuance of the Pilot Plan for Levying Value Added Tax in Lieu of Business Tax*, implemented in the pilot areas as from 1 January 2012. According to the pilot plan, all enterprises and individuals engaged in transport, construction and other modern service industries shall pay VAT rather than the original business tax as from 1 January 2012.

REGULATORY OVERVIEW

PRC laws and regulations on environmental protection

On 26 December 1989, the Standing Committee of NPC passed *Environmental Protection Law of the People's Republic of China* ("**Environmental Protection Law**"), which was effective as from the date of promulgation and established the legal framework of environmental protection in China. According to the Environmental Protection Law, any organisation that causes environmental pollution and other public hazards shall adopt effective measures to prevent and control the pollution and harms caused to the environment by waste gas, water and residues generated in the course of production, construction or other activities. Installations for the prevention and control of pollution at a construction project shall be designed, built and commissioned together with the principal part of the project. No permission shall be given for a construction project to be commissioned or used, until its installations for the prevention and control of pollution are examined and considered up to the standard by the competent department of environmental protection administration. Organisations like enterprises discharging pollutants must report to and register with the relevant authorities in accordance with the provisions of the competent department of environmental protection administration under the State Council.

On 28 October 2002, the Standing Committee of NPC passed *Law of the People's Republic of China on Environmental Impact Assessment* ("**Law of Environmental Impact Assessment**"), effective as from 1 September 2003. According to the Law of Environmental Impact Assessment, the state shall implement the environmental impact evaluation system for projects established within the territory of China and practises classified control over environmental impact assessment on the basis of the extent of environmental impact of the projects. If the environmental impacts may be significant, it shall work out a report of environmental impacts so as to include an all-round assessment of the potential environmental impacts; if the environment impacts may be gentle, it shall work out a report form of environmental impacts so as to include an analysis or assessment of the specified potential environmental impacts; if environment impacts may be subtle, it is unnecessary to conduct an assessment of the environmental impacts but it shall fill in a registration form of the environmental impacts. A construction entity may start construction after its environmental impact assessment documents of construction projects are approved by relevant authorities in PRC.

Other principal laws and regulations on environmental protection include *Law of the People's Republic of China on Prevention and Control of Water Pollution*, *Law of the People's Republic of China on Prevention and Control of Air Pollutions*, *Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste*, etc..

PRC laws and regulations on production safety

On 29 June 2002, the Standing Committee of NPC passed *Production Safety Law of the People's Republic of China* ("**Production Safety Law**"), effective as from 1 November 2002 and revised on 31 August 2014. According to the Production Safety Law, enterprises, in their business operations, shall be equipped with the conditions for safe production as provided in the relevant law and regulations as well as national or industrial standards. Any enterprise that is not equipped with the conditions for safe production may not engage in production and business operation activities. Safety facilities for a newly-built, rebuilt or expanded project of an enterprise shall be designed, constructed and put into operation and use simultaneously with the main part of the project. The design, manufacture, installation, use, check, maintenance, refit and claiming as

REGULATORY OVERVIEW

useless of safety equipments shall be in conformity with the national standards or industrial standards. For the production, business operation, transportation, storage and use of any hazardous substance or disposal or abandoning of any hazardous substance by any enterprise, the enterprise shall execute the provisions of relevant laws and regulations as well as the national standards or industrial standards, and establish specialised safety administration rules, take reliable safety measures, and accept the supervision and administration carried out by relevant administrative departments.

PRC laws and regulations on property

On 16 March 2007, the NPC passed the *Property Law of the People's Republic of China* ("**Property Law**"), effective as from 1 October 2007. According to the Property Law, real right refers to the exclusive right of direct control enjoyed by the holder according to law over a specific property, including ownership, usufructuary right and real rights for security. The creation, change, transfer or elimination of the real right of a real property shall become effective after it is registered according to law; it shall have no effect if it is not registered according to law, except it is otherwise prescribed by any law. The real rights of the state, collectives, individuals and any other right holder shall be protected by law.

On 25 June 1986, the Standing Committee of NPC passed the *Land Administration Law of the PRC* ("**Land Administration Law**"), effective as from 1 January 1987, and revised on 29 December 1988, 29 August 1998 and 28 August 2004. According to the Land Administration Law, land within the territory of the PRC falls into two categories: state-owned land and land collectively owned by peasants. Land in urban areas of cities belongs to the state. Land in rural areas and suburban areas of cities excluding those belonging to the state prescribed by law belongs to peasants' collective ownership; house sites, land allotted for personal needs and hilly land allotted for private use belongs to peasants' collective ownership. State-owned land and land collectively owned by peasants may be determined in accordance with law to be used by units or individuals. Units and individuals using the land have the obligation to protect, manage and rationally utilize the land. Any unit and individual needing land for construction shall apply for use of state-owned land according to law. The right to use state-owned land may be granted by the government or be obtained by paying land use right transfer fund, and the government departments shall enter into registration in a register and issue certificates in confirmation of the use right. In general, the term of use of state-owned land is 50 years for commercial or industrial use and 70 years for residence.

PRC laws and regulations on labor security

Labor Law

On 5 July 1994, the Standing Committee of NPC passed the *Labor Law of the People's Republic of China*, effective as from 1 January 1995 and revised on 27 August 2009; on 29 June 2007, the Standing Committee of NPC passed the *Labor Contract Law of the People's Republic of China*, effective as from 1 January 2008 and amended on 28 December 2012; on 3 September 2008, the State Council passed the *Regulations on the Implementation of the Labor Contract Law of the People's Republic of China*, effective as from 18 September 2008 (collectively referred to as "**Labor Law**"). According to the Labor Law, a written labor contract shall be concluded in the establishment of an employment relationship between the employer and employee. The employer shall observe the Labor Law from many aspects, including but not limited to performing and cancelling the labor contract, following local minimum wage standards and establishing and improving labor security and hygiene systems.

REGULATORY OVERVIEW

Social security

On 28 October 2010, the Standing Committee of NPC passed the *Social Insurance Law of the People's Republic of China* ("**Social Insurance Law**"), effective as from 1 July 2011. According to the Social Insurance Law, the state shall establish a social insurance system including basic endowment insurance, basic medical insurance, employment injury insurance, unemployment insurance and maternity insurance to guarantee the rights of PRC citizens to legally obtain material assistance from the state and society in case of old age, illness, work-related injuries, unemployment and childbirth. An enterprise in China shall complete social insurance registration procedures with social insurance institutions and pay relevant insurance premiums for its employees in the social insurance institutions.

On 3 April 1999, the State Council promulgated the *Regulations on Management of Housing Provident Fund*, effective as from the date of promulgation and revised on 24 March 2002. According to the *Regulations on Management of Housing Provident Fund*, an enterprise in China shall register with the managing centre of housing provident fund, open an account of housing provident fund at the commissioned bank, and pay and deposit housing provident fund for its employees in the relevant managing centre of housing provident fund.

PRC laws and regulations on security review system for mergers and acquisitions of domestic enterprises

On 3 February 2011, the General Office of the State Council promulgated the *Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, effective as from 3 March 2011. On 25 August 2011, the MOC promulgated the *Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors*, effective as from 1 September 2011. According to the said notice and provisions, in the event of foreign investors' mergers and acquisitions of domestic military industrial enterprises and supportive military industrial enterprises, enterprises surrounding major and sensitive military facilities, and other entities relating to the national defense security; and foreign investors' mergers and acquisitions of domestic enterprises relating to important agricultural products, important energies and resources, important infrastructural facilities, important transportation services, key technologies, manufacturing of major equipment, etc., which relate to the national security and whose actual controlling power may be obtained by foreign investors, the said foreign investors shall file an application to the MOC for security review of the mergers and acquisitions involved. Unless the relevant transaction of mergers and acquisitions has passed security review, the foreign investors shall not carry out the transaction of mergers and acquisitions. Suchuang Hong Kong filed the application to the MOC for security review in respect of the Reorganisation on 18 November 2013 and the MOC had not raised any objection thereto since the date of filing up to the Latest Practicable Date.

HISTORY AND REORGANISATION

OVERVIEW

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability under the laws of the Cayman Islands on 4 July 2013. We are principally engaged in the sale and transmission of piped natural gas and the construction and connection of gas pipelines in the Operating Area in Taicang. Our history can be traced back to 2002, when our major operating subsidiary, Taicang Natural Gas, was incorporated and started constructing the natural gas pipeline network. We commenced to sell and transmit piped natural gas to users in Taicang in 2005. Taicang Natural Gas was established by Taicang Suchuang Pipeline Liquefied Natural Gas Engineering Company Limited (太倉蘇創管道液化氣工程有限公司) (now known as Suzhou Shunchuang Pipeline) and Suzhou Suling Automobile Service and was held as to 75% (represented by registered capital in the amount of RMB7,500,000) by Taicang Suchuang Pipeline Liquefied Natural Gas Engineering Company Limited and 25% (represented by registered capital in the amount of RMB2,500,000) by Suzhou Suling Automobile Service. At the time Taicang Natural Gas was established, Taicang Suchuang Pipeline Liquefied Natural Gas Engineering Company Limited was held by Ms. Zhu (as to 13.34%) and a group of companies including Shanghai Chuanping Gas Co., Ltd. (上海川平燃氣有限公司) (as to 26.67%) and Shanghai Baoli Gas Co., Ltd. (上海寶利燃氣有限公司) (as to 31.33%), both of which were then ultimately controlled by Suchuang Group. At the time Taicang Natural Gas was established, Suzhou Suling Automobile Service was held as to 40% by Suchuang Group and as to 60% by Alpha Energy Holding Co., Inc. which was wholly owned by Ms. Su Yi.

On 14 April 2003, Taicang Suchuang Pipeline Liquefied Natural Gas Engineering Company Limited transferred its then entire equity interests in Taicang Natural Gas for a consideration of RMB7.5 million to Suchuang Group, which was owned by Mr. Su as to 90% and Ms. Zhu as to 10%. The cash consideration was fully settled by Suchuang Group on 7 April 2003 using its own financial resources.

MAJOR BUSINESS MILESTONES

The following sets out our major business milestones:

Year	Event
2002	<ul style="list-style-type: none">• Taicang Natural Gas was established
2004	<ul style="list-style-type: none">• We completed the construction of Taicang Gateway Station, our first city gateway station
2005	<ul style="list-style-type: none">• We sold and transmitted natural gas to Chengxiang (城廂)
2006	<ul style="list-style-type: none">• Kunlun Suchuang Gas was incorporated
2007	<ul style="list-style-type: none">• We sold and transmitted natural gas to Liuhe (瀏河) and Fuqiao (浮橋)
2008	<ul style="list-style-type: none">• We sold and transmitted natural gas to Shuangfeng (雙風) and Nanjiaoxincheng (南郊新城)
2009	<ul style="list-style-type: none">• Kunlun Suchuang Usage was incorporated• Kunlun Suchuang Gas sold and transmitted natural gas to Shaxi (沙溪)

HISTORY AND REORGANISATION

Year	Event
2010	<ul style="list-style-type: none">• We sold and transmitted natural gas to Changshu (常熟)
2011	<ul style="list-style-type: none">• Kunlun Suchuang Gas sold and transmitted natural gas to Huangjing (璜泾)• We completed the construction of Liuhe Gateway Station
2012	<ul style="list-style-type: none">• Suzhou Zhongyu was established• Our pipeline network is connected at Taicang Gateway Station with the First West-East Natural Gas Transmission Pipeline

CORPORATE HISTORY OF OUR GROUP

The following entities are the companies comprising our Group and our associated companies prior to our Reorganisation:

Taicang Natural Gas

Taicang Natural Gas was established in the PRC on 14 May 2002 as a limited liability company with a registered capital of RMB10,000,000 and was held as to 75% by Taicang Suchuang Pipeline Liquefied Natural Gas Engineering Company Limited (now known as Suzhou Shunchuang Pipeline) and 25% by Suzhou Suling Automobile Service. At the time Taicang Natural Gas was established, Taicang Suchuang Pipeline Liquefied Natural Gas Engineering Company Limited was held by Ms. Zhu (as to 13.34%) and a group of companies including Shanghai Chuanping Gas Co., Ltd. (上海川平燃氣有限公司) (as to 26.67%) and Shanghai Baoli Gas Co., Ltd. (上海寶利燃氣有限公司) (as to 31.33%), both of which were then ultimately controlled by Suchuang Group. At the time Taicang Natural Gas was established, Suzhou Suling Automobile Service was held as to 40% by Suchuang Group and as to 60% by Alpha Energy Holding Co., Inc. which was wholly owned by Ms. Su Yi.

On 14 April 2003, Taicang Suchuang Pipeline Liquefied Natural Gas Engineering Company Limited transferred its then entire equity interests in Taicang Natural Gas for a consideration of RMB7.5 million to Suchuang Group, which was owned by Mr. Su as to 90% and Ms. Zhu as to 10%. Since then Taicang Natural Gas underwent various increases in registered capital and transfers of shares, while Mr. Su, Ms. Zhu and their respective associates maintained control of Taicang Natural Gas throughout.

As at 23 March 2009, the registered capital of Taicang Natural Gas was RMB140,000,000, which was held as to 52.50% by Suchuang Group, 5.36% by Suzhou Suling Automobile Service, 16.43% by Ms. Zhu and 25.71% by Kiska International Inc. (喜凱國際公司) (“**Kiska**”). Kiska is a limited liability company established in the BVI on 4 February 2000, and owned as to 100% by Ms. Su Yi, daughter of Mr. Su and Ms. Zhu. At that time, Taicang Natural Gas was a sino-foreign equity joint venture.

On 30 June 2011, Kiska as seller and Suchuang Group as buyer entered into an equity transfer agreement, pursuant to which Kiska agreed to transfer its 12.855% equity interest in Taicang Natural Gas to Suchuang Group for a consideration of RMB18,000,000. Subsequent to

HISTORY AND REORGANISATION

the equity transfer, which was completed on 20 July 2011, Taicang Natural Gas was held as to 65.355% by Suchuang Group, 5.36% by Suzhou Suling Automobile Service, 16.43% by Ms. Zhu and 12.855% by Kiska. The cash consideration was fully settled by Suchuang Group on 26 July 2011.

On 18 July 2011, Kiska as seller and Suchuang Group as buyer entered into another equity transfer agreement, pursuant to which Kiska agreed to transfer its 12.855% equity interest in Taicang Natural Gas to Suchuang Group for a consideration of RMB18,000,000. Subsequent to the equity transfer, which was completed on 5 August 2011, Taicang Natural Gas was owned as to 78.21% by Suchuang Group, 5.36% by Suzhou Suling Automobile Service and 16.43% by Ms. Zhu, and Taicang Natural Gas was converted from a sino-foreign equity joint venture to a wholly domestic owned limited liability company. The cash consideration was fully settled by Suchuang Group on 9 August 2011.

Taicang Natural Gas is principally engaged in the sale and transmission of piped natural gas through our pipeline network to users and construction and connection of gas pipelines in the Operating Area in Taicang.

Suzhou Zhongyu

Suzhou Zhongyu was established in the PRC on 14 May 2012 as a limited liability company, with an initial registered capital of RMB10,000,000 and was held as to 51% by Taicang Natural Gas and 49% by Taicang Sunan Petroleum.

The business scope of Suzhou Zhongyu includes the construction of gas refuelling stations.

Kunlun Suchuang Gas

Kunlun Suchuang Gas was established under the name Taicang Suchuang Pipeline Natural Gas Company Limited (太倉蘇創管道天然氣有限公司) in the PRC as a limited liability company on 21 July 2006, with an initial registered capital of RMB10,000,000 and was held as to 100% by Taicang Natural Gas.

On 15 September 2006, Taicang Suchuang Pipeline Natural Gas Company Limited changed its name to Suzhou China Petro Suchuang Pipeline Gas Company Limited (蘇州中油蘇創管道燃氣有限公司) and its registered capital was increased to RMB70,000,000 pursuant to an injection of RMB60,000,000 in cash by PetroChina Natural Gas Piped Gas Investment Company Limited (中石油天然氣管道燃氣投資有限公司), an Independent Third Party. Following the increase in registered capital, Suzhou China Petro Suchuang Pipeline Gas Company Limited was held as to 85.71% by PetroChina Natural Gas Piped Gas Investment Company Limited and 14.29% by Taicang Natural Gas.

On 8 February 2010, Suzhou China Petro Suchuang Pipeline Gas Company Limited underwent a further change in its name to Kunlun Suchuang Gas.

On 15 May 2010, PetroChina Natural Gas Piped Gas Investment Company Limited as transferor and PetroChina Kunlun as transferee entered into an equity transfer agreement, pursuant to which PetroChina Natural Gas Piped Gas Investment Company Limited agreed to

HISTORY AND REORGANISATION

transfer 85.71% equity interest in Kunlun Suchuang Gas to PetroChina Kunlun for nil consideration. Subsequent to the transfer, which was completed on 9 June 2010, Kunlun Suchuang Gas was held as to 85.71% by PetroChina Kunlun and 14.29% by Taicang Natural Gas.

On 14 December 2011, the registered capital of Kunlun Suchuang Gas was further increased to RMB117,650,000, pursuant to which PetroChina Kunlun contributed RMB60,000,000 in cash and Taicang Natural Gas contributed RMB10,000,000 in cash and RMB47,650,000 in kind and intangible assets to Kunlun Suchuang Gas. The contribution in kind and intangible assets by Taicang Natural Gas consisted of buildings, pipelines, machineries, cars and land use rights, which together were valued at RMB65,577,800 by an independent valuer, of which RMB47,650,000 was contributed to the registered capital of Kunlun Suchuang Gas with the remaining amount of RMB17,927,800 paid by Kunlun Suchuang Gas to Taicang Natural Gas in cash. The cash consideration of RMB17,927,800 was fully settled by Kunlun Suchuang Gas on 20 December 2011.

Upon completion of the capital increase, Kunlun Suchuang Gas was held as to 51% by PetroChina Kunlun and 49% by Taicang Natural Gas.

Kunlun Suchuang Gas is an associated company of our Group.

Kunlun Suchuang Gas is principally engaged in the retail sale of piped natural gas in the Shaxi and Huangjing Districts in Taicang, as well as the sale and transmission of natural gas to its customers in Changshu.

Kunlun Suchuang Usage

Kunlun Suchuang Usage was established in the PRC as a limited liability company on 2 March 2009 with an initial registered capital of RMB50,000,000 and was held as to 40% by Taicang Natural Gas and 60% by PetroChina Kunlun Natural Gas Usage Company Limited (中石油昆仑天然气利用有限公司).

On 16 September 2013, PetroChina Kunlun Natural Gas Usage Company Limited as the transferor and PetroChina Kunlun as the transferee entered into an equity transfer agreement, pursuant to which PetroChina Kunlun Natural Gas Usage Company Limited agreed to transfer 60% equity interest in Kunlun Suchuang Usage to PetroChina Kunlun for a consideration of RMB26,884,718.47. Subsequent to the equity transfer, which was completed on 8 November 2013, Kunlun Suchuang Usage was held as to 60% by PetroChina Kunlun and 40% by Taicang Natural Gas. The cash consideration was fully settled on 16 September 2013.

Kunlun Suchuang Usage is an associated company of our Group.

Kunlun Suchuang Usage is principally engaged in the sale and distribution of CNG.

HISTORY AND REORGANISATION

Taicang Chuangda Gas Co., Ltd.

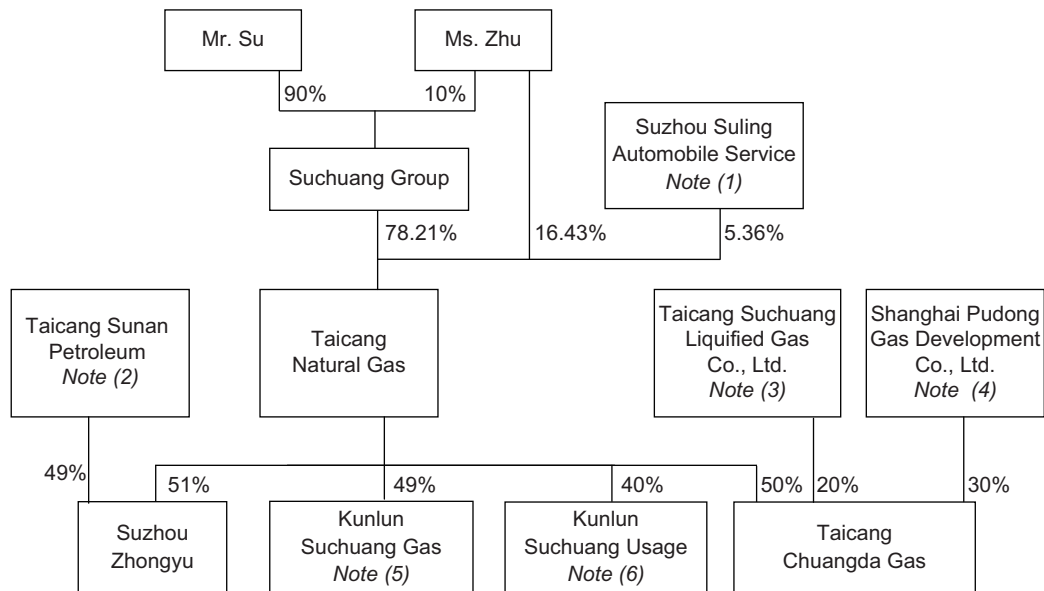
Taicang Chuangda Gas Co., Ltd. (太倉創大燃氣有限公司) (“**Taicang Chuangda Gas**”) was established in the PRC as a limited liability company on 3 September 2009 by Taicang Natural Gas, Taicang Suchuang LPG Co., Ltd. (太倉蘇創液化氣有限公司) and Shanghai Pudong Gas Development Co., Ltd. (上海浦東燃氣發展有限公司) with an initial registered capital of RMB30,000,000. It was held as to 50%, 20% and 30% by Taicang Natural Gas, Taicang Suchuang LPG Co., Ltd. and Shanghai Pudong Gas Development Co., Ltd. respectively.

The business scope of Taicang Chuangda Gas includes construction and operation of natural gas refuelling stations.

Taicang Chuangda Gas has not carried out any business activities since its incorporation and was deregistered on 21 June 2013.

GROUP STRUCTURE PRIOR TO OUR REORGANISATION

The corporate structure below illustrates the shareholding structure of our Group immediately prior to our Reorganisation:



Notes:

- (1) Suzhou Suling Automobile Service was held as to 83.87% by Taicang Property and 16.13% by Shanghai Shenxin.
- (2) Taicang Sunan Petroleum was held as to 51% by Ms. Zhu and 49% by Ms. Zhu Qiuying, the sister of Ms. Zhu.
- (3) Taicang Suchuang Liquefied Gas Co., Ltd. was held as to 62.5% by Suchuang Group, 25% by Ms. Su Yi, the daughter of Mr. Su and Ms. Zhu and 12.5% by Shanghai Shenxin.
- (4) Shanghai Pudong Gas Development Co., Ltd. was held as to 90% by Shanghai Suchuang Industrial Co., Ltd. and 10% by Suchuang Group.
- (5) The remaining 51% was held by PetroChina Kunlun.
- (6) The remaining 60% was held by PetroChina Kunlun.

HISTORY AND REORGANISATION

OUR REORGANISATION

In order to prepare for the Listing, we underwent the Reorganisation which involved the following steps:

Deregistration of Taicang Chuangda Gas

Since Taicang Chuangda Gas has not carried out any business activities since its incorporation in 2009, on 1 April 2013 the shareholders of Taicang Chuangda Gas, including Taicang Natural Gas, decided to dissolve Taicang Chuangda Gas.

On 21 June 2013, Taicang Chuangda Gas was deregistered.

Incorporation of our Company

On 4 July 2013, our Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000.00 divided into 50,000 shares with par value of US\$1.00 each, of which one fully-paid share of US\$1.00 was issued and allotted to Nominee Services Ltd., the initial subscriber, on 4 July 2013 and was transferred to Dekai Energy on the same day. A further issuance and allotment of 9,999 fully-paid shares of US\$1.00 was made on 4 July 2013 to Dekai Energy at par.

On 20 January 2014, the authorised share capital of our Company was increased to the aggregate of US\$50,000.00 and HK\$50,000,000.00 by the creation of an additional 5,000,000,000 shares with a par value of HK\$0.01 each. On the same date, 7,800,000 shares with a par value of HK\$0.01 each (the “**New Shares**”) were issued and allotted to Dekai Energy as fully paid shares in consideration of the Repurchase (as defined below) of shares from Dekai Energy by our Company.

On 20 January 2014, our Company repurchased 10,000 shares with a par value of US\$1.00 each from Dekai Energy (the “**Repurchase**”), such repurchase price was made out of the proceeds of the issue of the New Shares which is made for the purposes of the Repurchase. On the same date following the Repurchase, any authorised but unissued shares with a par value of US\$1.00 each was cancelled and the amount of authorised share capital of our Company was diminished by the amount of the shares so cancelled, and that the authorised share capital of our Company became HK\$50,000,000.00 divided into 5,000,000,000 shares with a par value of HK\$0.01 each.

HISTORY AND REORGANISATION

Suzhou Zhongyu became wholly-owned by Taicang Natural Gas

On 30 July 2013, Taicang Sunan Petroleum transferred all of its equity interests in Suzhou Zhongyu to Taicang Natural Gas and Mr. Su for an aggregate consideration of RMB4.9 million. The following table sets forth a summary of the transfers of equity interest in Suzhou Zhongyu by Taicang Sunan Petroleum:

Transferor	Transferees	Consideration	Equity interest in Suzhou Zhongyu (%)
Taicang Sunan Petroleum	Taicang Natural Gas	RMB3.9 million	39
Taicang Sunan Petroleum	Mr. Su	<u>RMB1 million</u>	<u>10</u>
	Total:	<u>RMB4.9 million</u>	<u>49</u>

The cash consideration was fully settled by Taicang Natural Gas and Mr. Su on 30 September 2013.

On 16 August 2013, Mr. Su transferred all of his equity interests in Suzhou Zhongyu (representing 10% equity interests in Suzhou Zhongyu) to Taicang Natural Gas for a consideration of RMB1 million. The cash consideration was fully settled by Taicang Natural Gas on 30 September 2013.

After completion of the above transfers, Suzhou Zhongyu became a wholly-owned subsidiary of Taicang Natural Gas.

Incorporation of Suchuang Hong Kong

On 6 August 2013, Suchuang Hong Kong was incorporated in Hong Kong with an authorised share capital of HK\$10,000.00 divided into 10,000 shares with par value of HK\$1.00 each. On 6 August 2013, 10,000 shares were allotted and issued to our Company as fully paid at par. Our Company became the sole shareholder and beneficial owner of Suchuang Hong Kong.

HISTORY AND REORGANISATION

Increase of registered share capital and capital reserve of Taicang Natural Gas pursuant to capital contribution by Suchuang Hong Kong

On 31 December 2013, the registered capital of Taicang Natural Gas was increased to RMB188 million (“**Capital Increase**”), pursuant to a capital contribution by Suchuang Hong Kong of US\$ equivalent of RMB73,440,000, of which RMB48,000,000 was contributed to the registered share capital of Taicang Natural Gas and the rest to the capital reserve of Taicang Natural Gas. The capital contribution was fully settled by Suchuang Hong Kong on 27 March 2014. The following table sets forth the equity interest held in Taicang Natural Gas following the increase in registered capital:

Equity interest holders	Amount of contribution to the registered capital of Taicang Natural Gas	Equity interest (%)
Ms. Zhu	RMB23 million	12.23%
Suchuang Group	RMB109.5 million	58.25%
Suchuang Hong Kong	RMB48 million	25.53%
Suzhou Suling Automobile Service	RMB7.5 million	3.99%

Upon completion of the Capital Increase, Taicang Natural Gas became a sino-foreign equity joint venture.

Incorporation of Fung Yu Holdings

On 7 January 2014, Fung Yu Holdings was incorporated in the BVI and was authorised to issue a maximum of 50,000 shares with a par value of US\$1.00 each. On 7 January 2014, Fung Yu Holdings issued and allotted 700 shares to Mr. Su and 300 shares to Ms. Zhu as fully paid at par.

On 19 February 2014, Fung Yu Holdings further issued and allotted 700 shares to Mr. Su in consideration of US\$3,507,000 and 300 shares to Ms. Zhu in consideration of US\$1,503,000. These were settled by way a demand promissory note dated 19 February 2014 issued by Mr. Su in favour of Fung Yu Holdings for an amount of US\$3,507,000 and a demand promissory note dated 19 February 2014 issued by Ms. Zhu in favour of Fung Yu Holdings for an amount of US\$1,503,000 (together, the “**Promissory Notes**”).

Further issuance and allotment of Shares by our Company

On 19 February 2014, our Company capitalised a loan of US\$5,000,000 due to Dekai Energy by issuing and allotting 200,000 shares with a par value of HK\$0.01 to Dekai Energy as fully paid.

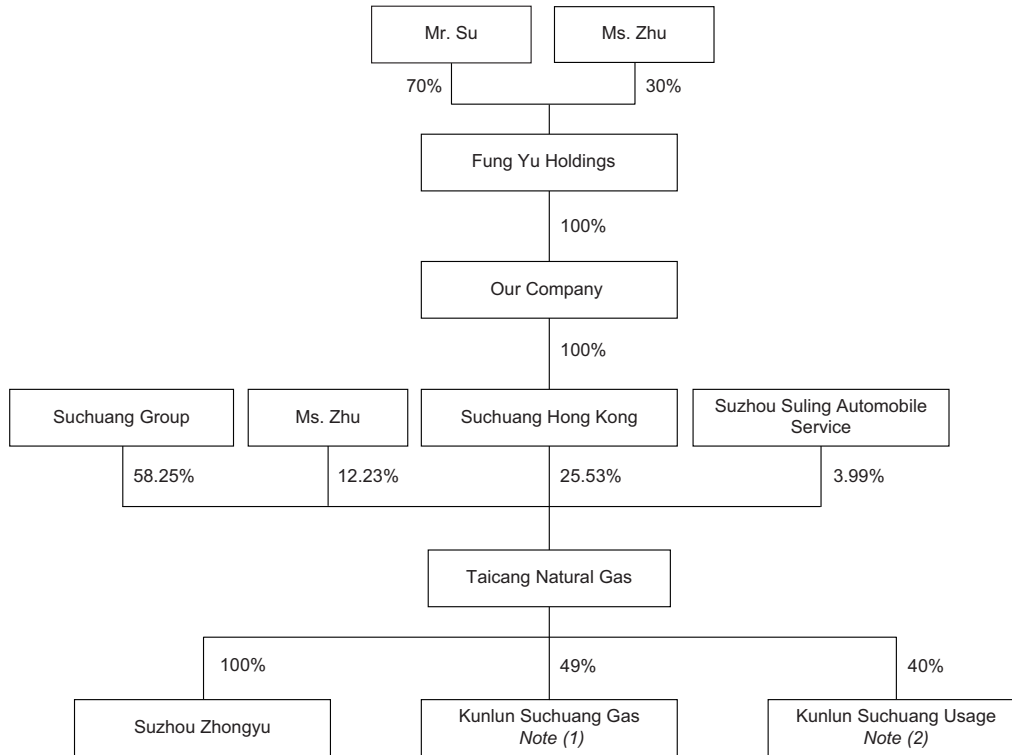
Transfer of entire equity interest in our Company

On 19 February 2014, Dekai Energy transferred 8,000,000 Shares, representing the then entire issued share capital of our Company, to Fung Yu Holdings in consideration of the assignment of the Promissory Notes by Fung Yu Holdings to Dekai Energy. Subsequent to the transfer, our Company became a wholly-owned subsidiary of Fung Yu Holdings.

HISTORY AND REORGANISATION

Group Structure before completion of the Pre-IPO Investments

The corporate structure of our Group after the Reorganisation but immediately prior to the completion of the Pre-IPO Investments is set out below:



Notes:

- (1) The remaining 51% was held by PetroChina Kunlun.
- (2) The remaining 60% was held by PetroChina Kunlun.

PRE-IPO INVESTMENTS

The Pre-IPO Investments comprise investments made by Prax Capital (via Action East) and Jade Deluxe. Prax Capital was introduced to the Controlling Shareholders by their acquaintance while the ultimate controlling shareholder of Jade Deluxe is an acquaintance of Ms. Zhu. Prax Capital (via Action East) and Jade Deluxe made their respective Pre-IPO Investments for the purposes of funding the reorganisation of the Group in contemplation of the proposed Listing based on the due diligence that they have performed on the Group and the potential return that the pre-IPO investors may be able to achieve and the risks associated at the time of investing. The Pre-IPO Investments were an essential part of the reorganisation of the Group which required currencies other than RMB for its implementation and had to be undertaken within a very tight time frame.

HISTORY AND REORGANISATION

Details of the investments by Action East and Jade Deluxe are set forth below:

	Action East	Jade Deluxe
Date of investment	26 February 2014	10 March 2014 ³
Consideration paid	US\$ equivalent of RMB200 million	HK\$36,900,000
Payment date of consideration	28 February 2014	27 February 2014 ³
Number of Shares held after Capitalisation Issue	165,540,000	24,000,000
Cost per Share paid	HK\$1.5307	HK\$1.5375
Discount to mid-point of the Offer Price range	38.77%	38.50%
Approximate percentage of shareholding held in our Company immediately after completion of the Global Offering (assuming the Over-allotment Option is not exercised).	20.6925%	3%
Use of Pre-IPO Investment proceeds.	See the paragraph headed "Use of proceeds of the Notes and further capital injection by the Controlling Shareholders" below	Fung Yu Holdings has primarily applied such proceeds to repay related party loans advanced by the Group to the affiliates of Fung Yu Holdings

Pre-IPO Investment by Prax Capital via its subsidiary Action East

Pursuant to the Notes Subscription Agreement, Fung Yu Holdings issued the Notes to Action East for a consideration of US\$ equivalent of RMB200 million, at an exchange rate of US\$ to RMB of 6.098 ("**Conversion Rate**") on 26 February 2014 ("**Pre-IPO Closing**"). The consideration for the Notes was paid and unconditionally settled on 28 February 2014. The consideration was reached on the basis of arms' length negotiations between the parties to the Notes Subscription Agreement with reference to the expected profits of the Group for the year ended 31 December 2013 (which at the time of signing of the preliminary term sheet was expected to be not less than RMB100 million), the agreed earnings multiple at the time of signing the preliminary term sheet with Action East in July 2013 (which was around 7 to 7.5) and the range of the amount of funds that would be invested by Action East as set out in the preliminary term sheet. The preliminary term sheet did not set out the exact percentage of issued shares that would be exchanged immediately before completion of the Global Offering. The parties to the Notes Subscription Agreement subsequently agreed in the Notes Subscription Agreement that the Note subscribed by Action East with US\$ equivalent of RMB200 million would be entitled to exchange for such number of Shares representing 27.59% of the issued Shares immediately before completion of the Global Offering (assuming the Over-allotment Option is not exercised). The gross proceeds of US\$ equivalent of RMB200 million received by Fung Yu Holdings from Action East for the Notes were used to fund the New Shares Issuance (as defined in the paragraph headed "Use of proceeds of the Notes and further capital injection by the Controlling Shareholders" below in this section) and the Second Phase Acquisition (as defined in the paragraph headed "Use of proceeds of the Notes and further capital injection by the Controlling Shareholders" below in this section). Subsequently, Suchuang Group, Ms. Zhu and Suzhou Suling Automobile Service used all the consideration

³ The consideration was paid prior to the date of investment as the relevant parties had taken more time than expected to finalise the Jade Deluxe Agreement (as defined in the paragraph headed "Investment by Jade Deluxe Holdings Limited" below in this section).

HISTORY AND REORGANISATION

received from Suchuang Hong Kong for the Second Phase Acquisition to repay amounts due to Taicang Natural Gas, as contemplated by the Notes Subscription Agreement. Pursuant to the terms of the Instrument, the Notes will be automatically exchanged for 165,540,000 Shares upon Listing. The average subscription price per Share paid by Action East was HK\$1.5307, representing a 38.77% discount to the Offer Price, assuming an Offer Price of HK\$2.50 per Share (being the mid-point of the indicative Offer Price range of HK\$2.08 to HK\$2.92 per Share).

Background of Action East

Action East is a company incorporated in Hong Kong with limited liability on 21 November 2012 and is an Independent Third Party wholly owned by Prax Capital. Action East will become a Substantial Shareholder of our Company upon Listing. Prax Capital is a limited partnership established in Cayman Islands and focuses on private equity investments in the PRC. It has a proven track record investing in the industrial and consumer services industries. It emphasises on post-investment management based on its founders' management experience and operational expertise as well as its team's strength in investment transactions and financial advisory services.

We believe that the issue of the Notes would broaden our shareholders' base and assist us in developing business opportunities with potential customers.

Principal Terms of the Notes

The principal terms and conditions of the Notes are as follows:

Status of the Notes	The Notes constitute direct, senior, secured, unsubordinated, unconditional obligations of Fung Yu Holdings and shall at all times rank <i>pari passu</i> and without any preference among themselves. The payment obligations of Fung Yu Holdings under the Notes shall at all times rank senior to all of Fung Yu Holdings' other present and future direct, senior, unsubordinated, unconditional and unsecured obligations, except for obligations accorded preference by mandatory provisions of applicable law.
Maturity Date	26 February 2017 (" Maturity Date ")
Coupon	12% per annum provided that if our Company completes the Listing within 36 months after the date of the Pre-IPO Closing, all accrued interest will be waived.
Negative Pledge	So long as any Note remains outstanding, (a) Fung Yu Holdings will not permit to subsist any other form of encumbrance or security interest upon its assets to secure any indebtedness, other than any security created or allowed under the terms of the Transaction Documents; and (b) Fung Yu Holdings will procure that none of its subsidiaries permits to subsist any security upon its assets to secure any indebtedness other than any security created or allowed under the terms of the Transaction Documents.

HISTORY AND REORGANISATION

- Exchange
- (a) *Exchange at the Option of Noteholder*: The Noteholder has the right (“**Exchange Right**”) to exchange any portion or all of the Notes held by the Noteholder into Shares owned or to be owned by Fung Yu Holdings for which the Notes may be exchanged subject to the terms of conditions of the Instrument (“**Exchange Shares**”) at any time at the then applicable Exchange Price (as defined in paragraph (c) below). Action East and Fung Yu Holdings did not contemplate any exchange of Notes into Exchange Shares would take place in contravention of any applicable laws and regulations, including, without limitation, the Listing Rules.
- (b) *Automatic Exchange*: Notwithstanding the above, in connection with and immediately prior to the Listing but subject to compliance with the Listing Rules and the Pre-IPO Investment Requirements, all the Notes then outstanding shall automatically be exchanged into Exchange Shares at the then applicable Exchange Price (as defined in paragraph (c) below).
- (c) *Exchange Price*: RMB58.4632 (“**Initial Exchange Price**”), as adjusted from time to time in accordance with the terms of the Instrument (“**Exchange Price**”), which would result in an exchange of the Notes into 3,420,955 Shares representing 27.59% of the total issued share capital of our Company outstanding immediately after the Pre-IPO Closing, on a fully diluted and as exchanged basis at that time, and after completion of the issuance of 978,301 Shares to Fung Yu Holdings which took place on 24 June 2014.

Exchange Price Adjustments

For the purpose of the paragraph on “Performance Adjustment” below, unless otherwise defined, capitalised terms mentioned herein shall have the following meanings:

“Financial Statements” the consolidated audited financial statements of our Company (together with other Group companies), which financial statements shall be prepared in accordance with Hong Kong GAAP or IFRS and audited by one of the Big Four Accounting Firms

“FY2013 Actual NPAT” the actual NPAT for the fiscal year ended 31 December 2013

“FY2013 Financial Statements” the Financial Statements for the fiscal year ended 31 December 2013

HISTORY AND REORGANISATION

“FY2014 Actual NPAT”	the actual NPAT for the fiscal year ended 31 December 2014
“FY2014 Financial Statements”	the Financial Statements for the fiscal year ended 31 December 2014
“FY2015 Actual NPAT”	the actual NPAT for the fiscal year ending 31 December 2015
“FY2015 Financial Statements”	the Financial Statements for the fiscal year ending 31 December 2015
“NPAT”	for any given fiscal year, the audited consolidated net profit after tax of our Group companies for such fiscal year attributable to our Company, calculated based on the Financial Statements
“Subscription Amount”	the US\$ equivalent of RMB200 million at the Conversion Rate
“Subscriber Shareholding Percentage”	as of a given time, a percentage equivalent to a fraction, the numerator of which is the number of the Shares then held by Action East as of such time (assuming the exercise or exchange of all the then outstanding Notes) and the denominator of which is the total number of the Shares issued and outstanding as of such time (assuming the exercise or exchange of all the then outstanding share equivalents)

The Initial Exchange Price and any applicable Exchange Price is subject to adjustment in the event of stock splits, combinations, share dividends and other similar events, as well as consolidation, merger or amalgamation, sale of shares below the Exchange Price and other dilutive events in accordance with the terms of the Instrument, provided that at no time shall the Exchange Price, as so adjusted, fall below the par value of the Shares.

HISTORY AND REORGANISATION

Performance
Adjustment

In addition, the Instrument also provided for performance adjustment to the Exchange Price, as below:

- (a) if the FY2013 Actual NPAT is less than RMB97 million, then upon the issue of the FY2013 Financial Statements, the then Subscriber Shareholding Percentage shall be adjusted in accordance with the following formula (and the then Exchange Price shall be adjusted accordingly):

$$\text{Adjusted Subscriber Shareholding Percentage} = \text{Subscription Amount} / (\text{FY2013 Actual NPAT} * 7.47)$$

- (b) if the FY2014 Actual NPAT is less than RMB115 million, then upon the issue of the FY2014 Financial Statements, the then Subscriber Shareholding Percentage shall be adjusted in accordance with the following formula (and the then Exchange Price shall be adjusted accordingly):

$$\text{Adjusted Subscriber Shareholding Percentage} = \text{Subscription Amount} / (\text{FY2014 Actual NPAT} * 6.30)$$

- (c) if the FY2015 Actual NPAT is less than RMB132.3 million, then upon the issue of the FY2015 Financial Statements, the then Subscriber Shareholding Percentage shall be adjusted in accordance with the following formula (and the then Exchange Price shall be adjusted accordingly):

$$\text{Adjusted Subscriber Shareholding Percentage} = \text{Subscription Amount} / (\text{FY2015 Actual NPAT} * 5.49)$$

provided that, under no circumstances shall the Subscriber Shareholding Percentage be adjusted to be higher than 37.59% (“Cap”). In the event that our Company issues any Shares (any such issuance, “New Issuance”) after the date of the Instrument but prior to any adjustment, each of the Cap and the Adjusted Subscriber Shareholding Percentage for purpose of such adjustment shall be adjusted by multiplying a fraction equals to:

$$\frac{x}{y}$$

HISTORY AND REORGANISATION

where:

x represents the total number of Shares issued and outstanding immediately prior to the New Issuance (in the case of Listing and thereafter, x represents the aggregate number of Shares held by Fung Yu Holdings and Noteholder immediately following completion of the Listing); and

y represents the total number of Shares issued and outstanding immediately prior to the adjustment.

Immediately after completion of the Global Offering and the Capitalisation Issue (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 the exercise of the Over-allotment Option), $\frac{x}{y}$ equals 72%.

In the event that the Listing has occurred and a Shortfall (as defined in the paragraph headed “Undertakings” below in this section) has been paid to the Noteholder before any adjustment, the Cap, as adjusted to reflect such Listing as a New Issuance shall be deemed to minus a fraction (as a percentage) of which (i) the numerator equals the Shortfall in RMB and (ii) the denominator shall be Y where Y will be determined as follows:

Time of Listing from Closing	1-12 months	13-15 months	16-18 months	19-21 months	22-24 months	25-27 months	28-30 months	31-33 months	34-36 months
Y (million)	1,208	1,278	1,351	1,428	1,510	1,597	1,689	1,786	1,888

The performance adjustments contemplated in paragraphs (a), (b) and (c) above shall be cumulative and subject to the Cap and the adjustments thereof, but the Subscriber Shareholding Percentage shall in no event be adjusted downward. No additional payment or any other form of compensation will be provided to the Noteholder in the event that the Subscriber Shareholding Percentage is computed to be higher than Cap.

Fung Yu Holdings shall provide the Noteholder with the Financial Statements for each fiscal year as soon as practicable and in any event within three (3) months after the end of each fiscal year. Fung Yu Holdings shall deliver, together with such Financial Statements, to the Noteholder a calculation in reasonable detail of the NPAT for such fiscal year.

HISTORY AND REORGANISATION

If any Notes has been exchanged while any necessary adjustment to the Subscriber Shareholding Percentage has not been effected, Fung Yu Holdings shall, within 15 Business Days of such adjustment coming into effect in accordance with the terms of the Instrument, transfer to the Noteholder or its nominee additional Shares the Noteholder should receive in order to give full effect to the adjustment as if the Noteholder has not exchanged such Notes.

If such transfer cannot be completed due to restrictions under the Listing Rules, Fung Yu Holdings shall transfer Shares to the Noteholder within 15 Business Days after the restrictions under the Listing Rules no longer apply. This will survive after the exchange of all Notes and the Listing. If for purposes of Exchange Price adjustments any amount in US\$ shall be converted into RMB (or vice versa), such conversion shall be made based on the Conversion Rate.

Undertakings

For the purposes of this paragraph, unless otherwise defined, capitalised terms mentioned herein shall have the following meanings:

“**Liquidity Event**” the Listing or a Trade Sale

“**Liquidity Price**” the aggregate value of the Exchange Shares based on the subscription price or per share sale in the Listing or a Trade Sale

“**Trade Sale**” (i) any consolidation, amalgamation or merger of Fung Yu Holdings or any members of the Group with or into any person, or any other corporate reorganization or transaction (including a sale or acquisition of any shares of any members of the Group) in which the shareholders of Fung Yu Holdings or such member of the Group own, directly or indirectly less than fifty percent (50%) of the voting power of Fung Yu Holdings or such member of the Group immediately after such transaction; or (ii) a sale of all or substantially all of the assets of Fung Yu Holdings or any members of the Group

Fung Yu Holdings covenants and undertakes that at the completion of any Liquidity Event, the Noteholder shall be guaranteed an amount (the “**Guaranteed Return**”) equal to

$$\text{Subscription Amount} * (1+25\%)^n$$

where “n” shall mean the number of years (up to two decimal places) that have passed since the date of Pre-IPO Closing up to the date of the completion of such Liquidity Event, on the basis of a 365-day year, provided that “n” shall in no case be less than 1.

HISTORY AND REORGANISATION

If the Liquidity Price is less than the Guarantee Return in any Liquidity Event, Fung Yu Holdings shall pay, within 2 months after completion of such Liquidity Event, to the Noteholder such amount, equal to the shortfall (the “**Shortfall**”) between the Guarantee Return and the Liquidity Price, in the form of cash to ensure the Guarantee Return, provided that if Fung Yu Holdings has not paid the Shortfall within two months after completion of such Liquidity Event, interest at a rate of 12% per annum shall accrue on the outstanding Shortfall amount from the first day after the above-mentioned two-month period up to the date on which the Shortfall has been paid in full. The undertaking on Guaranteed Return will not apply upon the Listing and thereafter. In any event and for the avoidance of doubt, Fung Yu Holdings obtained a waiver from Action East on 21 January 2015 pursuant to which Action East has unconditionally and irrevocably (a) refrained from exercising and (b) waived without any new consideration, agreement or compensation its rights relating to Guaranteed Return in the event of Listing. There is no new agreement or arrangement among the relevant parties in connection with the above-mentioned waiver.

Interest

- (a) For so long as the Notes are outstanding, interest payable to the Noteholder with respect to any outstanding principal amount of the Notes shall accrue and compound annually at a rate of 12% per annum of the aggregate amount of the outstanding principal amount of the Notes held by the Noteholder (the “**Accrued Interest**”).
- (b) Accrued Interest with respect to the Notes shall be payable to the Noteholder upon the earlier of (i) an exchange of the Notes (provided that any and all Accrued Interest shall, if not paid earlier, be waived by the Noteholder if our Company completes the Listing within 36 months after date of the Pre-IPO Closing); and (ii) the redemption of the Notes in accordance with the terms of the Instrument (provided that any and all Accrued Interest shall be deemed to have been included in the Maturity Redemption Amount (as defined in the paragraph headed “Redemption and Cancellation” below) or Early Redemption Amount (as defined in the paragraph headed “Redemption and Cancellation” below in this section) (as the case may be) and no additional payment of such interests shall be required if the Maturity Redemption Amount or Early Redemption Amount (as the case may be) has been duly paid in accordance with the terms of the Instrument).

HISTORY AND REORGANISATION

Redemption and Cancellation

Redemption upon Maturity

- (a) Unless all of the Notes have been previously redeemed or exchanged, Fung Yu Holdings shall redeem and repay all Notes outstanding in full on the Maturity Date, by payment of the Maturity Redemption Amount to the Noteholder.
- (b) The “Maturity Redemption Amount” means an amount equal to the sum of (i) the aggregate principal amount of the Notes outstanding on Maturity Date plus (ii) an amount that will result in 12% internal rate of return per annum on the aggregate principal amount of the Notes outstanding from the date of the Pre-IPO Closing up to the date of the full payment of the relevant Maturity Redemption Amount.

Early Redemption

For the purposes of this paragraph, unless otherwise defined, capitalised terms mentioned herein shall have the following meanings:

“Material Adverse Event” any state of facts, change, event, effect, or occurrence that (when taken together with all other states of fact, changes, events, effects, or occurrences) is materially adverse to the business, financial condition, results of operations, properties, assets (tangible or intangible), liabilities or prospects of the Group taken as a whole from time to time, as the case may be, or that materially impairs the ability of any of Fung Yu Holdings, Mr. Su, Ms. Zhu or any of the members of the Group, to perform its obligations under or any of the Transaction Documents to which it is a party

- (a) A Noteholder shall have the right, at any time from the date of a Redemption Event or thereafter to require Fung Yu Holdings to redeem all or any of the then outstanding Notes held by it whereupon Fung Yu Holdings shall pay to the Noteholder within 45 days from the delivery of such notice the Early Redemption Amount.

HISTORY AND REORGANISATION

- (b) The “Early Redemption Amount” shall mean an amount equal to the sum of (i) the principal amount of the Notes that the Noteholder requests to be redeemed *plus* (ii) an amount that will result in a 15% internal rate of return per annum on such principal amount of the Notes to be redeemed from the date of the Pre-IPO Closing up to the date of the full payment of the relevant Early Redemption Amount.
- (c) A “Redemption Event” shall mean, among other things, any of the following events:
- (i) failure by our Company to submit a listing application on Form A1 to the Stock Exchange within 24 months after the date of the Pre-IPO Closing;
 - (ii) any voluntary or involuntary dissolution, liquidation or winding up of Fung Yu Holdings, our Company or any of its subsidiaries, or any Trade Sale (as defined in the Instrument);
 - (iii) failure by our Company to procure (i) the election of Action East’s nominee (or any replacement or alternate thereof) as a director of our Company, or (ii) the appointment of the board observer (or any replacement or alternate thereof) nominated by the Noteholder to the Board, in both cases in accordance with terms of Instrument, or removal of such director or board observer or any replacement or alternate thereof upon demand by Action East;
 - (iv) occurrence of a Material Adverse Event; or
 - (v) any material breach by Fung Yu Holdings, any Group company, Mr. Su or Ms. Zhu of any representations, warranties, covenants, obligations, agreements or provisions of the conditions contained in any of the Transaction Documents, which has not be rectified to the reasonable satisfaction of the Noteholder within 60 days after the date of the written notice by Noteholder.

Lock-up Action East has agreed to be subject to a lock-up period of six months after the Listing.

Security of Share Charges

In connection with the issue of the Notes, the Hong Kong Share Charge, Fung Yu Share Charge and the Founders Share Charge were provided in favour of Action East.

The Share Charges will be released, among other events, upon Listing provided that there is no “event of default” which has not been remedied by then. “Event of Default” refers to (a) any

HISTORY AND REORGANISATION

material breach by the chargors and the members of the Group or any of their respective affiliates of any secured obligation; or (b) any event or circumstances where the security interest or any part fails or ceases to be in full force and effect, or is terminated or jeopardized or becomes invalid or unenforceable, or the occurrence of any dispute or purported termination of the same, and, in each case, such breach, event or circumstances has continued after a grace period of 20 days.

Rights Granted to Action East under the Shareholders and Noteholders Agreement

In connection with the Notes Subscription Agreement, we have entered into the Shareholders and Noteholders Agreement. Under the Shareholders and Noteholders Agreement, Action East has, among other things, certain rights as set out below.

(a) Right of first refusal

In the event Fung Yu Holdings or any other Shareholder (other than Action East or any person who becomes a Shareholder upon or after the Listing) (the “**Transferor**”) proposes to transfer any of its Shares (“**Offer Shares**”) to a third party (“**Third Party Transferee**”) (other than transfer of Shares by Fung Yu Holdings for the purpose of any top-up placing of Shares after Listing and other Exempted Transfers (as defined in paragraph (e) below)), Action East has the right to purchase from the Transferor all or a portion of such Offer Shares upon the same terms and conditions as given by the Third Party Transferee (“**ROFR Right**”).

(b) Co-sale right

If Action East does not exercise its ROFR Right, Action East shall have the right to require the Transferor to require the Third Party Transferee to purchase from Action East, upon substantially the same terms and conditions as offered to the Transferor, (i) such number of Shares in proportion to the total number of Shares held by Action East (on an as-exchanged basis); or (ii) in the event that the proposed transfer by the Transferor would result in a change of control of our Company, the total number of Shares then held by Action East (on an as-exchanged basis), provided that Action East shall exchange the Notes into Shares immediately prior to the consummation of the above-mentioned transfer.

(c) Information and reporting rights

We shall deliver to Action East the following documents or reports:

- (i) consolidated audited Financial Statements for each fiscal year within 3 months after the end of each fiscal year of our Company;
- (ii) the audited annual financial statements of Kunlun Suchuang Usage and Kunlun Suchuang Gas within 10 days after receipt by Taicang Natural Gas of such financial statements, which shall be obtained within 4 months after the end of each fiscal year;
- (iii) monthly management accounts of Fung Yu Holdings within one month after the end of each fiscal year;
- (iv) monthly consolidated management accounts of our Company and monthly individual management accounts of each of the subsidiaries of our Company within 15 Business Days after the end of each month;

HISTORY AND REORGANISATION

- (v) Company's budget and business plan for the following fiscal year within one month prior to the end of each fiscal year;
- (vi) all other information and material provided to a member of the Board unless such information or material has also been provided to Director nominated by Action East; and
- (vii) all documents or other information sent to any Shareholder and any reports publicly filed by our Company with any relevant securities exchange, regulatory authority or other government authority.

(d) *Pre-emptive rights*

In the event of a sale or issue of any new securities (save for, among other things, shares issued in connection with the Global Offering) by our Company, Action East shall have a right to purchase up to its pro rata share of such new securities.

(e) *Restriction on transfer of shares or equity securities*

Fung Yu Holdings may not transfer any equity securities, and each of Mr. Su and Ms. Zhu may not transfer any shares or equity interests in Fung Yu Holdings prior to the Listing, other than (i) with the prior written consent of Action East; (ii) in connection with the exchange of the Notes; (iii) as contemplated under the Hong Kong Share Charge, Fung Yu Share Charge and the Founders Share Charge; (iv) transfer of Shares by Fung Yu Holdings in connection with stock borrowings for purposes of any over-allocation; (v) transfer of the Shares held by Fung Yu Holdings to Mr. Su and Ms. Zhu by way of distribution in specie or otherwise in proportion to their shareholdings in Fung Yu Holdings after the exchange and/or redemption of all the outstanding Notes, or (vi) after the exchange and/or redemption of all the outstanding Notes, any transfer of any shares of our Company or Fung Yu Holdings to the immediate family of Mr. Su and Ms. Zhu, to a person (other than natural person) controlled exclusively by Mr. Su and Ms. Zhu, or to a trustee, executor, or other fiduciary for the exclusive benefit of Mr. Su and Ms. Zhu. The transfers set forth in the foregoing (ii) to (vi) are referred to as "**Exempted Transfers**".

(f) *Put right*

At any time during the six-month period beginning on 26 February 2017, so long as the Listing has not occurred by such time, Action East shall have the right to sell all or a portion of the Shares (if any) then held by it to Fung Yu Holdings, Mr. Su and Ms. Zhu at the per share price equal to the sum as determined by a formula set out in the Shareholders and Noteholders Agreement. Our Company shall not submit a listing application to the Stock Exchange within 12 months after the payment in full of such put price.

Also, at any time from the date of a put event (which is substantially similar to a Redemption Event as described in the paragraph headed "Redemption and Cancellation" above in this section), Action East shall have the right ("**Put Right**") to sell all or a portion of the Shares (if any) then held by it to Fung Yu Holdings, Mr. Su and Ms. Zhu at a per share price equal to a sum as determined by a formula set out in the Shareholders and Noteholders Agreement. Fung Yu Holdings obtained a waiver from Action East on 24 November 2014 pursuant to which Action East

HISTORY AND REORGANISATION

has unconditionally and irrevocably (a) refrained from exercising; and (b) waived, its Put Right without any new consideration, agreement or compensation. There is no new agreement or arrangement among the relevant parties in connection with the above-mentioned waiver.

(g) Board representation

Action East shall be entitled to nominate one Director as well as one board observer who has the right to attend all meetings of the Board in a non-voting observer capacity.

(h) Board reserved matters

Certain board reserved matters require the approval of our Director nominated by Action East.

Termination of special rights granted to Action East

Save as to the specific rights set out in paragraphs (a) and (b) in the paragraph headed “Rights Granted to Action East under the Shareholders and Noteholders Agreement” above and the “Performance Adjustment” mentioned above in this section, all the special rights granted to Action East under the Transaction Documents will be terminated and lapsed automatically upon Listing.

Use of proceeds of the Notes and further capital injection by the Controlling Shareholders

Pursuant to the Notes Subscription Agreement and in consideration of US\$ equivalent of RMB200 million at the Conversion Rate, our Company issued 3,420,955 Shares to Fung Yu Holdings (“**New Shares Issuance**”) at Pre-IPO Closing.

The Controlling Shareholders injected a total of USD12,937,000 into our Group on 26 March 2014, 2 April 2014 and 22 May 2014. In consideration of the above-mentioned amount, our Company issued 978,301 Shares to Fung Yu Holdings on 24 June 2014.

The proceeds of the Notes together with the above-mentioned amount injected by the Controlling Shareholders were used to fund the Second Phase Acquisition (as defined below) and working capital requirements of Taicang Natural Gas.

On 15 April, 2014, Suchuang Group, Ms. Zhu and Suzhou Suling Automobile Service transferred their respective equity interest in Taicang Natural Gas to Suchuang Hong Kong (“**Second Phase Acquisition**”), details of which are set out in the table below:

Transferors	Transferee	Consideration	Equity interest in Taicang Natural Gas
Suchuang Group	Suchuang Hong Kong	RMB167,636,878.20	58.25%
Ms. Zhu	Suchuang Hong Kong	RMB35,216,390.60	12.23%
Suzhou Suling Automobile Service	Suchuang Hong Kong	RMB11,488,731.20	3.99%

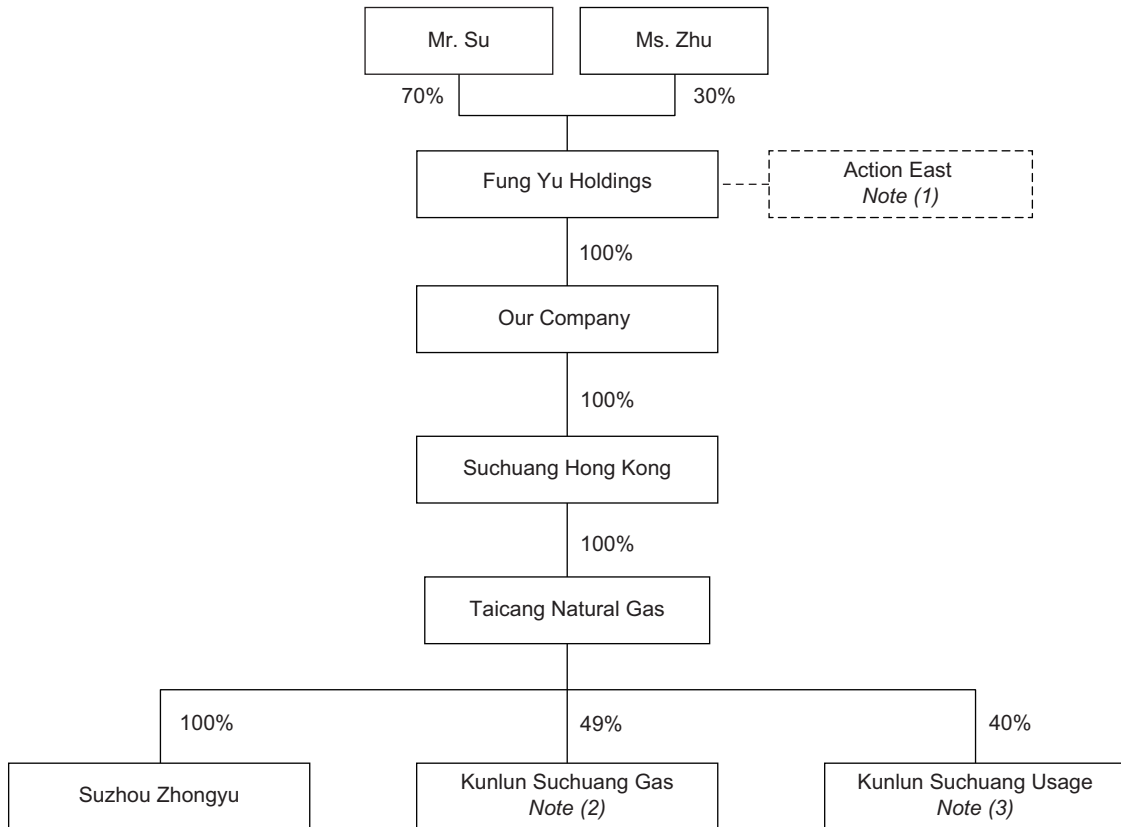
HISTORY AND REORGANISATION

Taicang Natural Gas became a wholly-owned subsidiary of our Company since 15 April 2014.

The cash consideration was fully settled by Suchuang Hong Kong to Suchuang Group, Ms. Zhu and Suzhou Suling Automobile Service on 17 April 2014.

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF OUR REORGANISATION AND THE COMPLETION OF NOTES SUBSCRIPTION AGREEMENT AND SECOND PHASE ACQUISITION BUT BEFORE THE GLOBAL OFFERING AND THE CAPITALISATION ISSUE

The corporate structure of our Group immediately after completion of the Reorganisation and the completion of Notes Subscription Agreement and Second Phase Acquisition (as defined in the paragraph headed “Use of proceeds of the Notes and further capital injection by the Controlling Shareholders” above in this section), but before the Global Offering and the Capitalisation Issue is set out below:



Notes:

- (1) Fung Yu Holdings issued the Notes to Action East on Pre-IPO Closing.
- (2) The remaining 51% was held by PetroChina Kunlun.
- (3) The remaining 60% was held by PetroChina Kunlun.

HISTORY AND REORGANISATION

Investment by Jade Deluxe Holdings Limited

On 10 March 2014, Fung Yu Holdings and Jade Deluxe entered into a share transfer agreement (“**Jade Deluxe Agreement**”) pursuant to which Fung Yu Holdings agreed to transfer 495,970 Shares to Jade Deluxe in consideration of HK\$36,900,000. The consideration was arrived at after arms’ length negotiations between the parties to the Jade Deluxe Agreement with reference to the Initial Exchange Price (as defined in the paragraph headed “Principal Terms of the Notes – Exchange” above in this section). The cash consideration was settled on 27 February 2014. The Shares held by Jade Deluxe will be subject to a lock-up period of six months after the Listing.

The number of Shares held by Jade Deluxe will be 24,000,000 Shares immediately after completion of the Global Offering and the Capitalisation Issue and the average price per Share paid by Jade Deluxe was HK\$1.5375, representing a 38.50% discount to the Offer Price, assuming an Offer Price of HK\$2.50 per Share (being the mid-point of the indicative Offer Price range of HK\$2.08 to HK\$2.92 per Share).

Jade Deluxe is a company incorporated in the BVI with limited liability on 2 April 2012. The ultimate sole beneficial owner of Jade Deluxe is Ms. GUO Yan who is an Independent Third Party.

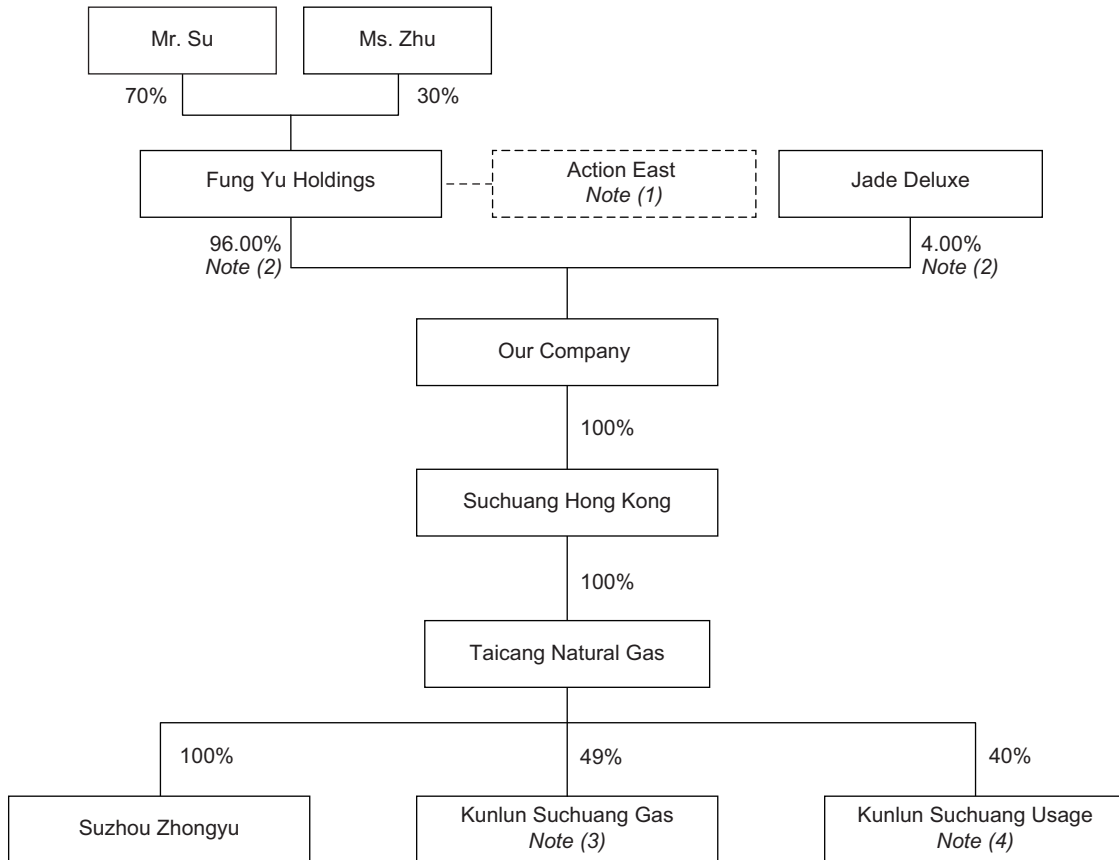
We believe that the Pre-IPO Investment by Jade Deluxe would assist the future development of our Group through providing a network of potential strategic investors in Europe and Australia by the controlling shareholder of Jade Deluxe.

Subsequent to the Pre-IPO Investments but prior to the exchange of the Notes by Action East, our Company was owned as to 4.0% by Jade Deluxe and 96.0% by Fung Yu Holdings.

HISTORY AND REORGANISATION

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF OUR REORGANISATION AND THE PRE-IPO INVESTMENTS BUT BEFORE THE GLOBAL OFFERING AND THE CAPITALISATION ISSUE

The corporate structure of our Group immediately after completion of the Reorganisation and the Pre-IPO Investments, but before the Global Offering and the Capitalisation Issue is set out below:



Notes:

- (1) Fung Yu Holdings issued the Notes to Action East on Pre-IPO Closing.
- (2) Rounded up to the nearest two decimal places.
- (3) The remaining 51% was held by PetroChina Kunlun.
- (4) The remaining 60% was held by PetroChina Kunlun.

Other matters

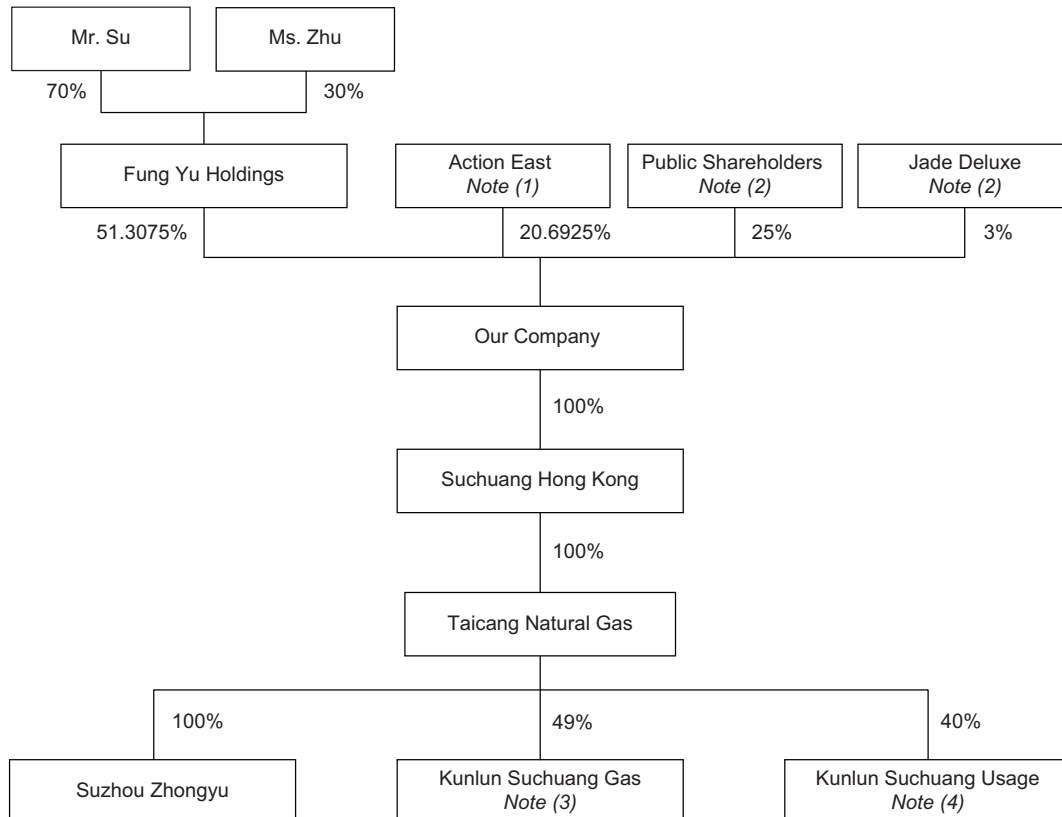
The Shares to be exchanged under the Notes held by Action East and the Shares held by Jade Deluxe will be subject to lock-up requirements of six months after Listing. The Shares to be exchanged under the Notes held by Action East will not be counted towards the public float after the Listing for purpose of Rule 8.08 of the Listing Rules.

HISTORY AND REORGANISATION

The Sole Sponsor is not aware of any terms of the Pre-IPO Investments which are not in compliance with Guidance Letters HKEx-GL43-12 and HKEx-GL44-12; the Sole Sponsor is of the view that each of the Pre-IPO Investments mentioned above are in compliance with the Interim Guidance on Pre-IPO Investments announced by the Listing Committee on 13 October 2010 (as amended) and Guidance Letters HKEx-GL43-12 and HKEx-GL44-12.

GROUP STRUCTURE IMMEDIATELY AFTER COMPLETION OF THE GLOBAL OFFERING AND THE CAPITALISATION ISSUE

The corporate structure of our Group immediately after completion of the Global Offering and the Capitalisation Issue (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 the exercise of the Over-allotment Option) is set out below:



Notes:

- (1) Pursuant to the terms of the Instrument, the Notes will be automatically exchanged for 165,540,000 Shares upon Listing.
- (2) The amount of shareholdings that will be considered as public float upon Listing.
- (3) The remaining 51% is held by PetroChina Kunlun.
- (4) The remaining 60% is held by PetroChina Kunlun.

BUSINESS

OVERVIEW

We are the dominant piped natural gas operator in Taicang of Jiangsu Province, with an exclusive right under the Concession to sell and transmit piped natural gas to users in the Operating Area for an initial term of 30 years ending 31 August 2043. Taicang is a major industrial county-level city in Jiangsu Province adjacent to Suzhou, Kunshan, Changshu and Shanghai, and the Operating Area⁴ represents more than 70% of Taicang's total area. Our piped natural gas business could be traced back to 2005, when our first city gateway station for piped natural gas transmission in Taicang was put into commercial operation.

For 2011, 2012, 2013 and the nine months ended 30 September 2014, the sale and transmission of piped natural gas was our core business, representing 87.6%, 83.9%, 82.9% and 87.8%, respectively, of our total revenue for the respective periods. Our piped natural gas was mainly sold to customers on a retail basis (i.e. natural gas purchased from us for users' own consumption), and these retail customers comprise industrial, commercial and residential users, with non-residential users (comprising industrial and commercial users) as our major customers in terms of revenue and sale volume. Revenue derived from our sale of natural gas to non-residential users (comprising industrial and commercial users), in aggregate, accounted for 90.9%, 92.9%, 90.9% and 81.6%, respectively, of our total sales of natural gas for 2011, 2012, 2013 and the nine months ended 30 September 2014, and the sale volume of natural gas to these users, in aggregate, accounted for 88.2%, 90.3%, 87.4% and 77.2%, respectively, of our total gas sold during the respective periods. Revenue from, and volume of, natural gas sold by us to non-residential users grew steadily, with a CAGR of 14.2% and 13.5%, respectively, from 2011 to 2013 and a growth rate of 14.8% and 8.7%, respectively, from the nine months ended 30 September 2013 to the nine months ended 30 September 2014. In addition to retail customers, we also supply piped natural gas to customers on a wholesale basis (i.e. natural gas purchased from us for their onward sale).

In addition to piped natural gas sale, we offer transmission services through our pipeline network to our customers who have direct natural gas purchase arrangements with PetroChina, and the transmission fee we received from such services accounted for less than 2% of our total revenue during the Track Record Period. In respect of our construction and connection of gas pipeline business, revenue generated from this business segment, in aggregate, accounted for 11.7%, 15.6%, 16.7% and 11.7%, respectively, of our total revenue for 2011, 2012, 2013 and the nine months ended 30 September 2014. Please refer to the paragraph headed "Our Business Model and Segments" below in this section.

⁴ The Operating Area covers the area enclosed by National Highway 204, Shuangfu Highway, the Provincial Highway 338, and the current administrative boundaries of Taicang, Jiangsu Province, PRC, and excludes the section of pipelines at Shaxi and Huangjing Districts within Taicang operated by Kunlun Suchuang Gas, in which we own 49% equity interest, and a section of high pressure pipelines which is owned and operated by PetroChina for transmission of gas from Yanglintang to Liuhe Gateway Station.

BUSINESS

During the Track Record Period, PetroChina was our principal supplier of piped natural gas. Under the Master Supply Agreements, PetroChina undertook to supply us with natural gas for a twelve-year term from 2011 with the specified purchase volume for the relevant year. In addition to this supplier-customer relationship, PetroChina Kunlun (a subsidiary of PetroChina) and we had formed a 51%-49% joint venture, Kunlun Suchuang Gas, in Taicang in 2006 to expand the scope of our strategic cooperation with PetroChina in the natural gas sector in Taicang and nearby regions. For further details of our relationship with PetroChina and Kunlun Suchuang Gas, please refer to the section headed “History and Reorganisation – Corporate History of our Group” in this prospectus and the paragraph headed “Our Piped Natural Gas Sale and Transmission Business – Supply of Natural Gas – Our relationship with PetroChina” in this section.

Natural gas, which is widely recognised as a more economical, efficient and clean energy source, has been strongly and actively promoted by the PRC government in recent years. The PRC government has published numerous policies to encourage private investment in the municipal and energy sectors. Please refer to the section headed “Industry Overview” in this prospectus for further details. We believe that the favourable regulatory environment in the PRC will foster the development of the natural gas sector and stimulate domestic demand for the use of natural gas across different industries. Leveraging on our solid operation experience, our Directors are confident that we are well placed to capture growth potentials when opportunity arises.

We achieved stable growth in revenue and earnings during the Track Record Period. Our total revenue increased from RMB474.2 million in 2011 to RMB663.7 million in 2013, representing a CAGR of 18.3% over the three-year period, and increased from RMB481.7 million for the nine months ended 30 September 2013 to RMB575.7 million for the nine months ended 30 September 2014 with a growth of 19.5%. Our net profit increased from RMB59.4 million in 2011 to RMB106.5 million in 2013, representing a CAGR of 33.9% over the three-year period, and increased from RMB75.6 million in the nine months ended 30 September 2013 to RMB84.7 million in the nine months ended 30 September 2014 with a growth of 12.0%. Our purchase price and selling price of piped natural gas and types of construction projects undertaken mainly contributed to the fluctuation in our gross profit margin, which was 26.6%, 28.9%, 30.1% and 24.3% for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. Our net profit margin was 12.5%, 13.6%, 16.1% and 14.7%, respectively, for the same periods. Our financial results during the Track Record Period were affected by interest expenses payable on certain bank borrowings which were made by our Group for companies controlled by the Controlling Shareholders which were not related to our Group’s operation and were fully settled in December 2013, for details of which, please refer to the paragraph headed “Material Non-compliance – Non-compliant bill financing” below in this section.

OUR COMPETITIVE STRENGTHS

We believe the following strengths have contributed to our success and enable us to capture future opportunities in the piped natural gas market:

We are the dominant piped natural gas operator in Taicang under the Concession

We are the dominant piped natural gas operator in Taicang of Jiangsu Province under the Concession to sell and transmit piped natural gas to users in the Operating Area. As at the Latest Practicable Date, there were two piped natural gas operators in total in Taicang, namely, our

BUSINESS

Group and Kunlun Suchuang Gas (in which we owned 49% equity interest and which operated the section of pipelines at Shaxi and Huangjing Districts). Please refer to the paragraph headed “Our Piped Natural Gas Sale and Transmission Business – Sale of Piped Natural Gas to Wholesale Customers – Our relationship with Kunlun Suchuang Gas” in this section for further details of our relationship with Kunlun Suchuang Gas. Our natural gas pipeline network totalling 556.0 km (comprising 456.6 km of completed pipelines and 99.4 km of pipelines under construction, and covering the major districts in Taicang) had already covered over 90% (in terms of length) of the natural gas pipeline network in Taicang, as at 30 September 2014.

We have been selling and distributing piped natural gas in Taicang since 2005 when the Taicang Gateway Station, our first city gateway station in Taicang, was put into commercial operation. In August 2013, Taicang HUDB granted the Concession to us pursuant to which we were granted the exclusive right to sell and distribute piped natural gas in our Operating Area for an initial term of 30 years from 1 September 2013 until 31 August 2043, details of which are set out in the paragraph headed “Our Piped Natural Gas Sale and Transmission Business – The Concession” in this section. We believe that our dominant market position and proven record in the sale and transmission of piped natural gas and pipeline connection in our Operating Area not only provide us with a recurring stream of revenue, but also allow us to effectively develop and expand our business and facilities in our Operating Area in which we face limited direct market competition.

We operate in the fast growing natural gas industry of China which benefits from favourable government policies and increasing demand

Our business benefits from the regulatory support of the PRC government. In recent years, the PRC government has been actively promoting natural gas as a clean alternative energy, particularly as a substitute for coal and other fossil fuels. In the Twelfth Five-Year Plan Program of National Economy and Social Development for the years 2011-2015, the PRC government emphasised that natural gas shall be an important source of energy in the future. In October 2012, the NDRC issued the Natural Gas Utilisation Policy, which gave priority to urban utilisation and supported the construction of gas refuelling facilities and infrastructure for vehicles and vessels. For those prioritised items, local governments are allowed to issue supporting policies in relation to planning, land use, finance and fee charges and other aspects. To accelerate the growth of this sector, the PRC government also encourages private investment in the municipal and energy sectors and implements the West-East Natural Gas Transmission Project by constructing long-distance transmission pipelines. Please refer to the section headed “Industry Overview” in this prospectus for details of the government initiatives in the natural gas sector in China in recent years. Such regulatory support speeds up the construction of infrastructure and increases the overall supply and pipeline coverage for natural gas, which in turn will benefit our industry as a whole.

In addition, the demand for natural gas in China is surging. China has become the world’s fourth largest natural gas consumption country, and the population of natural gas consumers in cities increased from 210 million in 2012 to 240 million in 2013, with urban gas usage coverage rate reaching 32%. According to the 2013 Report on Development of Domestic and International Oil & Gas Industry published by the PetroChina Economics & Technology Research Institute, in 2013, annual apparent consumption of natural gas amounted to 169.2 billion m³, representing an increase of 13.9% year-on-year, and accounting for 5.9% of primary energy consumption in 2013,

BUSINESS

up from 5.4% in 2012. The growth is partly driven by the PRC government initiatives mentioned above to foster the utilisation of and access to natural gas across urban households, industries and public sectors, in order to combat pollution in China. Further, the economic development, population growth, industrialisation and urbanisation in China also stimulate the demand for natural gas, which in turn effectively enlarges the customer base for natural gas as an alternative energy source.

We believe that, with our experience in the sale and transmission of piped natural gas and established market position and business relationships in the natural gas industry, we are well-positioned to capture growth potential in this sector.

We have a well-established and strategic relationship with PetroChina, our principal supplier of natural gas

We have more than eight years of business relationship with PetroChina, our principal natural gas supplier, and have entered into the Master Supply Agreements with PetroChina for a twelve-year term starting from 2011 to secure a stable supply of piped natural gas. In addition to this supplier-customer relationship with PetroChina, we have established joint ventures with it including Kunlun Suchuang Gas in 2006 to expand the scope of our strategic cooperation with PetroChina in Taicang and nearby regions. As there are currently only two upstream suppliers (PetroChina being one of them) with long-distance pipelines covering Taicang and nearby areas, we believe that our long-established and strategic relationship with PetroChina enables us to obtain a reliable, stable and abundant supply of natural gas which is essential for the operation and development of our piped natural gas sale and transmission business, as well as our planned expansion in future. The cooperation with PetroChina on an on-going basis has also enriched our experience in managing natural gas supply and distribution in China, laying a solid foundation for us to expand our business into markets outside Taicang. Please refer to the paragraphs headed “Our Piped Natural Gas Sale and Transmission Business – Supply of Natural Gas – Our relationship with PetroChina” and “Our Piped Natural Gas Sale and Transmission Business – Our relationship with Kunlun Suchuang Gas” in this section for further information on our relationships with PetroChina and Kunlun Suchuang Gas.

We are located in an area with a substantial industrial and commercial user base to which our piped natural gas could be sold at a relatively high gross profit margin

We operate our business mainly in Taicang. Adjacent to the affluent cities in eastern China such as Suzhou, Kunshan, Changshu and Shanghai, Taicang is one of the major industrial county-level cities in Jiangsu Province. According to Taicang Statistics Bureau, as of 31 December 2013, the resident population of Taicang was 707,000, of which 474,400 represented urban population, and the gross industrial output value and the industrial investment amount of Taicang reached RMB256.4 billion and RMB25.9 billion, respectively. Please refer to the paragraph headed “Our Piped Natural Gas Sale and Transmission Business – Taicang and our Operating Area” in this section for further details on Taicang.

Active economic and industrial development in the region steadily enlarges the user base for natural gas, especially industrial and commercial users, whose contribution to our total revenue was significant during the Track Record Period. For 2011, 2012, 2013 and the nine months ended 30 September 2014, the total number of customers connected to our pipeline network increased

BUSINESS

from 88,116 as at 31 December 2011 to 145,242 as at 30 September 2014, and the number of our industrial and commercial users connected to our pipeline network, in aggregate, increased from approximately 280 to approximately 405 during the same period. Revenue from our sale of natural gas to industrial and commercial users, in aggregate, accounted for 79.5%, 76.4%, 74.2% and 70.7%, respectively, of our total revenue during the same periods. Industrial and commercial users generally consume higher quantity of gas per user as compared to our residential users, and our per unit selling price and gross profit margin of natural gas sold to industrial and commercial users are generally higher than those of natural gas sold to our residential users. For details of the movement of our purchase price and selling price of natural gas sold to our customers, please refer to the paragraph headed “Our Piped Natural Gas Sale and Transmission Business – Pricing of Natural Gas” in this section.

Our Directors believe that our location of operation and the economy structure of Taicang, which has significant gross industry output value and high industrial development potentials, allow us to generate the largest proportion of our piped natural gas revenue from industrial and commercial users, who not only generally consume significantly higher quantity of gas but also pay higher selling price when compared to residential users.

We have a stable operating cash inflow from our sale and transmission of piped natural gas business with receipt of payment in advance for our sale of piped natural gas

Revenue derived from our sale and transmission of piped natural gas accounted for over 80% of our total revenue for 2011, 2012, 2013 and the nine months ended 30 September 2014. We generally collect payment in advance for our sale of piped natural gas to our retail and wholesale customers, which is generally a fee based on the estimated usage of natural gas consumed by our customers. If any of our customers does not pay our fee for more than 10 days, it is our policy that we will cease to supply natural gas to the relevant customer. Therefore, we generally do not have any material overdue receivables. Trade receivables turnover days in respect of the sale and transmission of natural gas, from which we derived a substantial proportion of revenue during the Track Record Period, were three days, four days, seven days and nine days, respectively, for 2011, 2012, 2013 and the nine months ended 30 September 2014.

Our principal business of sale and transmission of piped natural gas provides us with a stable income stream as we generally receive payment in advance for our sale and we rarely faced credit risks from our customers from such operation during the Track Record Period.

We have an experienced and professional management team supported by highly-skilled employees

We have a senior management team comprising a group of highly experienced professionals in the natural gas industry. Most of our Directors and the members of our senior management team have over 20 years of work experience in the energy sector. Mr. Su, our chairman and an executive Director, and Ms. Zhu, an executive Director, have 30 and 20 years of experience, respectively, in the management of gas companies. Mr. Du Shaozhou, our general manager and an executive Director, has over 45 years of experience in the oil and gas industry and has held various senior positions in the PetroChina group of companies. Mr. Ng Chi Kit, our chief financial officer and the company secretary of our Company, has over 16 years of experience in accounting and auditing and has served as chief financial officer and a member of the audit

BUSINESS

committee of a company currently listed in Hong Kong. We believe that our senior management team possesses in-depth knowledge critical to success in the natural gas industry and is capable of seizing market opportunities, formulating sound business strategies, assessing and managing risks, implementing management and production schemes and increasing our overall profit to maximise our shareholder value.

Our natural gas experts and professional technicians in the natural gas industry have also obtained professional and academic qualifications and have extensive industry experience. We also provide our technicians and other staff members with training in the natural gas industry, so as to ensure that our technicians and other staff members continue to stay abreast of the latest technological development.

OUR STRATEGIES

We intend to expand our business as the dominant natural gas operator in Taicang and to expand our business to regions outside Taicang. Our strategies to achieve these goals include the following:

Expand into CNG and LNG refuelling station business

As more particularly disclosed in the section headed “Industry Overview” in this prospectus, the PRC government has formulated policies encouraging the use of natural gas vehicles in China. For example, in the “Guiding Opinions on the Establishment of a Low Carbon Transportation System” issued by the Ministry of Transport and the 12th Five-year Plan on Energy Saving and Emission Reduction on Land and Water Transport, it is the government’s policy that the use of natural gas vehicles will be promoted, old vehicles will be replaced with newly purchased natural gas vehicles, and in areas with suitable conditions, transportation companies will be encouraged to use vehicles running on natural gas or hybrid fuel. Enhanced awareness of environmental protection to reduce emission from traditional vehicles and the price advantage of natural gas vehicles over gasoline and diesel fuels are also drivers to the growth of natural gas vehicles in China. Thus, we believe that there are plenty of market opportunities for CNG/LNG refuelling station business in the PRC even though it is currently under-developed. According to the China5e Report, for the period from May 2013 to May 2014, the total number of natural gas vehicles in China increased from 1.5 million to 3.1 million, representing a growth rate of 106.7%. Please see the section headed “Industry Overview – 4. Application of Natural Gas in the Field of Transportation” in this prospectus for a nationwide overview of the market of vehicular CNG and LNG, including the key drivers and trends of development of the market of vehicular CNG and LNG in our target cites of our proposed expansion, i.e. Suzhou and Taicang.

To tap into the growing number of natural gas vehicles in China and fully capitalise our established relationship with piped gas suppliers of CNG and LNG, we intend to expand into CNG and LNG refuelling station business through the proposed acquisition of the CNG/LNG Business from Suzhou Suling Automobile Service and the proposed construction of additional combined CNG/LNG refuelling stations in Taicang and Suzhou, subject to fulfilling the relevant regulatory requirements, market conditions and our continuous business assessment.

BUSINESS

Acquisition of the CNG/LNG Business from Suzhou Suling Automobile Service

To implement our plan, we intend to acquire from Suzhou Suling Automobile Service, a connected person of our Company, the CNG/LNG Business, which comprised one CNG refuelling station (the “**First CNG Refuelling Station**”) and one LNG refuelling station (the “**First LNG Refuelling Station**”) which had been in operation, and one combined CNG/LNG refuelling station under construction, which were all located in Taicang, as at the Latest Practicable Date. Suzhou Suling Automobile Service granted to us an irrevocable right to acquire the CNG/LNG Business under the Deed of First Offer. For further details of our relationship with Suzhou Suling Automobile Service, the rationale for acquiring the CNG/LNG Business and the major terms of the Deed of First Offer, please refer to the section headed “Relationship with Controlling Shareholders – Suzhou Suling Automobile Service” in this prospectus.

Subject to the Non-Compliances (as defined in the section headed “Relationship with Controlling Shareholders – Information on Other Companies Owned by Our Controlling Shareholders – Suzhou Suling Automobile Service” in this prospectus) having been rectified, we may acquire the CNG/LNG Business at our Company’s sole and absolute discretion, at the lower of their set-up cost or fair market value to be determined by an internationally reputable firm of accountants or valuers, subject to the approvals from the relevant government bureau, the Board and our Shareholders (as may be required under the Listing Rules). Upon completion of such acquisition, Suzhou Suling Automobile Service would cease to operate the CNG/LNG Business. The proposed acquisition of the CNG Business from Suzhou Suling Automobile Service contemplated under the Deed of First Offer, if materialised, will constitute connected transaction(s) of our Company upon Listing, which will be subject to reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Rule 14A.33 of the Listing Rules. We will comply with all applicable requirements in Chapters 14 and 14A of the Listing Rules when such transaction(s) take(s) place.

Construction of the new combined CNG/LNG refuelling stations

In respect of the construction of new combined CNG/LNG refuelling stations, we intend to construct nine additional combined CNG/LNG refuelling stations in Taicang and Suzhou where we have already established a subsidiary, during the period from 2015 to 2017, subject to fulfilling the relevant regulatory requirements, market conditions and our continuous business assessment at different stages of the implementation of our expansion plan on the CNG and LNG refuelling station business. We intend to equip each newly built gas refuelling station with both CNG and LNG filling capability, with a view to attracting the largest possible number of both privately owned and commercial and industrial vehicles to purchase natural gas at each gas refuelling station since CNG is more commonly used by taxis and cars while LNG is more commonly used by long distance vehicles such as heavy trucks. We also intend to capture as much business opportunity as possible as a result of the promulgation of any favourable government policy with respect to the use of CNG or LNG by vehicles. Please refer to the paragraph headed “Our Expansion Plan of our Future CNG and LNG Business” in this section for further details of the implementation of this plan.

BUSINESS

Initial capital expenditure of each new combined CNG/LNG refuelling station

For the construction of each combined CNG/LNG refuelling station, the estimated capital expenditure (including the construction and installation costs and cost for acquisition of standard gas refuelling and storage facilities) will be around RMB12 million (excluding any land acquisition cost). We will either lease or acquire the land on which the relevant gas refuelling station will be constructed, depending on the cost involved. In case we decide to acquire the land for the construction of a new combined CNG/LNG refuelling station, we will (or will procure the landlord to) engage a qualified independent valuer to conduct property valuation and require the landlord to demonstrate good title to the property before we proceed with the transaction. We plan to finance the above costs and expenses with the proceeds from the Global Offering as set out in the section headed “Future Plans and Use of Proceeds” in this prospectus, and further funding (if required) for such expansion will be financed with our internal resources and/or bank borrowing, as appropriate. It is estimated that the capital expenditure for our expansion into the CNG and LNG refuelling station business for 2015 will be approximately RMB66 million, which will be funded by the proceeds from the Global Offering and the cashflow generated from our operating activities, as appropriate, and as such, we expect that our liquidity will not be affected by the expansion strategy set out above.

We believe that, as CNG and LNG are commodities of which their purchase and selling prices are largely set by local government authorities and market force, respectively, most of the magnitude of the price fluctuation could be transferable to the end-users. It is expected that after the CNG/LNG refuelling station business has achieved economies of scale and the expected upward adjustment of the pricing policy (for the First LNG Refuelling Station) after the initial period of promotion to new users as elaborated in the paragraph headed “Our Expansion Plan of our Future CNG and LNG Business” below, there will be substantial potential in terms of the profit margin of this business. This is because apart from the purchase cost of CNG/LNG, the rest of the expenses for the CNG/LNG refuelling station business are mainly selling and distribution/administrative expenses such as depreciation, staff cost, utilities and repair and maintenance, which are generally fixed costs and are independent of the volume of CNG/LNG sold, and such costs are not material to the CNG/LNG refuelling station business. In addition, except for public transportation companies and driving schools, most of the sales of CNG/LNG are settled by cash or pre-paid card, so that we could enjoy a relatively stronger liquidity position from our sales in this segment. Based on the above, our Directors are of the view that the expansion into the CNG/LNG refuelling station business will be in our commercial interest and is not expected to have any material adverse impact on our financial performance and liquidity.

Save for the CNG/LNG Business which we may acquire from Suzhou Suling Automobile Service and a property acquired by us in 2013 which we consider may be used for CNG/LNG refuelling station purpose in the future, as at the Latest Practicable Date, we had not yet commenced any construction in Taicang and Suzhou for any new combined CNG/LNG refuelling station, nor were we in active discussion with any potential business partner or landlord for such purpose. We will obtain all necessary approvals and licences before we commence operations in the relevant regions. In the event that we decide not to acquire the three CNG/LNG refuelling stations from Suzhou Suling Automobile Service under the Deed of First Offer, we will use the proceeds initially allocated to such purpose for the construction of additional CNG/LNG refuelling stations.

BUSINESS

Expand and enhance our piped natural gas sale and transmission business in Taicang

To fully capitalise our competitive strength in Taicang and capture business opportunities that will arise from the expected increase in population and continuing development in Taicang, we will continue to increase the penetration rate of piped natural gas and improve our operation facilities in our existing market. We also intend to expand our user base in Taicang through expansion of our pipeline network to newly developed or urbanised residential districts, as well as capturing new commercial and industrial users which may convert to piped natural gas from other energy sources.

Based on the information of the Suzhou Taicang Industrial and Commercial Administration Bureau (蘇州太倉工商行政管理局) and our estimation, there were around 1,000 industrial and commercial entities with registered capital of RMB10 million or above in our Operating Area which were not connected to our existing natural gas pipeline network as at 30 September 2014. To expand our coverage to these potential users, we plan to build and connect our high/mid-pressure pipeline network to around 38,000 residential units and around 10 to 20 industrial and commercial entities in several districts in the coming two years, with priority given to those areas in our Operating Area which are expected to be developed by local government pursuant to urban planning, subject to market conditions. We will also continue to promote the use of natural gas as a clean and efficient energy source to residential users as well as major industrial and commercial users located within our existing pipeline network which currently do not operate on or use natural gas, including companies in metallurgy, chemical and steel industries, the operations of which generally require a significant amount of energy, so as to increase our overall sale volume and revenue of piped natural gas in our existing market.

The estimated capital expenditure for the implementation of this plan will be around RMB200 million and we plan to finance the above costs and expenses with the proceeds from the Global Offering as set out in the section headed “Future Plans and Use of Proceeds” in this prospectus, and further funding (if required) for such expansion will be financed with our internal resources and/or bank borrowing, as appropriate.

Expand our business coverage to other cities by acquiring controlling interests in other natural gas operators

In addition to our organic growth, we seek to expand our natural gas business coverage to cities or regions outside Taicang. We believe there are significant acquisition and consolidation opportunities in the fast-growing natural gas distribution industry in the PRC. We intend to continue to maintain our growth momentum through acquiring controlling interests in local gas operators outside Taicang and we currently intend to focus our acquisition efforts generally on small local piped natural gas operators in industrial regions with good growth potential. Before we make any acquisition, we will conduct preliminary review and feasibility study on the potential target, and we have established a business development committee, comprising Mr. Su, Ms. Zhu, Mr. Du Shaozhou, Mr. Zhou Qingzu and Mr. Ng Chi Kit with Mr. Su as chairman, to consider, assess and decide on whether to carry out the proposed acquisition. In assessing the acquisition opportunities, we will carefully consider a variety of factors with respect to the target company and its business location, including the following: the quality of its assets and business; the cost and benefit of the acquisition and our internal financial requirements, taking into account our corporate strategy and long-term plan; the synergy between our existing operations and potential targets in

BUSINESS

terms of infrastructure, technology, know-how, management expertise and business compatibility; whether the target company has secured any piped natural gas supply; whether it has a stable customer base; its geographical proximity to our existing operations; the possibility of enhancing the overall competitiveness and sustainability of our existing and future business; and the size and population of the city in which it is located.

If the acquisition target meets the criteria of our preliminary assessment, we will engage qualified PRC legal advisers to advise us on any potential legal issues in relation to the acquisition and to ensure that the acquisition and operation of the target company will not give rise to any non-compliance with any applicable law or regulation.

As disclosed in the section headed “Regulatory Overview – PRC laws and regulations on foreign investment – Catalogue for the Guidance of Foreign Investment Industries” in this prospectus, the construction and operation of city gas pipeline networks in cities having an urban population exceeding 500,000 fall within the restricted industry category and shall be conducted through joint ventures with a Chinese partner as the controlling shareholder. In implementing our acquisition strategy, we will give priority to acquiring local gas operators operating the pipeline network in city with urban population below 500,000. In the event that we consider it is in our commercial interest to acquire local gas operators with city gas pipeline network in city having a urban population exceeding 500,000, subject to the requirements of the then applicable laws and regulations, we will make all necessary arrangements to ensure compliance with the applicable PRC laws and regulations as well as the Listing Rules.

If any acquisition or joint venture materialises, we intend to enhance the performance of the acquired or joint venture companies by sharing our extensive industry experience, implementing our operation model, and reorganising their corporate governance structure to help them integrate into our operations. We believe this strategy will enable us to maintain our growth in the future.

As at the Latest Practicable Date, we did not have any specific acquisition or joint venture plans or targets and had not entered into any definitive agreement or engaged in any active discussion with any potential target. We believe that we will be able to identify acquisition targets that complement our existing capabilities and businesses and allow us to continue to grow. Subject to the availability of acquisition targets that satisfy the criteria of our selection assessment as set out above, we will use our best endeavour to acquire one to two such local gas distributors, or the controlling interests thereof, in each of 2015 and 2016. We also believe that our expertise and experience in China’s natural gas distribution industry and well-established relationship with our natural gas supplier will bring synergy from our expanded operation and allow us to replicate our success in new markets.

We plan to finance the costs and expenses in respect of the aforesaid expansion plan with the proceeds from the Global Offering as set out in the section headed “Future Plans and Use of Proceeds” in this prospectus, and further funding (if required) for such expansion will be financed with our internal resources and/or bank borrowing, as appropriate.

Improve efficiency in and enhance safety of our existing operation

We also plan to build up a centralised monitor and control centre at our headquarters which will be equipped with a centralised supervisory control and data acquisition (SCADA) system to continuously monitor and collect operation data at each gateway station and our major

BUSINESS

transmission pipelines. We also plan to establish integrated control systems at our gas regulating and metering stations. We have already established similar integrated station control systems at our Taicang Gateway Station and Liuhe Gateway Station in 2014. We expect that these initiatives will enable us to efficiently and accurately keep track of gas usage data of our customers for our record analysis and to provide technical support for the operation of our transmission pipelines in a timely manner.

We will continue to invest into the safety of our natural gas facilities and systems, for example by purchasing emergency repair vehicles, repair equipment, imported pipeline leakage detectors and leak testing and detection equipment to promptly locate any source of leakage during on-site repair, so as to prevent potential safety hazards and to prevent the occurrence of accidents. We will continue to maintain our pipelines and other facilities in safe and operating condition.

Further, we will continue to improve and standardise our management system with operational objectives. We will continue to maintain and improve our systems for safety management and operational procedures for staff in all relevant positions to identify and minimise any potential risks and to monitor the sources of any potential accident. To implement the above, we intend to further our recruitment efforts to attract new talents for our development, continue to offer on-the-job-training to our staff, and refine the division of work, with the aim of securing human resources for our safety operation and enhancing our overall operational efficiency.

We intend to use our internal resources to carry out the improvements to our existing operation as set out above.

OUR EXPANSION PLAN OF OUR FUTURE CNG AND LNG BUSINESS

As more particularly disclosed in the paragraph headed “Our Strategies – Expand into CNG and LNG refuelling station business” in this section, we intend to acquire the CNG/LNG Business from Suzhou Suling Automobile Service and construct new combined CNG/LNG refuelling stations after Listing. Set forth below are further details of our expansion plan with respect to the operation of CNG and/or LNG refuelling stations business which we intend to carry on after Listing.

Criteria for Constructing Each New Combined CNG/LNG Refuelling Station

When implementing our plan, we will first identify a potential site for the new refuelling station and then conduct feasibility studies and make a detailed assessment on the business potential of such site, taking into account a number of factors, including:

- whether it is in line with our strategies to expand the geographical coverage of our natural gas business and customer base in our target cities;
- the competitive landscape of our target market, including the projected growth in the number of CNG or LNG vehicles and the speed of development of our target cities and surrounding regions;
- the then applicable pricing regime relating to the supply and sale of CNG and LNG in our target cities;

BUSINESS

- the consumption patterns of the potential customers of CNG and LNG in our target cities;
- the availability of land resources and suitable location for the construction of each of the new combined CNG/LNG refuelling stations;
- the estimated capital expenditure, breakeven and investment payback periods in respect of each of the new combined CNG/LNG refuelling stations;
- the geographical coverage of each of the new combined CNG/LNG refuelling stations and the proximity of the same to our other existing gas refuelling stations;
- the impact of the construction of a new combined CNG/LNG refuelling station on our existing gas refuelling stations;
- the availability of government incentives for the use or supply of CNG/LNG in our target cities;
- the accessibility of the potential site of the new refuelling stations to the potential users and key natural gas infrastructure;
- the traffic flow of CNG and LNG vehicles in the vicinity of each of the new combined CNG/LNG refuelling stations; and
- any entry barrier to operating a new refuelling station in the region such as licensing requirements.

After conducting the feasibility studies and detailed assessment, if the new site has met our criteria, the assessment findings together with the execution plan will be prepared and submitted to our Company's senior management and the business development committee for approval. We will also designate or recruit appropriate staff to manage the operation of our gas refuelling stations. In addition, pursuant to the PRC laws and regulations, CNG/LNG refuelling station operators shall be in compliance with the relevant planning requirements and shall obtain the supply of bottled gas licence (瓶裝燃氣供應許可證) and gas bottle filling permit (氣瓶充裝許可證) issued by the competent authority.

As advised by our PRC Legal Advisers, in order to obtain the supply of bottled gas licence, we are required to fulfill (i) the conditions stipulated under the *Regulations of Jiangsu on the Administration of Gas*; and (ii) the relevant requirements for the application for the supply of bottled gas licence published by Suzhou City HUDB. To fulfill the relevant conditions and requirements, our Company is required to possess the following qualifications: (i) gas resources which are stable and up to national standards; (ii) capital contribution which is appropriate to its operating scale and not less than RMB100,000; (iii) management and technical personnel appropriate to its operating scale; (iv) a regular place of operations which complies with fire safety requirements with the required emergency and recovery facilities; and (v) safety management and operations management systems as required, etc.. In addition, we are required to obtain the gas bottle filling permit.

BUSINESS

As advised by our PRC Legal Advisers, in order to obtain the gas bottle filling permit, we have to satisfy the requirements under the *Regulations on Gas Bottle Filling*, which require us to, *inter alia*, obtain the approval from the relevant government planning and fire departments, have in place the refilling facilities, premises and safety facilities which are compatible with the refilling medium, as well as the required quality management and safety management systems for natural gas refuelling.

To comply with the relevant rules and regulations for obtaining the permits necessary for the construction and operation of CNG/LNG refuelling stations, we have designated Mr. Zhou Jihui, our deputy general manager, to be responsible for compliance matters with respect thereto. Mr. Zhou possesses over 23 years of experience in urban gas engineering. His knowledge and his previous experience in coordinating with the relevant government authorities on matters related to natural gas refuelling stations could facilitate our Company's application for the relevant permits and compliance with the relevant rules and regulations. Please refer to the section headed "Directors, Senior Management and Staff" in the prospectus for more detailed biographical information of Mr. Zhou.

We will also engage our PRC Legal Advisers to render professional services and advice on the procedures, issues and compliance matters relevant to the application for the relevant permits and the legal and compliance matters of the natural gas refuelling stations as and when appropriate. Mr. Zhou, our deputy general manager, will be responsible for communicating from time to time with the our PRC Legal Advisers on issues related to the application for the relevant permits, closely monitoring the progress and compliance thereof and reporting the same to our Board.

Number and Locations of New Gas Refuelling Stations and Timing of the Planned Expansion

Based on our expansion plan, we intend to acquire the First CNG Refuelling Station, the First LNG Refuelling Station and the combined CNG/LNG refuelling station from Suzhou Suling Automobile Service, and construct nine additional combined CNG/LNG refuelling stations within 2015 to 2017.

Of the three gas refuelling stations to be acquired from Suzhou Suling Automobile Service, two of them which were in operation as at the Latest Practicable Date were situated at the taxis services centre on Maotai Road (Westside) of Taicang and the long distance automobile terminal near Taiping Road West and Ningbo Road South of Taicang, respectively. The third gas refuelling station, being a combined CNG/LNG refuelling station, was located near Suzhou Road North and Dongting Road (Westside) and was under construction as at the Latest Practicable Date. Please refer to the section headed "Relationship with Controlling Shareholders – Information on Other Companies Owned by Our Controlling Shareholders – Suzhou Suling Automobile Service" in this prospectus for further information regarding the conditions to be fulfilled before we proceed to acquire these gas refuelling stations.

Subject to market conditions and our continuous business assessment at different stages of implementation of our expansion plan on the CNG and LNG refuelling station business, we intend to progressively construct the new combined CNG/LNG refuelling stations starting from 2015. We intend to complete the construction of two gas refuelling stations in Taicang and two gas refuelling

BUSINESS

stations in Suzhou City in 2016 and two gas refuelling stations in Taicang and three gas refuelling stations in Suzhou City in 2017. According to our current plan, we intend to target locations for constructing new gas refuelling stations mainly along highways or major roads and which have high traffic flow, high accessibility to the potential users and are in close proximity to the key natural gas infrastructure, in order to maximise the revenue from each of such gas refuelling stations and reduce transportation cost. We will also closely monitor the progress of the implementation of our plan and fine tune our plan as and when appropriate. The implementation of this plan may be affected by a number of factors such as change in market conditions, customers' preference and government policies, unavailability of suitable construction site or location, difficulties in obtaining the necessary permits and approvals, technical complication and delay in the construction, etc., due to reasons beyond our control. If the market conditions change significantly, or after making our business assessment, we consider that it will not be in our commercial interest or will be technically not feasible to construct a gas refuelling station at our target location or at a particular point of time, we will actively seek alternative location or refine the schedule of our planned expansion (as the case may be), as appropriate, and in such case, we will conduct the feasibility study and assessment again before we proceed with any construction of new gas refuelling station at a particular site. Please also refer to the section headed "Risk Factors – Risks Relating to Our Business – Our future growth strategies may not succeed." and "Risk Factors – Risks Relating to Our Business – The assumptions we use to perform our internal analysis and feasibility studies for our planned expansion may not be up-to-date or accurate." in this prospectus for more details on the risks associated with our expansion plans.

To manage potential competition among our gas refuelling stations situated within the same city, we intend to maintain a distance of at least 10 km (in most cases, more than 15 km) and 12 km (in most cases, more than 20 km) apart among each of our new combined CNG/LNG refuelling stations in Taicang and Suzhou, respectively. We also intend to maintain a distance of at least 10 km among each of the gas refuelling stations of Suzhou Suling Automobile Service and each of the new combined CNG/LNG refuelling stations. The distance varies according to the geographical environment and traffic condition of the target cities.

Our Directors believe that, based on the prevailing market conditions, our current expansion plan will be supported by the expected increase in demand for CNG and LNG in our target cities. Please refer to the section headed "Industry Overview" in this prospectus for further details on the drivers and government incentives which are expected to lead to the growth of such cities. Further, to capitalise the business opportunity that will arise from the government's promotion on the use of CNG and LNG as vehicular fuel, we will also increase our marketing effort to encourage vehicle owners to convert from the use of diesel or gasoline to CNG or LNG which has comparative price advantage. For example, according to the research by PetroChina Economics & Technology Research Institute, natural gas buses are estimated to save about 22% of fuel costs compared to diesel buses, while natural gas heavy trucks are estimated to save about 15% fuel costs compared to diesel heavy trucks.

Pricing Strategies for the Natural Gas Refuelling Stations of Suzhou Suling Automobile Service

As set out in the section headed "Regulatory Overview – PRC laws and regulations on the distribution and sale of natural gas – Price determination regime of natural gas" in this prospectus as advised by the PRC legal advisers, the selling price of vehicular CNG in Taicang and Suzhou

BUSINESS

is regulated by the government, whereas the selling price of vehicular LNG is determined by market force, which is based on the demand and supply of vehicular LNG in the market as well as marketing strategies of the operators of gas refuelling stations, and there is currently no relevant requirement that the selling price of vehicular LNG be subject to the regulation of the government.

For the current pricing strategies of the CNG and LNG refuelling station business of Suzhou Suling Automobile Service, please refer to the section headed “Financial Information – Financial Information on the Target Business of Suzhou Suling Automobile Service” in this prospectus. Upon the acquisition of CNG/LNG Business and the construction of each of the CNG/LNG refuelling stations, we intend to adopt the government-regulated selling price for CNG sold at our gas refuelling stations. For LNG sold at our gas refuelling stations, we intend to adopt dynamic pricing strategies, taking into account the actual market landscape and the future development of our CNG and LNG refuelling station business.

Expected Breakeven and Investment Payback Periods

For the CNG Business to be acquired from Suzhou Suling Automobile Service, Suzhou Suling Automobile Service started its CNG refuelling station business in October 2012 and recorded a profit for 2012 and had been profit making as at the Latest Practicable Date. For its LNG refuelling station business, it had been loss-making since the commencement of such business in September 2013, primarily due to Suzhou Suling Automobile Service’s strategy of setting a lower selling price of LNG to attract customers, according to its management. It is expected by the management of Suzhou Suling Automobile Service that the selling price of LNG of Suzhou Suling Automobile Service will be adjusted back to the market level (i.e. comparable to the selling price of LNG sold at other LNG refuelling stations in nearby cities) during the second half of 2015 and the LNG refuelling station business is expected to turn to profit since then. Based on the estimate of the management of Suzhou Suling Automobile Service, the investment payback periods⁵ of the First CNG Refuelling Station, the First LNG Refuelling and the combined CNG/LNG refuelling station under construction will be around 4 years, eight years and seven to eight years (including the construction period), respectively⁶. For the new combined CNG/LNG refuelling stations to be constructed, we expect that the average breakeven periods, i.e. the period after which the particular new combined CNG/LNG refuelling station’s monthly revenue is at least equal to its monthly expenses will be around 24 months and the investment payback periods⁵ will be around seven to eight years (taking into account the construction period)⁶.

⁵ The investment payback period refers to the time it takes for the accumulated cash flow from a particular natural gas refuelling station to cover the costs of opening and operating the natural gas refuelling station for the period, including incurred capital expenditures and ongoing cash and non-cash operating expenses, of the particular natural gas refuelling station.

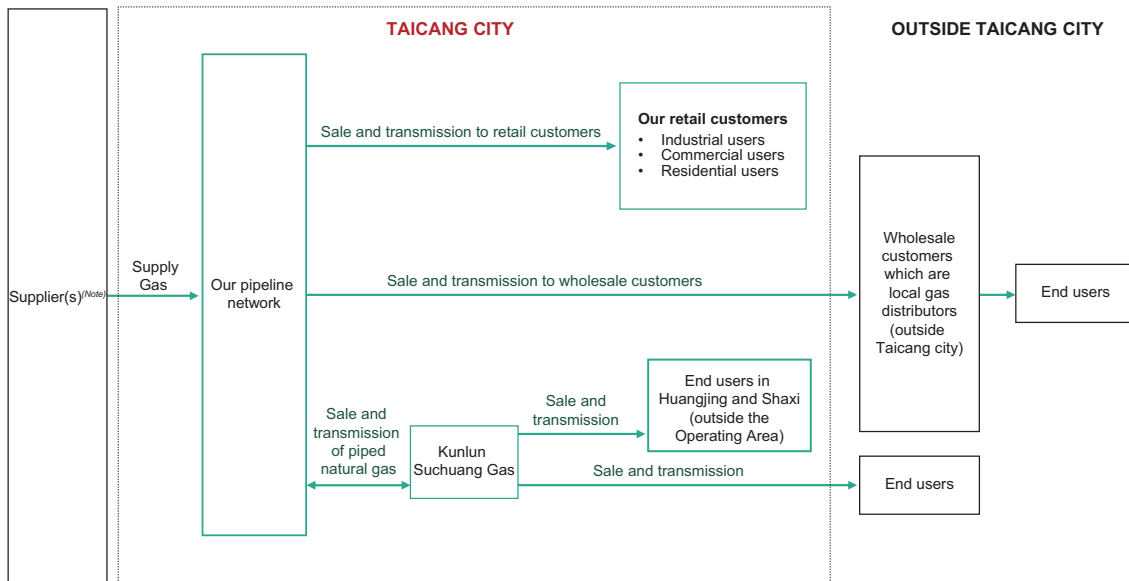
⁶ In arriving at our expected investment payback period, we have assumed that there is (i) no material increase in the construction and installation costs and cost for acquisition of gas refuelling and storage facilities; (ii) no material increase in the rental or acquisition costs of the land for operating the gas refuelling station; (iii) no material adverse change in government policy related to the CNG and LNG refuelling station business; (iv) no delay in obtaining the required licences and permits under the relevant laws and regulations for the operation of the CNG and LNG refuelling station business; and (v) no vicious competition arising among our own natural gas refuelling stations.

BUSINESS

OUR BUSINESS MODEL AND SEGMENTS

Our principal business comprises (i) sale and transmission of piped natural gas purchased by us to customers, as well as the provision of transmission services through our natural gas pipeline network to those who have direct natural gas purchase arrangements with PetroChina; and (ii) construction and connection of natural gas pipelines for customers such as property developers, and commercial and industrial users in our Operating Area. For further details on our revenue model for these business segments, please refer to the paragraphs headed “Our Piped Natural Gas Sale and Transmission Business” and “Our Pipeline Construction and Connection Business” in this section. The diagram below illustrates our business segments during the Track Record Period:

(i) Sale and transmission of piped natural gas

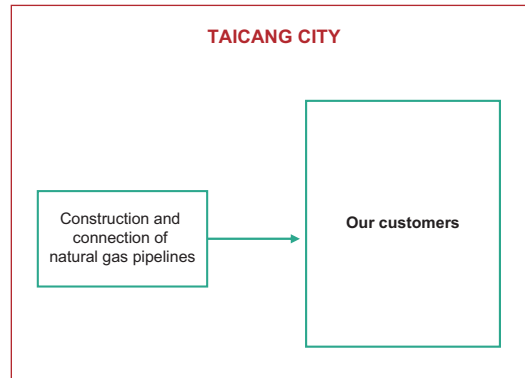


Note:

PetroChina is currently our principal piped natural gas supplier. During the Track Record Period, we also purchased piped natural gas from Kunshan Litong and Kunlun Suchuang Gas. Please refer to the paragraphs headed “Our Piped Natural Gas Sale and Transmission Business – Supply of Natural Gas – Our relationship with PetroChina” and “Our Piped Natural Gas Sale and Transmission Business – Sale of Piped Natural Gas to Wholesale Customers – Our relationship with Kunlun Suchuang Gas” in this section for further details.

BUSINESS

(ii) Construction and connection of natural gas pipelines



Set out below is the breakdown of our revenue by business segment for the periods indicated:

Business segments	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Sale and transmission of piped natural gas										
– Sale of natural gas	414,600	87.4	430,000	82.2	541,919	81.6	385,721	80.1	498,459	86.6
– Transmission of natural gas	735	0.2	8,779	1.7	8,426	1.3	5,763	1.2	7,194	1.2
Sub-total:	415,335	87.6	438,779	83.9	550,345	82.9	391,484	81.3	505,653	87.8
Construction and connection of gas pipelines										
– Construction of gas pipelines	49,881	10.5	74,209	14.2	100,224	15.1	80,718	16.8	58,394	10.1
– Connection of gas pipelines	5,632	1.2	7,522	1.4	10,674	1.6	7,850	1.6	9,229	1.6
Sub-total:	55,513	11.7	81,731	15.6	110,898	16.7	88,568	18.4	67,623	11.7
Others (Note)	3,376	0.7	2,470	0.5	2,420	0.4	1,638	0.3	2,454	0.5
Total revenue:	474,224	100.0	522,980	100.0	663,663	100.0	481,690	100.0	575,730	100.0

Note: "Others" mainly represents revenue generated from pipeline repair and maintenance services, sale of gas products and property letting in relation to certain areas in our office building since 2013.

OUR PIPED NATURAL GAS SALE AND TRANSMISSION BUSINESS**Taicang and our Operating Area**

Taicang is a county-level city situated in the Yangtze River Delta of Jiangsu Province. It comprises six townships and the Taicang Port Economic Development Zone (Port Zone & New District) which was established in 1991, covering a development area of 80 square kilometres. Taicang covers a total area of 822.9 square kilometres, of which 648 square kilometres are land area. As at 31 December 2013, the resident population of Taicang was around 707,000, of which around 474,400 were urban population, according to Taicang Statistics Bureau. Adjacent to the affluent cities such as Suzhou, Kunshan, Changshu and Shanghai, Taicang is one of the major industrial county-level cities in Jiangsu Province. According to Taicang Statistics Bureau, in 2013, the gross industrial output value and the industrial investment amount of Taicang reached RMB256.4 billion and RMB25.9 billion, respectively. The financial investment in the Yangtze River Delta has enhanced Taicang's rapid economic expansion and industrialisation, and Taicang's GDP approached RMB100 billion in 2013, based on the information published by the local government. Please refer to the section headed "Industry Overview – 3. Development of Gas Pipelines and Urban Gas Industry in China – 3.6 Overview of Taicang City and its Natural Gas Market" in this prospectus for further details on Taicang and its statistics. The map below illustrates the location of Taicang and its neighbouring regions.



Note: Cities with names underlined are the cities where our current wholesale and transmission customers are located.

Our Operations in Taicang

We were established with Taicang City People's Government's approval "太政覆(2002)7號" issued on 15 April 2002, for the construction and maintenance of the natural gas pipeline network and natural gas supply services in Taicang. We commenced the construction of our natural gas pipeline network in Taicang in 2004, and completed the construction of Taicang Gateway Station in 2004 and began the sale of piped natural gas in Taicang in 2005.

BUSINESS

After we had commenced the construction of our natural gas pipeline network in Taicang, in March 2004, the PRC Ministry of Construction promulgated the *Measures for the Administration on the Concession of Municipal Public Utilities*, effective as from 1 May 2004, which requires that the competent departments of municipal public utilities under the people's governments of municipalities be responsible for the implementation of the concession of municipal public utilities within their own administrative regions. In July 2006, the Construction Department of Jiangsu Province (currently the Jiangsu Provincial Department of Housing and Urban-Rural Development) promulgated the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*, effective as from the date of promulgation, which required that the piped natural gas business shall be operated under a concession system and the concession shall be granted through an open and fair way such as bidding. According to Article 22 of the said Measures, enterprises which began piped natural gas construction and operation before the implementation of the *Regulations of Jiangsu on the Administration of Gas* (i.e. 1 July 2005) and have not yet carried out concession system shall carry out systems relating to concession, and sign concession agreements to specify the rights and obligations of concession. In September 2007, Suzhou Municipal People's Government promulgated the *Measures of Suzhou on the Administration of Gas*, effective as from 1 November 2007, and on 18 May 2012, Suzhou City HUDB issued Notice of Suzhou on Extending Gas Operation Licensing to Cities and Counties. In December 2012, Taicang HUDB formulated the *Implementation Plan for Concession of Piped Natural Gas in Taicang City* (the "**Taicang Gas Implementation Plan**").

Given that we had been engaging in piped natural gas sale in Taicang before the implementation of the *Regulations of Jiangsu on the Administration of Gas*, Taicang HUDB, as the Concession Grantor, decided to grant the Concession to us by way of entering into a concession agreement with us without requiring a public bidding process pursuant to Article 22 of the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*, upon the approvals by Suzhou City HUDB, which is the competent authority at the next higher level of Taicang HUDB. We have, in accordance with the Concession Agreement with Taicang HUDB, obtained the Certificate for Gas Operation (燃氣經營許可證) granted by Suzhou City HUDB.

Our PRC Legal Advisers have opined that the necessary approvals and completion of the filling procedures have been obtained, and that the licensing of piped gas operation in Taicang has been carried out according to the *Regulations of Jiangsu on the Administration of Gas* and the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*. Taicang HUDB has confirmed that the processes and methods through which Taicang Natural Gas obtained the concession complied with the relevant laws and regulations including the *Regulations of Jiangsu on the Administration of Gas* and the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*. Having made enquiries with Suzhou City HUDB, which is the gas managing department at a higher level than Taicang HUDB, the Construction Department of Jiangsu Province, which is the provincial gas managing department of Jiangsu Province, the relevant management personnel and bureau confirmed that Taicang HUDB has granted the Concession to Taicang Natural Gas through the Concession Agreement entered into between Taicang HUDB and Taicang Natural Gas, rather than through a bidding process, and that the Concession so granted complied with the relevant laws and regulations of the *Regulations of Jiangsu on the Administration of Gas* and the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*. We have also obtained a written confirmation from the Jiangsu Provincial Department of Housing and Urban-Rural Development confirming that Taicang HUDB has granted the Concession to Taicang Natural Gas in compliance with the *Regulations of Jiangsu on the Administration of Gas* and the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas* and the Concession shall be exercised in accordance with the terms of the

BUSINESS

Concession Agreement. Our PRC Legal Advisers confirmed that the Jiangsu Provincial Department of Housing and Urban-Rural Development is a competent authority to issue the said written confirmation.

Since August 2013, we have been operating our piped natural gas sale and transmission business in the Operating Area of Taicang under the Concession. The Operating Area, which represents more than 70% of Taicang's total area, covers the area enclosed by National Highway 204, Shuangfu Highway, the Provincial Highway 338, and the current administrative boundaries of Taicang City, Jiangsu Province, PRC, and excludes the section of pipelines at Shaxi and Huangjing Districts within Taicang operated by Kunlun Suchuang Gas, in which we own 49% equity interest, and a section of high pressure pipelines which is owned by PetroChina for transmission of gas from Yanglintang to Liuhe Gateway Station. For further details of our relationships with PetroChina and Kunlun Suchuang Gas, please refer to the section headed "History and Reorganisation – Corporate History of our Group" in this prospectus and the paragraph headed "Supply of natural gas – Our relationship with PetroChina" below in this section.

The Concession

Pursuant to the Taicang Gas Implementation Plan, in August 2013 we entered into the Concession Agreement with the Concession Grantor, the concession period of which was effective from 1 September 2013.

Set out below are some of the key terms of the Concession Agreement:

- | | | |
|----------------------------------|---|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Parties | : | Taicang Natural Gas as grantee and Taicang HUDB as Concession Grantor |
| Business scope | : | The investment in, and construction, operation and maintenance of, piped natural gas (limited to piped natural gas) facilities and recovery and emergency services, the sale (including distribution) of piped natural gas by means of pipeline transmission, as well as the charging of fees in accordance with the price standards stipulated by the competent authority in the Operating Area, during the term of the Concession Agreement |
| Operating Area | : | The area bounded by the National Highway 204, Shuangfu Highway, the Provincial Highway 338, and the current administrative area boundaries of Taicang City, Jiangsu Province, PRC, excluding the districts of Shaxi (沙溪) and Huangjing (璜泾) |
| Consideration and payment | : | Annual fee of 0.2% of the operating revenue for the previous year of Taicang Natural Gas (calculated based on the audited accounts of Taicang Natural Gas) is payable within 10 days after the confirmation by the Concession Grantor on the said audited accounts (which shall be submitted to the Concession Grantor no later than 30 April after the end of the year to which the annual fee is related). |

BUSINESS

Term : 30 years, commencing from 1 September 2013 until 31 August 2043, subject to renewal

Renewal will be subject to the negotiation between us and the Concession Grantor in accordance with the Concession Agreement, which shall take place two years prior to the expiry of the term. Pursuant to the Concession Agreement, we shall enjoy a preferential right for renewal of the concession, provided that to do so will not result in breach of the applicable laws and regulations or the stipulations of the Concession Agreement.

Should the parties fail to reach agreement on the renewal one year prior to the expiry of the term, the Concession Grantor shall be entitled to grant the concession to a new operator in accordance with the applicable laws upon the expiry of the term of the Concession Agreement.

Ownership of natural gas facilities : Under the Concession Agreement, our Company retains the ownership of the piped natural gas facilities which it has invested in and constructed.

Transfer or repurchase of assets upon termination : (i) Termination upon expiry:

In the event that the Concession Agreement is not renewed pursuant to the exercise of our preferential right for renewal, the Concession Grantor shall take resumption of the concession at nil consideration upon expiry of the Concession Agreement and we shall transfer to the Concession Grantor or its designated recipient(s) such rights including the project facilities and assets as are necessary for the normal operations of Taicang piped natural gas project (the “**Project Facilities and Assets**”).

BUSINESS

In the case of such transfer, the Concession Grantor and we shall negotiate on the scope of the Project Facilities and Assets to be transferred to, or repurchased by, the Concession Grantor (however, the piped natural gas facilities and resident-user-specific gas facilities which are located within the area enclosed by the boundary of the users, for which the construction is invested in by the constructing unit and which are transferred to the users, or for which the construction has been contributed to or commissioned by the users, as well as the assets arising on such bases from the renovation or conversion of such facilities, shall not be included in the scope of the assets to be repurchased; the engineering, material and installation fees charged by us to piped natural gas users and the assets arising therefrom (if any) shall not fall within the Project Facilities and Assets to be transferred and repurchased as referred to in the Concession Agreement either, but shall be transferred in accordance with the stipulations of the agreement), and such facilities or assets shall be reported to the Concession Grantor for approval. The Concession Grantor shall be entitled to repurchase the Project Facilities and Assets in accordance with the assessed value determined by a third-party assets valuing authority with corresponding qualifications which is approved by the Concession Grantor and us.

Not earlier than 12 months prior to the date of transfer upon expiry of the term of the Concession Agreement, we shall conduct one last major repair of a restorative nature on the Project Facilities and Assets to be repurchased by the Concession Grantor⁷.

⁷ Given that the Concession Agreement is renewable, our Directors consider that it is not likely that it will be necessary for us to conduct "one last major repair" of a restorative nature on the Project Facilities and Assets because our Company intends to renew the Concession Agreement prior to its expiry in 2043 in accordance with the terms thereof as set out above; and that we conduct routine maintenance and repair of the pipeline assets and will continue to do so during the term of the Concession to extend the useful life of the pipeline facilities and assets. In accordance with the relevant accounting policies, the repair expenses will be capitalised when incurred if they meet the criteria for the definition of assets stated above and the useful lives of pipeline assets are extended before the end of the term of the Concession. Based on the above, our Directors are of the view that it is neither necessary nor appropriate to make any provision in this regard. For illustration purpose, the annual expenses incurred for maintenance and repair of our facilities and assets for our operations were RMB0.9 million, RMB1.6 million, RMB1.1 million and RMB0.8 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively.

BUSINESS

(ii) Early termination:

In the event of an early termination due to a breach of contract by us, the repurchase consideration of the Project Facilities and Assets to be paid by the Concession Grantor shall be 80% of the assessed value of the Project Facilities and Assets to be transferred by us; in the event of an early termination due to a breach of contract by the Concession Grantor, the repurchase consideration to be paid by the Concession Grantor shall be 120% of the assessed value of the Project Facilities and Assets to be transferred by us; in the event of an early termination due to a force majeure, a change in laws or an act of government, the repurchase consideration to be paid by the Concession Grantor shall be equal to the assessed value of the Project Facilities and Assets to be transferred by us.

When determining the repurchase consideration for the assets under each of the above circumstances, the Concession Grantor and we shall jointly elect an internationally renowned assets valuing authority or auditing authority which can legally conduct business domestically with relevant qualifications. The assets to be repurchased shall refer to such investments by us, piped natural gas equipment arising from construction and local rights of use acquired through assignments as are necessary for maintaining the normal operation of the piped natural gas project in Taicang, which shall exclude courtyard piped natural gas facilities, non-resident-users' piped natural gas facilities, resident-specific piped natural gas facilities and commercial properties.

There is no assurance that the Concession Agreement will not be terminated before the expiry of its term or that we will be successful in renewing this agreement. If the Concession Agreement is terminated for whatever reason before expiration, or we fail to renew it upon expiration, our business, financial condition and operating results will be materially and adversely affected. Please refer to the section headed "Risk Factors – Risks Relating to Our Business – Our Concession for the operation of our business will expire or may be terminated before expiration." in this prospectus for details of the risk associated with our business operated under the Concession.

BUSINESS

Our PRC Legal Advisers have opined that Taicang HUDB is the competent authority which shall be responsible for implementation of the licensing of piped natural gas operation in Taicang. It has been authorized by the Taicang City People's Government to enter into the Concession Agreement with Taicang Natural Gas. The terms of the Concession Agreement is in compliance with the applicable laws, and the Concession Agreement is valid and legally binding on the parties thereto. Further, Taicang Natural Gas has obtained the Certificate for Gas Operation granted by the competent authorities in respect of gas business in accordance with the Concession Agreement, and the processes and methods through which Taicang Natural Gas obtained the concession complied with the relevant laws and regulations including the *Regulations of Jiangsu on the Administration of Gas* and the *Measures of Jiangsu on the Administration of Concession of Piped Natural Gas*. Accordingly, Taicang Natural Gas shall have the legal right of the Concession under the Concession Agreement.

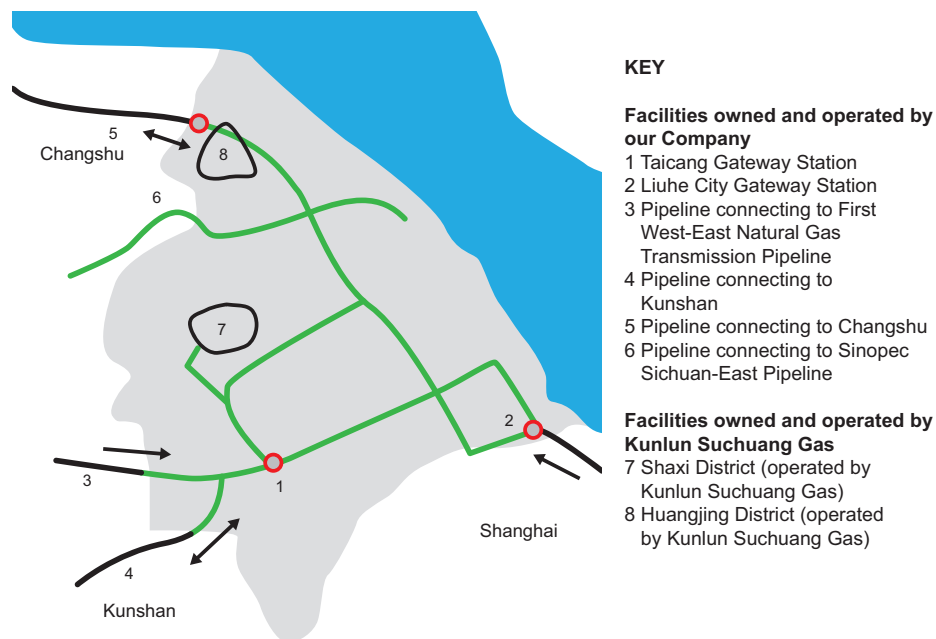
Our Pipeline Network and Facilities

Our operational facilities

The principal operational facilities for our natural gas operation include city gateway stations, pressure regulating and measuring stations, urban branch pipeline networks and end-user pipeline networks for transmission and distribution of piped natural gas.

Our pipeline network

The indicative map below shows the approximate locations of our major high-pressure gas pipelines and city gateway stations for illustrative purpose.



Note: The boundaries and locations of the facilities are for illustrative purpose only and may not be exact in geographic terms.

BUSINESS

We own and operate the natural gas pipeline network in Taicang, which, as at 30 September 2014, had an aggregate length of 456.6 km (excluding the pipelines under construction with an aggregate length of 99.4 km) and covered the major districts in Taicang. Our pipeline network is connected at two city gateway stations with the First West-East Natural Gas Transmission Pipeline (西氣東輸一線) operated by PetroChina. After processing the natural gas, including pressure regulation, volume measurement, filtering and odorising at our city gateway stations, we transmit the natural gas through our pressure regulating and measuring stations and eventually distribute it to our customers through our city branch pipeline network.

(i) City gateway stations

As at the Latest Practicable Date, we operated two city gateway stations. We are in the process of constructing our third city gateway station which is connected with the Sichuan-East Transmission Pipeline of Sinopec, which is expected to commence operation in 2015. A city gateway station acts as a gateway through which high-pressure piped natural gas is transmitted from the long-distance transmission pipelines of our suppliers to our main gas supply pipelines in Taicang.

Our city gateway stations regulate the pressure of natural gas received, quantify and verify the amount of gas purchased from our suppliers, and filter and odourise the natural gas received so that users and the general public can be alerted to gas leakages.

(ii) Pressure regulating and measuring stations

Our pressure regulating and measuring stations are connected to our city gateway stations. After receiving the piped natural gas transmitted from the city gateway stations, our pressure regulating and measuring stations deliver the piped natural gas to our users after further pressure regulation, volume measurement, filtering and odorising.

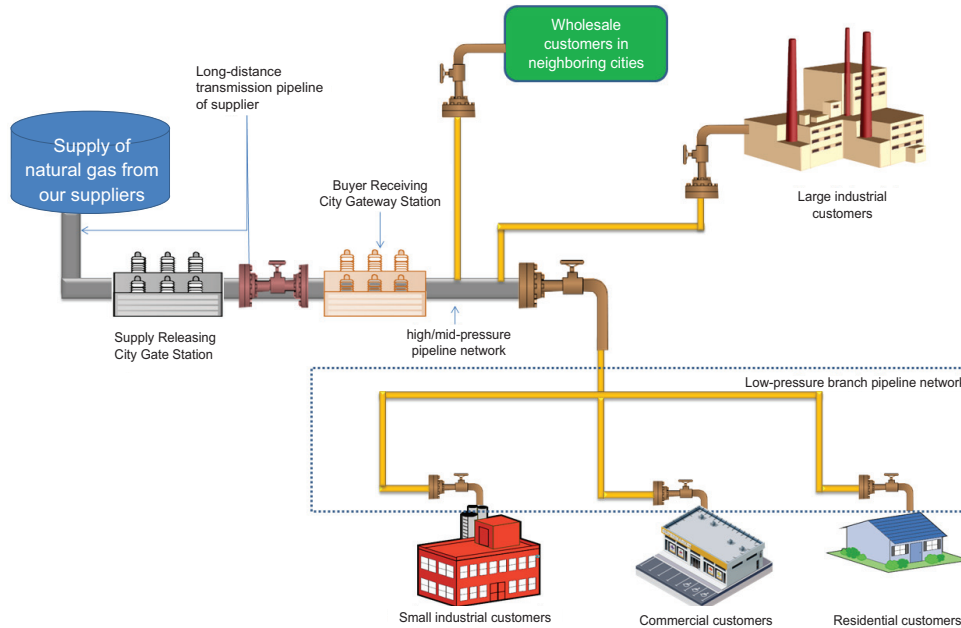
(iii) Urban branch pipeline networks

After being processed at the city gateway stations and the pressure regulating and measuring stations, the piped natural gas is transmitted and distributed through our urban branch pipeline networks. Our urban branch pipeline networks consist of high-, mid- and low-pressure pipelines connected to the users' pipelines located within their properties. We deliver our natural gas to our wholesale customers through our main high-pressure pipelines without processing, to their receiving stations which are the connecting points between our pipeline network and their pipelines.

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 networks ensure that the gas supply is not completely cut off in the event of any single point failure along the ring. In 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.

BUSINESS

The following diagram illustrates the major processes of transmission and distribution of natural gas.



Supply of Natural Gas

Natural gas is the major raw material for our sale of piped natural gas business. During the Track Record Period, piped natural gas was delivered by our suppliers through long-distance pipelines to our city gateway stations in Taicang. PetroChina was our principal piped natural gas supplier for piped natural gas during the Track Record Period. We have also purchased piped natural gas from Kunlun Suchuang Gas, for details, please refer to the paragraph headed “Our relationship with Kunlun Suchuang Gas” below in this section.

As we expect that the specified purchase volume under the Master Supply Agreements with PetroChina may be exceeded by our demand in 2015, to diversify the sources of supply of, and in anticipation of our increasing demand for, piped natural gas, we entered into a memorandum of understanding in August 2013 with Jiangsu Province Natural Gas Company Limited, an associated company of Sinopec, which has agreed to supply us with piped natural gas in the future as an additional source of supply. Subject to the signing of the formal agreement, we expect that supply of natural gas by Jiangsu Province Natural Gas Company Limited will commence in 2015.

Our relationship with PetroChina

We have a well-established relationship with PetroChina, which started in 2005. PetroChina has been our primary upstream source of piped natural gas supply because our pipeline network in Taicang is connected to the long-distance pipelines of PetroChina. Prior to the completion of the Liuhe Gateway Station, we shared a connection to the pipelines of PetroChina with Kunshan Litong Gas Company Limited (昆山利通天然氣有限公司) (“**Kunshan Litong**”), an Independent Third Party, and we purchased our natural gas from Kunshan Litong as our direct supplier, while PetroChina was our upstream supplier. We have developed a strategic relationship with PetroChina, as we have formed and operated with it joint ventures including Kunlun Suchuang Gas since 2006. For the risk of our reliance on PetroChina, please refer to the section headed

BUSINESS

“Risk Factors – Risks Relating to Our Business – PetroChina is currently our principal natural gas supplier and any instability in, shortages of or disruption to the supply of natural gas to us from PetroChina could significantly and adversely affect our business. We may also face shortage of natural gas in the PRC as a whole.” in this prospectus.

In 2006, we set up Kunlun Suchuang Gas as a joint venture with PetroChina. As at the Latest Practicable Date, Kunlun Suchuang Gas was held as to 49% by us and as to 51% by PetroChina Kunlun (a subsidiary of PetroChina), and was principally engaged in the retail sale of piped natural gas in the Shaxi and Huangjing Districts in Taicang, and the sale and transmission of natural gas to its customers in Changshu, and was also one of our wholesale customers for piped natural gas. Please refer to the paragraph headed “Our relationship with Kunlun Suchuang Gas” in this section for details. In 2009, we set up Kunlun Suchuang Usage, our second joint venture with PetroChina. As at the Latest Practicable Date, Kunlun Suchuang Usage was held as to 40% by us and 60% by PetroChina Kunlun, and was principally engaged in the sale and distribution of CNG. For further details of Kunlun Suchuang Usage please refer to the section headed “History and Reorganisation – Corporate History of our Group – Kunlun Suchuang Usage” in this prospectus.

We believe that our well-established and strategic relationship with PetroChina enables us to obtain a reliable supply of natural gas which is essential for the operation and development of our natural gas business, as well as our planned expansion in future.

Master Supply Agreements with PetroChina

On 8 March 2011, we entered into a master supply agreement (as supplemented by the supplemental agreement dated 16 March 2012) with PetroChina, pursuant to which we shall purchase from PetroChina, and PetroChina shall sell to us, piped natural gas through its branch company, West-East Gas Transmission Distribution Branch Company (西氣東輸銷售分公司) (“**PetroChina WEG Distribution**”), with the transmission services of West-East Gas Transmission Pipeline Branch Company (西氣東輸管道分公司), another wholly-owned branch of PetroChina (together with PetroChina WEG Distribution the “**PetroChina Companies**”). Set forth below are the major terms of the Master Supply Agreements:

Term	:	12 years until 31 December 2023. We shall negotiate the extension of the term during the penultimate year of the duration of supply.
Specified purchase volume	:	The specified purchase volume for piped natural gas is as follows: Under the supplemental supply agreement with PetroChina dated 16 March 2012: (i) for the years 2011 to 2015: 240 million m ³ ; and (ii) piped natural gas delivery for each of the years subsequent to 2015 shall be subject to adjustment at 5-year intervals.

BUSINESS

Under the Master Supply Agreements, if our actual purchase volume in the relevant year is less than 90% of the specified purchase volume (the “**minimum purchase volume**”, i.e. 216 million m³ per year for 2011 to 2015), we have a take-or-pay obligation for the difference, which is the specified purchase volume minus the actual purchase volume in such year, and in such case, we have the right to require PetroChina to supply the supplemental volume of natural gas which is equivalent to the amount of Purchase Shortfall (as defined below) in that year, subject to, *inter alia*, the conditions that (i) we have made the payment for such Purchase Shortfall (as defined below) to PetroChina; (ii) we are able to require PetroChina to supply such supplemental amount of natural gas in any year within the three years after the year in which the relevant Purchase Shortfall (as defined below) occurs provided that our actual purchase volume of that year has fulfilled the relevant minimum purchase volume; (iii) the actual purchase volume and the supplemental amount of natural gas supplied by PetroChina pursuant to the above mechanism will not exceed the initially agreed purchase volume specified under the Master Supply Agreements; and (iv) such right is exercisable by us within three years after the year in which the relevant Purchase Shortfall occurs.

Under the Master Supply Agreements, if PetroChina fails to supply at least 90% of the specified purchase volume in any year, it shall pay us compensation according to the unfulfilled volume and the price of natural gas at the relevant time, but will not be responsible for any other damages. Our Directors confirmed that during the Track Record Period, we did not make any claim against PetroChina under the relevant provision.

Price

- : Our purchase price of natural gas comprises pre-determined ex-plant price and pipeline transmission tariff.

The ex-plant price of piped natural gas shall be subject to the requirements laid down by the NDRC or PetroChina for natural gas prices from time to time. Please refer to the paragraph headed “Pricing of Natural Gas – Our natural gas purchase price” below in this section.

BUSINESS

- Payment terms** : We are required to make prepayment for natural gas fees within seven days of the transmission of the natural gas to our gateway stations.
- Termination** : Either party has the right to terminate upon any material breach of the agreement by the other party which cannot be remedied within 30 days' notice of such breach.
- Exclusivity** : There is no exclusivity clause in the Master Supply Agreements and we may acquire natural gas from other alternative suppliers when our piped natural gas suppliers could not provide us with the additional quantities of natural gas that we require.

Our PRC Legal Advisers opine that the Master Supply Agreements are legal, valid and enforceable pursuant to their respective terms in accordance with the applicable PRC laws, rules and regulations currently in force. As advised by our PRC Legal Advisers, our Directors have confirmed that, as at the Latest Practicable Date, save for the Purchase Shortfall (as defined in the paragraph below), we were in compliance with the terms of the Master Supply Agreements and were not aware of any circumstances which may lead to a breach or otherwise an early termination of the Master Supply Agreements.

Natural gas purchased from PetroChina during the Track Record Period

We purchased 49.6 million m³, 148.6 million m³ and 168.4 million m³ of natural gas from PetroChina for 2011, 2012 and 2013, respectively. Accordingly, our actual purchase volume of natural gas from PetroChina for 2011, 2012 and 2013 was below the minimum purchase volume for the relevant years under the Master Supply Agreements (the "**Purchase Shortfall**"). Based on our Directors' experience and to the best of their knowledge, it is the general practice of PetroChina not to enforce such obligation against local gas distributors sourcing natural gas from it and that of local gas distributors not to claim compensation for unfulfilled volume against PetroChina, as the specified purchase volume is used by PetroChina for forecast and planning purpose, and the actual purchase volume is to be based on the periodic purchase confirmations between us and PetroChina. Our Directors have confirmed that such take-or-pay obligation had not been enforced by PetroChina up to the Latest Practicable Date. According to the confirmation issued by PetroChina WEG Distribution, the actual volume of our piped natural gas consumption and the corresponding payments made by us during the Track Record Period were confirmed by PetroChina. PetroChina further confirmed that:

- (i) the annual purchase volume of piped natural gas under the Master Supply Agreements is calculated based on the actual quantity of piped natural gas used by us; and
- (ii) as of 30 September 2014, all sums payable under the Master Supply Agreements or any sums relating to the Master Supply Agreements had been settled in full, and there was no other outstanding sums payable, and our Company had fully performed all our obligations and responsibilities under the Master Supply Agreements and the PetroChina Companies will not claim against us for our obligations under the Master Supply Agreement, which were performed by us prior to 30 September 2014.

BUSINESS

Further, the Controlling Shareholders have undertaken to provide joint and several indemnities in connection with all claims, payments, damages, settlements, liabilities, costs, fees and expenses suffered or incurred by our Group as a result of or in connection with any non-compliance with the terms of the Master Supply Agreements or in connection with any other non-compliance with the terms of the Master Supply Agreements by our Group which has occurred at any time before Listing. Please refer to the section headed “Statutory and General Information – E. Other Information – 1. Tax and other indemnities” in Appendix VI to this prospectus for further information.

Our PRC Legal Advisers are of the view that the above confirmations given by PetroChina WEG Distribution are effective and binding. On such basis and based on the above confirmations and indemnities to be provided by our Controlling Shareholders, as well as our experience that the take-or-pay obligation had not been enforced during the Track Record Period up to the Latest Practicable Date, our Directors, as advised by our PRC Legal Advisers, are of the view that the PetroChina Companies have confirmed that they will not claim against us for the Purchase Shortfall incurred prior to 1 January 2014, and in light of the foregoing, the aforesaid Purchase Shortfall is not expected to have a material adverse impact on our business, financial condition, operating results, and our relationship with PetroChina. Despite the foregoing, for illustration purpose, the Purchase Shortfall for 2011, 2012 and 2013 was 166.4 million m³, 67.4 million m³ and 47.6 million m³, respectively, and if PetroChina had enforced the take-or-pay obligation against us, we would have had to pay PetroChina additional amounts of RMB329.3 million, RMB135.1 million and RMB96.6 million for 2011, 2012 and 2013, respectively. For 2011, 2012 and 2013, the additional amounts receivables from our non-residential customers if we had strictly enforced the take-or-pay obligations against them would have been RMB79.0 million, RMB70.2 million and RMB51.6 million, respectively.

Based on our operating data, for the year ended 31 December 2014, we had purchased 219.6 million m³ of natural gas from PetroChina, as a result of which we had fulfilled the minimum annual purchase volume of natural gas for the year ended 31 December 2014 under the Master Supply Agreements.

Based on the above information, the historical growth trend and the progressive increase (as more particularly disclosed in the paragraph headed “Our Piped Natural Gas Sale and Transmission Business – Our Sale of Natural Gas” in this section) in the number of our customers and the volume of natural gas consumption by them up to the Latest Practicable Date, our Directors believe that our purchase volume for 2015 will exceed the minimum purchase volume prescribed under the Master Supply Agreements. We will also closely monitor the monthly consumption volume of natural gas by our customers and implement our strategies to increase our piped natural gas sale. If at any time during the year, we observe that the consumption pattern of our customer is changing or any circumstance has occurred such that we may experience Purchase Shortfall at the end of the year, we will take appropriate measures, such as increasing our effort in expanding our user base in our Operating Area and seeking to expand our sale to wholesale customers outside our Operating Area who experience insufficient natural gas supply, with a view to increasing our natural gas sale and exploring additional sale opportunities, thereby allowing us to manage and minimise the extent of any Purchase Shortfall that will occur at the end of the year. Our Directors believe that the aforesaid measures are effective in ensuring our compliance with the take-or-pay obligation for 2015 under the Master Supply Agreements. In light of the foregoing, our natural gas sale volume in 2014, the industry growth path and our existing user base of natural gas up to the Latest Practicable Date, it is unlikely that our actual purchase volume for the year ending 31 December 2015 will be smaller than the minimum purchase volume prescribed under the Master Supply Agreements for that year. Our Directors, having considered the above, are of the view that the relevant provisions in the Master Supply Agreements are not

BUSINESS

expected to have any material adverse impact on our business, financial position or operating results in the foreseeable future. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – We cannot assure you that our take-or-pay obligation will not be enforced, and the obligations of our customers under existing customer contracts may not correspond to our obligations under the Master Supply Agreements with PetroChina.” for details of the risk associated with our failure to fulfill take-or-pay obligation in the future.

The amount of natural gas we purchase is dependent on the level of 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 city gateway stations will record the amount of natural gas supplied to us.

Our annual natural gas purchase volumes differed slightly from our annual natural gas sales volumes during the Track Record Period, primarily due to minor measurement variations.

Our Sale of Natural Gas

For 2011, 2012, 2013 and the nine months ended 30 September 2014, revenue generated from our sale of piped natural gas accounted for 87.4%, 82.2%, 81.7% and 86.6%, respectively, of our total revenue. The following table sets forth the breakdown of our revenue from sale of piped natural gas for the periods indicated:

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Retail sale										
– Residential	7,516	1.8	10,410	2.4	19,818	3.6	15,549	4.0	16,781	3.4
– Commercial	11,758	2.8	12,613	2.9	15,998	3.0	11,723	3.0	12,954	2.6
– Industrial	365,422	88.1	386,959	90.0	476,143	87.9	342,623	88.8	393,843	79.0
Sub-total:	384,696	92.7	409,982	95.3	511,959	94.5	369,895	95.8	423,578	85.0
Wholesale	29,904	7.3	20,018	4.7	29,960	5.5	15,826	4.2	74,881	15.0
Total:	414,600	100.0	430,000	100.0	541,919	100.0	385,721	100.0	498,459	100.0

	For the year ended 31 December			For the nine months ended 30 September	
	2011	2012	2013	2013	2014
Average selling price per m³ (RMB, VAT exclusive)	2.90	2.80	2.91	2.88	2.98

BUSINESS

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

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
		%		%		%		%		%
Volume* (million m³)										
Retail										
– Industrial users	122.0	85.2	134.5	87.4	157.2	84.5	114.9	85.7	125.1	74.7
– Commercial users	4.3	3.0	4.5	2.9	5.4	2.9	4.0	3.0	4.2	2.5
– Residential users	3.9	2.7	5.4	3.5	10.2	5.5	8.0	6.0	8.7	5.2
Wholesale	13.0	9.1	9.4	6.2	13.3	7.1	7.2	5.3	29.4	17.6
Total volume	<u>143.2</u>	<u>100.0</u>	<u>153.8</u>	<u>100.0</u>	<u>186.1</u>	<u>100.0</u>	<u>134.1</u>	<u>100.0</u>	<u>167.4</u>	<u>100.0</u>

Seasonality

We did not experience any significant seasonality for our operation during the Track Record Period. The natural gas volume consumed in December 2011, 2012 and 2013 contributed around 10% of the natural gas volume consumed for the respective years.

Retail sale of piped natural gas

Our piped natural gas was mainly sold to customers on a retail basis. We refer to the end-users who purchase piped natural gas from us for their own consumption as our retail customers, which could be further divided into industrial, commercial and residential users.

As at 30 September 2014, our retail customers included approximately 144,837 residential users, around 200 industrial users and around 200 commercial users connected to our pipeline network in our Operating Area in Taicang. While the number of our residential users far exceeds the number of non-residential users, the industrial and commercial users are our major customers in terms of revenue, sale volume and earnings because such users generally consume higher quantity of natural gas per user as compared to our residential users, and the selling prices of natural gas sold to industrial and commercial users are less strictly regulated and generally higher than those natural gas sold to residential users.

BUSINESS

The following table sets forth the number of customers by user category connected to our pipeline network as at the dates indicated below:

Number of customers	As at 31 December			As at 30 September	
	2011	2012	2013	2013	2014
Residential users	87,836	118,546	131,229	131,180	144,837
Industrial users	150	170	190	182	204
Commercial users	130	190	210	197	201
Total	88,116	118,906	131,629	131,559	145,242

We supply and sell our piped natural gas to retail customers and charge them according to the volume of natural gas used by them as measured by our gas meters. The unit price of natural gas that we charge varies according to different category of usages. For details of our pricing policy, please refer to the paragraph headed “Pricing of Natural Gas – Our natural gas selling price” below in this section.

- **Industrial users:** During the Track Record Period, our sale of piped natural gas to industrial customers accounted for the majority of our revenue from sale of piped natural gas. Our major industrial customers during the Track Record Period included companies engaged in the businesses of glass manufacturing, metal recycling, fire-proof material manufacturing, metal processing, textile or motorcycles manufacturing.
- **Commercial users:** Our major commercial user customers during the Track Record Period included companies engaged in the businesses of restaurants, hotels, spas and public utility users such as local administrative offices. Our operation for sale to commercial users is similar to that for industrial users.

We generally enter into usage agreements with industrial and commercial users in relation to our supply of piped natural gas to them. The usage agreements are typically entered into for a term of one to three years and generally provide for the unit price of the natural gas payable by the relevant industrial and commercial users in accordance with the regulatory regime, subject to any adjustment thereof. For details, please refer to the paragraph headed “Pricing of Natural Gas – Our natural gas selling price” in this section. The usage agreements also generally provide for the minimum purchase volume by the user in a year which the user has to pay for even if the actual purchase volume is below such volume. We did not enforce the relevant minimum purchase provision against our customers in the past.

BUSINESS

- **Residential users:** They are generally households living in properties which are connected to our pipeline network, as well as public utility users such as schools, welfare and elderly homes. Residential users generally have to use our rechargeable stored value cards supplied to them by us on commencement of our supply of piped natural gas to them and purchase natural gas as units stored on the cards, and natural gas is supplied to them when the stored value cards are placed at the gas meters, in quantity according to the units stored on the cards.

Sale of Piped Natural Gas to Wholesale Customers

During the Track Record Period, we sold piped natural gas to wholesale customers for their onward sale. Our wholesale customers were piped natural gas distributors in or near Taicang, which included Kunlun Suchuang Gas and other distributors operating in Shaxi and Huangjing Districts of Taicang and Kunshan (昆山) and Changshu (常熟) during the Track Record Period. These wholesale customers purchased piped natural gas from us during the Track Record Period mainly for their further distribution and resale, as the actual requirement of natural gas of these local natural gas companies may exceed the agreed amount of natural gas supply in a given period pursuant to their respective master supply agreements with their principal suppliers.

We supply piped natural gas to our wholesale customers through the connection of our pipelines to the pipelines of these wholesale customers at the boundary of our respective operating areas. For 2011, 2012, 2013 and the nine months ended 30 September 2014, we had three, five, five and five wholesale customers, respectively. We charge our wholesale customers based on the volume of natural gas sold, as measured by our measuring meters, and the unit price set out in the wholesale agreements, which is subject to the maximum price for non-residential usage. Please see the section headed “Regulatory Overview – Overview of Regulations – PRC laws and regulations on the distribution and sale of natural gas – Price determination regime of natural gas” for further information. We generally enter into framework supply agreements with our wholesale customers, providing for the price for the supply of natural gas, which is based on the volume of natural gas supplied and the unit price as determined by the ex-plant price and transmission tariff prior to July 2013, and by the benchmark gateway station price after July 2013, which was fixed by the NDRC and subject to adjustment. We generally issue monthly invoices to our wholesale customers based on the volume of gas supplied in the month and payment has to be made by our wholesale customers within five days of the invoice date.

Our relationship with Kunlun Suchuang Gas

Kunlun Suchuang Gas is a company established under the laws of the PRC in 2006 as a joint venture between us and PetroChina to leverage on the market network and brand of PetroChina to expand into areas outside Taicang. Please see the section headed “History and Reorganisation – Corporate History of Our Group – Kunlun Suchuang Gas” for further details of its corporate history. As at the Latest Practicable Date, Kunlun Suchuang Gas was held as to 49% by us and 51% by PetroChina Kunlun (a subsidiary of PetroChina), and it was principally engaged in the retail sale of piped natural gas in the Shaxi and Huangjing Districts in Taicang under a concession with terms that are substantially the same as those of the Concession Agreement, as well as the sale and transmission of natural gas to its customers in Changshu. Besides our Group, Kunlun Suchuang Gas is the only other retail supplier of piped natural gas in Taicang and it owns and operates less than 10%, by length, of the natural gas pipeline network in Shaxi and Huangjing Districts in Taicang.

BUSINESS

Kunlun Suchuang Gas has entered into a supply agreement with PetroChina. The natural gas that Kunlun Suchuang Gas purchases from PetroChina is transmitted through our pipeline network in Taicang, from Liuhe City Gateway Station in the south of Taicang to Shaxi and Huangjing Districts where Kunlun Suchuang Gas operates. We charge Kunlun Suchuang Gas a transmission fee based on the volume of gas transmitted. In addition, at the time where the volume of natural gas required by Kunlun Suchuang Gas exceeded the agreed volume supplied to it by PetroChina in a given period, it also purchased natural gas from us under a supply agreement entered into between us and Kunlun Suchuang Gas to relieve its temporary requirement of natural gas. The price we charged Kunlun Suchuang Gas under the supply agreement was comparable to the price we charged our other wholesale customers during the Track Record Period. Please refer to the paragraph headed “Our Piped Natural Gas Sale and Transmission Business – Sale of Piped Natural Gas to Wholesale Customers” in this section for further details. For 2011, 2012, 2013 and the nine months ended 30 September 2014, we supplied nil, 2.4 million m³, 1.6 million m³ and 0.5 million m³ of piped natural gas respectively to Kunlun Suchuang Gas and our sales to Kunlun Suchuang Gas amounted to RMB0.3 million, RMB10.9 million, RMB7.4 million and RMB4.4 million respectively, and it was one of our major customers during the Track Record Period.

Kunlun Suchuang Gas sells and distributes the natural gas it purchases from PetroChina or us to its retail customers through its own local pipeline network in Shaxi and Huangjing Districts in Taicang. As at 30 September 2014, Kunlun Suchuang Gas supplied piped natural gas to more than 20 industrial and commercial users and about 630 residential users in Shaxi and Huangjing Districts in Taicang.

Apart from being our wholesale customer, during the Track Record Period, we also made purchases of natural gas from Kunlun Suchuang Gas, our associated company in which we and PetroChina Kunlun have been holding 49% and 51%, respectively, of its equity interest since 2011, in the ordinary and usual course of our business, and given our close relationship with Kunlun Suchuang Gas and the circumstances set forth below, our Directors believe that it was in our commercial interest to proceed with such arrangement with Kunlun Suchuang Gas during the Track Record Period. Our Directors consider that, provided that such arrangement will be in the interest of our Company and our Shareholders, we may continue such arrangement with Kunlun Suchuang Gas after the Listing.

During the Track Record Period, as disclosed above, we transmitted for Kunlun Suchuang Gas the natural gas acquired by it from PetroChina through our pipeline network and therefore, part of our pipeline network was connected with the pipeline network of Kunlun Suchuang Gas.

In 2012, during the course of the year as the demand for natural gas from our customers grew rapidly, our natural gas requirement exceeded our initial estimated purchase requirement. To ensure our customers’ demand could be fulfilled in a timely manner, we agreed with Kunlun Suchuang Gas for acquiring its excess amount of natural gas it had at that time.

Since 2013, as PetroChina would charge us for the natural gas exceeding the volume of natural gas used by us in 2012 at a price based on the incremental natural gas pursuant to the regulatory regime of the PRC, we made purchases from Kunlun Suchuang Gas provided that it had excess volume of gas for resale at that time and the selling price charged by it for such amount of natural gas was more competitive, as compared to the price of incremental natural gas that would have been charged by PetroChina to us. Our purchases from it increased significantly during the Track Record Period due to the corresponding increase in the demand for natural gas from our customers (other than Kunlun Suchuang Gas) in the respective periods.

BUSINESS

In addition, when the relevant section of our pipeline network or facilities connected with the pipeline network of Kunlun Suchuang Gas underwent repair or maintenance, the gas pressure in the pipeline decreased, and due to the difference in gas pressure, there was gas inflow from the pipeline network of Kunlun Suchuang Gas. The natural gas fee we paid to Kunlun Suchuang Gas during the Track Record Period included such amount of natural gas transmitted to us on such occasion. We underwent three times of construction and repair work in 2011, which were of one-off nature, for our pipeline network and facilities for connecting and receiving natural gas from PetroChina's First West-East Natural Gas Transmission Pipeline.

After the completion of such repairs, since 2012, we have been carrying out scheduled repair or maintenance for our pipeline network on a yearly basis and the amount of natural gas inflow from Kunlun Suchuang Gas's pipeline on such occasion has reduced significantly. Based on our estimation and as confirmed by Kunlun Suchuang Gas, the volume of natural gas inflow to our pipeline network from that of Kunlun Suchuang Gas due to our repairs and maintenances for 2011, 2012, 2013 and the nine months ended 30 September 2014 was 1.7 million m³, 0.2 million m³, 0.1 million m³ and 0.1 million m³, respectively. The pipeline network of PetroChina that directly connected with the pipeline network of Kunlun Suchuang Gas has been completed and is expected to be in operation in the first half of 2015, which we expect may further reduce the amount and frequency of natural gas of Kunlun Suchuang Gas transmitted through our pipeline network in future. In the circumstances, we would be more effective in regulating the volume of gas inflow from Kunlun Suchuang Gas with our pipeline facilities (such as temporarily shut down the relevant section of the pipeline without materially affecting the receipt of natural gas by Kunlun Suchuang Gas from PetroChina) due to any repair or maintenance of our pipeline network in future. Our Directors consider that the connection of the pipeline network of PetroChina to the pipeline network of Kunlun Suchuang Gas may reduce our revenue derived from our sale and transmission of natural gas to Kunlun Suchuang Gas in future, but as our sales to Kunlun Suchuang Gas represented a relatively small proportion of our total revenue during the Track Record Period, the above is not expected to have a material adverse impact on our business and operating results.

For 2011, 2012, 2013 and the nine months ended 30 September 2014, our purchase from Kunlun Suchuang Gas amounted to RMB3.5 million, RMB11.9 million, RMB42.9 million and RMB24.6 million, respectively. During the same period, the average unit price of the natural gas we purchased from Kunlun Suchuang Gas was RMB2.03/m³, RMB2.24/m³, RMB2.45/m³ and RMB2.51/m³ respectively. The price we paid Kunlun Suchuang Gas for the natural gas supply was determined by mutual agreement between us and was fixed mainly by reference to the cost of purchase of natural gas by Kunlun Suchuang Gas from its supplier, the volume of gas supplied to us and its expected return from such sale, to the best of our knowledge. We sold such amount of natural gas purchased from Kunlun Suchuang Gas to our customers (excluding Kunlun Suchuang Gas) at the prices based on the nature of their usages, subject to the maximum prices as permitted by the applicable laws and regulations in the PRC, and such selling prices exceeded our purchase price of natural gas we acquired from Kunlun Suchuang Gas during the Track Record Period. The transactions between us and Kunlun Suchuang Gas were entered into in the ordinary and usual course of business and on normal commercial terms. Details of the financial information of Kunlun Suchuang Gas are set out in Note 20(d) of the Accountants' Report under Appendix I to this prospectus.

Transmission of Natural Gas to Other Gas Distributors

As our pipeline network is connected with pipelines of PetroChina and other local gas distributors including Kunlun Suchuang Gas in Taicang and others in neighbouring areas, we also

BUSINESS

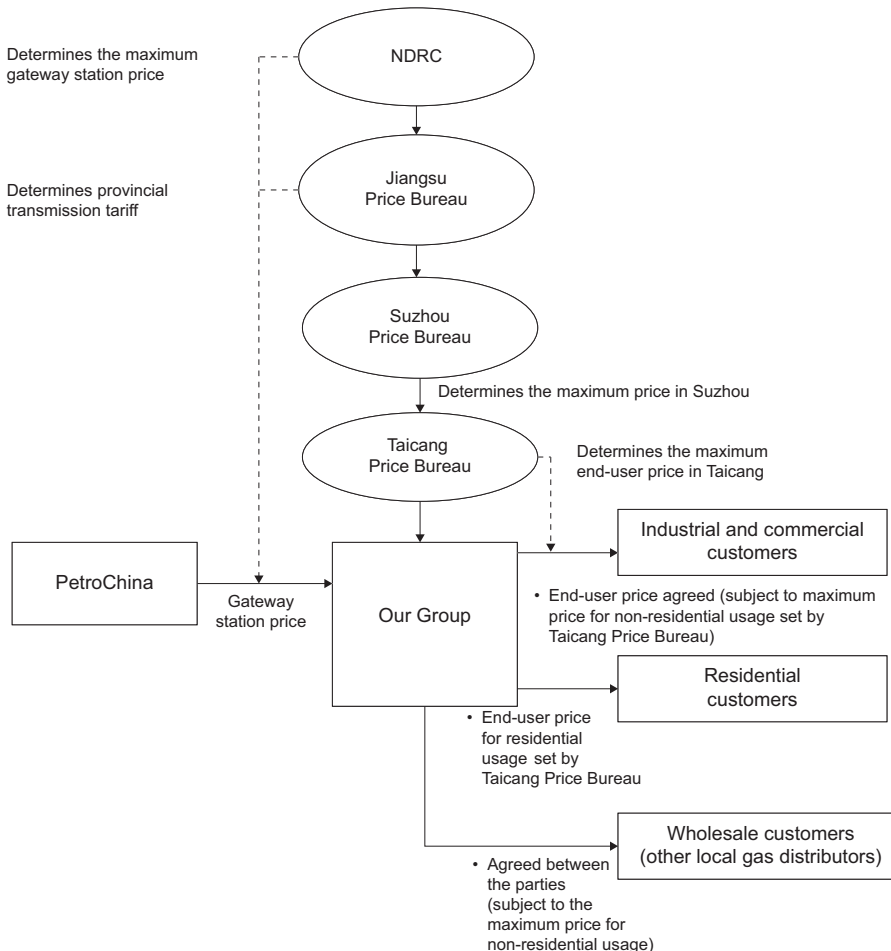
transmit natural gas they purchase directly from PetroChina through our pipeline network in Taicang, and charge a transmission fee which is agreed between the parties and based on the volume of gas transmitted and the length through which the gas is transmitted. Revenue from transmission fee was RMB0.7 million, RMB8.8 million, RMB8.4 million and RMB7.2 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively, representing 0.2%, 1.7%, 1.3% and 1.2% of our revenue for the corresponding periods. As at the Latest Practicable Date, we had three customers for our piped natural gas transmission business.

Pricing of Natural Gas

Price determination regime of natural gas in the PRC

According to the PRC Pricing Law, the PRC government may direct, guide or fix the prices of public utilities. The NDRC determines the benchmark gateway station price on which our purchase price for natural gas is based. Local government authorities such as Suzhou Price Bureau and Taicang Price Bureau determine the end-user prices. For residential usage, the end-user price was determined at a fixed end-user price by the local governments, whereas for industrial and commercial usage, the end-user price could be agreed upon between us and the users up to the maximum end-user price. Please refer to the section headed “Regulatory Overview – Overview of Regulations – PRC Laws and Regulations on the Distribution and Sale of Natural Gas – Price determination regime of natural gas” in this prospectus for information on the regulatory regime for pricing of natural gas.

The diagram below shows the general procedures of how the purchase and selling prices of natural gas are determined as at the Latest Practicable Date.



Our natural gas purchase price

The price at which we purchase natural gas from PetroChina is determined based on the gateway station price set by the NDRC, depending on the usage by different types of end-users, and is different for residential and non-residential users. Pursuant to the Notice of the National Development and Reform Commission on the Adjustment of Natural Gas Prices (NDRC Prices [2013] No. 1246) (國家發展改革委關於調整天然氣價格的通知 – 發改價格 [2013]1246號), the gateway station price could be further categorised into the price for stock natural gas (based on the consumption volume of natural gas in 2012) and for incremental natural gas (based on the volume of natural gas in excess of that consumed in 2012). In accordance with the prevailing regulatory regime, the amount of natural gas supplied by PetroChina which is above the volume of stock natural gas (i.e. the volume of natural gas consumed by us in 2012) would be charged at a rate for incremental natural gas. For the purpose of calculating its selling price, PetroChina uses an assumed ratio based on which a certain percentage of the natural gas it sells to us will be used by residential users and the rest will be used by non-residential users, and the price that it charges us is calculated as the weighted average of the respective prices for residential users and non-residential users based on such ratio. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our average unit purchase price for natural gas, which is calculated by dividing our total natural gas purchase cost by total natural gas purchase volume for the relevant period, was RMB1.98/m³, RMB1.87/m³, RMB1.95/m³ and RMB2.20/m³, respectively.

Our natural gas selling price

The maximum end-user price at which we could sell piped natural gas to the end-users is determined by the Taicang Price Bureau. Different end-user prices are charged for different types of users: residential, commercial, industrial and other users. End-user prices for industrial and commercial usage are generally higher than those for residential and other usage. Our selling price for natural gas we sell to our wholesale customers is agreed between us and the relevant wholesale customers subject to the maximum selling price allowed by the regulatory regime.

In the event of circumstances beyond our control causing an increase in cost, such as increase in costs of gas supply, changes in laws, rules or government regulations or orders, or force majeure events, we may submit to the Taicang Price Bureau, for its consideration, circumstances that we believe constitute grounds for price adjustments, taking into account (i) our natural gas purchase price; (ii) our operating costs and expenses, including expenses for labour, parts, materials, maintenance, contractors, gas appliances, capital expenditure for the pipeline networks and other facilities under construction, depreciation and amortisation; and (iii) reasonable profits.

In the case of natural gas for residential usage, Taicang Price Bureau determines the end-user price, and any price adjustment is subject to a hearing process that involves the affected residents. Our natural gas usage agreements generally state that our selling price of natural gas is subject to adjustment according to any regulatory pricing policies. For non-residential usage, the maximum end-user price is determined by Taicang Price Bureau without hearing process. Based on our past experience, the time required for obtaining the approval for end-user price adjustment is around two months.

BUSINESS

Where we receive notice for any price adjustments from the relevant pricing authorities or our supplier, we will take all necessary steps, including the making of applications to Taicang Price Bureau, to pass on the corresponding increase in our purchase price of natural gas to our customers in a timely manner. If we are unable to do so, we may not be able to maintain our profitability, and our operating results may be materially and adversely affected. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – We are affected by risks arising from the PRC government’s price control regime for natural gas. For example, given that there is generally a time gap between increase in our purchase price before the increase in our selling price, any price adjustment may negatively affect our profit margin for the relevant period.” in this prospectus for details.

The maximum end-user unit price of natural gas for our sales to end-users in accordance with the regulatory regime for 2011, 2012, 2013 and the nine months ended 30 September 2014 are set out below:

Our unit selling price by user category (RMB/m ³)	For the year ended 31 December			For the nine months ended 30 September
	2011	2012	2013	2014
Retail sales				
– Residential	2.20	2.20	2.20	2.20
– Commercial	3.34	3.34	3.34-3.62	3.62-3.95
– Industrial	3.34	3.34	3.34-3.62	3.62-3.95

Adjustment of natural gas price in 2014

On 10 August 2014, the NDRC announced the increase of the gateway station price for natural gas for non-residential usage. Following the adjustment, the gateway station price of natural gas for non-residential usage shall be raised by RMB0.40/m³, while the gateway station price for residential usage will not be adjusted. Such pricing adjustment policy relating to natural gas shall take effect as from 1 September 2014 (the “**2014 Price Adjustment Policy**”).

On 27 August 2014, the Jiangsu Price Bureau authorised all competent price bureaus in Jiangsu Province, including Taicang Price Bureau, to implement their pricing adjustment policy relating to natural gas in accordance with the 2014 Price Adjustment Policy. The gateway station price for natural gas for non-residential usage shall be adjusted with effect from 1 September 2014 to RMB2.82/m³. On 13 October 2014, the Taicang Price Bureau announced that pursuant to the 2014 Price Adjustment Policy, the maximum price for non-residential usage and other (public utilities) usage in Taicang will be adjusted to RMB3.946/m³ and RMB3.766/m³, respectively. The adjustment shall take effect from 20 October 2014. On 30 December 2014, upon the approval of the Jiangsu Price Bureau, Taicang Price Bureau announced that the base selling price of residential usage natural gas in Taicang shall be adjusted upward from RMB2.20/m³ to RMB2.45/m³ and a ladder gas pricing system shall be implemented. The adjustment shall take effect from 1 January 2015.

Please refer to the section headed “Regulatory Overview – PRC laws and regulations on the distribution and sale of natural gas” in this prospectus for further information.

BUSINESS

PetroChina has adjusted our purchase price for natural gas for non-residential usage from RMB2.42/m³ to RMB2.82/m³ from 1 September 2014, being the maximum gateway station price for natural gas for non-residential usage.

OUR PIPELINE CONSTRUCTION AND CONNECTION BUSINESS

As part of our business and for the purposes of transmitting piped natural gas to newly developed properties and new users (principally users in regions previously not covered by or connected to our pipeline network), we construct and install urban gas pipeline networks and connect them to the end-user pipelines for property developers and new commercial and industrial users.

Pipeline Construction

Property developers of residential buildings or estates, and owners or occupiers of industrial and commercial buildings generally approach us and submit applications for construction and installation of pipeline connecting to their properties in our Operating Area. After our performance of assessment of the relevant entities and upon formal acceptance of the application submitted to us, we will enter into a pipeline installation contract with the property developer, industrial and commercial users. The construction for residential property is usually arranged by the property developer for the individual residential unit owners. The property developers contracts with us to construct, install and connect pipelines to the individual residential units prior to occupation of the units and pays for the construction fees, which will be included in the selling price of the residential units they sell to the individual owners. Upon signing of the construction contract, construction fee is payable to us. For 2011, 2012, 2013 and the nine months ended 30 September 2014, revenue derived from the construction fee amounted to RMB49.9 million, RMB74.2 million, RMB100.2 million and RMB58.4 million, respectively, representing 10.5%, 14.2%, 15.1% and 10.1%, respectively, of our total revenue during the same period.

The table below sets forth certain information on our pipeline construction projects for the periods indicated.

	For the year ended 31 December			For the nine months ended 30 September
	2011	2012	2013	2014
Number of projects commenced	215	174	253	178
Number of projects completed	138	196	222	154
Number of projects in progress	129	107	138	162
Total contract sum for projects in progress as at the end of the year/period (RMB million)	109.9	107.7	156.1	122.8

We were engaged in 162 pipeline construction projects and the related advances from customers under these projects were RMB96.6 million as at 30 September 2014.

From 30 September 2014 up to 31 January 2015, we commenced 13 pipeline construction projects and completed 11 of such projects. As at 31 January 2015, a total of 164 pipeline construction projects were in progress.

BUSINESS

The payment terms we provide for our customers in relation to the pipeline construction projects are generally by installments, with the initial installment payable upon commencement of the projects, installment(s) payable during the construction process depending on the project and the construction progress and the final installment payable upon completion in the delivery.

Processes of Pipeline Construction

The main gas pipeline infrastructure is designed to cover our Operating Area in general, whereas our construction program generally focuses on gas connection and delivery to areas with concentrated customer demand, so that gas supply can commence as soon as the essential gas pipeline infrastructure and facilities are completed, inspected and approved by the relevant government authorities.

When we consider expanding into an area in our Operating Area where there is no existing pipeline network, or are invited to expand into such area, we first conduct a preliminary review and feasibility studies on the target area and assess the feasibility of and expected return from the project, generally based on the expected level of connection fees and gas usage charges. After obtaining the necessary approval from the relevant authorities for the expansion of our pipeline network to such area, we will commence the construction of an urban branch pipeline network which connects to the relevant region. We will secure gas connection contracts with the relevant property developers or users. Once we enter into a gas supply contract with the customers, we will commence the design and construction of the branch pipelines necessary to connect our network to the customers' pipelines at their units. A typical construction project of an urban branch pipeline network generally takes less than 12 months to complete.

Depending on the length of pipelines and complexity of construction, the construction stage takes from several months to years. Due to its complexity, construction of high-pressure transmission pipelines usually takes longer than that of mid-pressure branch pipeline networks.

Design and construction of natural gas pipelines

We generally appoint qualified pipeline design companies to design the natural gas pipeline infrastructure for our natural gas projects and other ancillary facilities. The design has to take into consideration our technical requirements, the size and needs of the users and the environmental conditions of the region covered by the project.

Subcontracting for pipeline construction

We generally engage independent contractors for the large-scale construction of pipeline networks. Our Directors consider that the practice of outsourcing labour-intensive construction work minimises the labour employed directly by our Group and improves cost efficiency. We generally subcontract our construction works, including subcontracting to qualified and licensed contractors to carry out works that we are unable to or do not generally provide, such as construction of major natural gas facilities and pipelines. For 2011, 2012, 2013 and the nine months ended 30 September 2014, the costs in relation to engagement of subcontractors for construction of pipelines for our customers were RMB30.6 million, RMB44.5 million, RMB51.3 million and RMB28.1 million, respectively representing 80.6%, 77.2%, 75.4% and 80.7% of our cost for construction and connection of natural gas pipelines respectively.

BUSINESS

We also engage contractors to construct the relevant pipeline networks for connection of our branch pipelines to pipelines on the premises of our customers, and charge our customers a pipeline construction fee. Once the design for the pipeline network is approved, we will engage qualified contractors who must hold the relevant licences or certificates for gas projects and pipe construction to bid for the construction work. The selection criteria for contractors include their qualifications, experience, track record, credit-worthiness and technical expertise. We oversee the overall project management to ensure that the construction of the required pipeline network is carried out in accordance with all the relevant standards and regulations. Our internal engineers and qualified third-party inspection companies monitor the construction process to ensure that each stage of the construction meets our quality and safety standards and relevant legal requirements.

We have maintained a list of qualified contractors for undertaking gas pipeline construction work with whom we have a well-established working relationship. We are not obliged to procure services from any one of them. During the Track Record Period, we engaged around five contractors per year on average for the construction of natural gas pipelines. Except for Suzhou Shunchuang Pipeline (which was controlled by our Controlling Shareholders), all of our contractors for pipeline construction were Independent Third Parties during the Track Record Period. Our Controlling Shareholders had already disposed of their interests in Suzhou Shunchuang Pipeline as at the Latest Practicable Date. For details, please refer to the section headed “Connected Transactions – Discontinued Related Party Transactions” in this prospectus.

The subcontracting agreements generally provide that (i) the construction fees payable by us are determined by the project with reference to the scale and complexity of the work to be carried out by the contractors; and (ii) the prices are set by the local government for construction and installation.

We usually make a down payment of 25% to 30% of the total contract price to a contractor with the remainder payable by instalments based on an agreed schedule. If a contractor delays in completing or fails to complete the project, we are entitled to damages or, in some instances, rescission of the contract.

Connection of pipelines to users

We provide pipeline connection service to commercial and industrial users prior to connecting their premises to our pipeline networks and carry out related installation works. We charge a connection fee for such services.

In 2011, 2012, 2013 and the nine months ended 30 September 2014, our revenue from connection fees amounted to RMB5.6 million, RMB7.5 million, RMB10.7 million and RMB9.2 million, respectively, representing 1.2%, 1.4%, 1.6% and 1.6% of our total revenue for the respective periods.

The connection fee is typically a one-time payment which is payable at the time when we enter into the natural gas usage agreement with the users and is payable in instalments. The connection fee is based on criteria and varies according to factors such as the construction and installation plan, the raw materials specified by the customers and the size of the project.

BUSINESS

Raw Materials for Our Construction and Connection for Customers

Raw materials for our gas pipeline construction and connection operation mainly include polyethylene pipes, steel pipes, valves, pipeline connectors and accessories. Our total purchases of raw materials for gas pipeline construction and connection operation for 2011, 2012, 2013 and the nine months ended 30 September 2014 were RMB7.4 million, RMB13.2 million, RMB16.7 million and RMB6.2 million, respectively, which were all based on normal commercial terms and market prices.

We purchase pipes of various types, diameters and thicknesses for installation in our gas pipeline network (the specifications of which must comply with PRC standards and regulations), from pipe suppliers in China. We also purchase machinery and equipment which are manufactured in the PRC or imported from overseas countries such as Germany and the United States for construction of our pipeline infrastructure and installation at our distribution stations. We select suppliers for our procurement of pipes, machinery and equipment based on their price quotations, quality of their products and services, and our business relationships with them.

MARKETING

Our marketing team promotes to the public the advantages of using piped natural gas through brochures and newspaper advertisements. To increase our customer base, we promote the benefits of natural gas in terms of price, convenience, safety, cleanliness and environmental friendliness by organising promotional activities, such as broadcasting advertisements through the media and distributing users' directories.

RESEARCH AND DEVELOPMENT

Due to the nature of our business, we did not incur any research and development expense during the Track Record Period, and our Directors expect that we will not need to incur any material research and development expense in the foreseeable future.

SAFETY, MAINTENANCE AND QUALITY CONTROL

We place great emphasis on the maintenance of pipeline networks and gas processing and distribution facilities. As at 30 September 2014, we had a team of around 110 engineers, technicians and other staff, some of whom had relevant experience of up to 20 years in the piped natural gas industry, which was responsible for the safety, maintenance and technical upgrade in respect of the following areas: (i) maintenance of the main and urban branch pipeline networks; (ii) maintenance of natural gas distribution stations; (iii) deployment of safety monitoring systems; and (iv) methods to raise operating efficiency and safety standards.

Safety and Quality Control Measures

We have established strict quality control standards on various aspects of our gas supply, pipeline construction and connection, facilities repair and maintenance to ensure gas safety and normal supply of natural gas. In respect of our gas supply, we take certain measures by adding an odouring substance and by integrating purification process and pressure adjustment functions to our gas processing stations, so as to ensure immediate detection in case of gas leakages and the steady supply of our gas. We select materials meeting the relevant safety standards for our pipelines from reputable suppliers and engage qualified contractors for our pipeline construction and installation.

BUSINESS

We have installed a safety monitoring system along our pipeline network for detection of any leakage or other gas incident. We patrol and make full records at our gas processing stations, as well as inspecting our urban branch pipeline networks on a daily basis, to implement repairs and maintenance.

We have taken the following measures to ensure gas safety and normal supply: (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; and (iv) established safety rules on gas usage for users and provide regular educational publicity and instructions for the end-users based on common knowledge gas usage.

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 for staff members and have established safety standards in connection with the operation of existing facilities.

For our initiatives to continue to enhance the safety of our piped natural gas operation, please refer to the paragraph headed “Our Strategies – Improve efficiency in and enhance safety of our existing operation” above in this section.

Maintenance and Customer Service

We maintain various policies in connection with the maintenance of the long-distance transmission pipelines, our urban branch pipeline networks and related facilities. These policies require onsite inspections of the facilities on a regular basis by designated personnel. In addition, we have established emergency reporting and handling plans to ensure that urgent accidents will be handled in effectively manner and on a timely basis and damage could be prevented or minimised to the extent possible.

Under the gas pipeline construction agreements with our customers, we are generally responsible for maintaining the relevant natural gas pipelines in a working condition. For non-residential users, we provide free maintenance for the first year, and charge an annual maintenance fee for subsequent years based on our maintenance contracts, which usually have a term of 3 years. We provide free maintenance service for residential users. We generally do not provide warranty to our customers and did not incur any warranty expenses during the Track Record Period.

We have established a 24-hour customer service call centre to provide our customers with our service information and ensure prompt response to customer feedback. A majority of calls are requests for connection application, operation enquiries, requests for maintenance, repairs, complaints and general enquiries on fees.

Our Directors have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we did not experience any material losses or claims arising from our operations, and were not aware of any threatened or pending action by any regulatory authority in the PRC which had a material adverse impact on us.

BUSINESS

OUR CUSTOMERS

The table below sets out a summary of information on our top five customers during the Track Record Period:

	Year/period being our top five customers	Amount of revenue attributable (RMB million)	Approximate percentage of revenue attributable	Location	Business description	Type of customer	Relationship with us
Pilkington Solar (Taicang) Company Limited	2011 2012 2013 9M2014	68.5 64.9 58.6 48.4	14.4% 12.4% 8.8% 8.4%	Taicang	Manufacturing of materials and products for the solar energy industry	Industrial	Independent Third Party
Yechiu Metal Recycling (China) Ltd.	2011 2012 2013 9M2014	64.4 65.6 68.7 52.2	13.6% 12.5% 10.4% 9.1%	Taicang	Manufacturing and processing of metal, alloys and by-products	Industrial	Independent Third Party
Kunshan China Resources City Gas Co., Ltd.	2011 2012 9M2014	19.9 12.2 17.9	4.2% 2.3% 3.1%	Kunshan, Jiangsu	Natural gas distribution, wholesale and retail of natural gas facilities	Wholesale	Independent Third Party
Taicang Qinghua Ernai Fire- resistant Material Company Limited	2011	18.9	4.0%	Taicang	Manufacturing and sale of fire-resistant materials	Industrial	Independent Third Party
Great Orient Chemical (Taicang) Co., Ltd.	2012 2013 9M2014	26.0 65.8 49.5	5.0% 9.9% 8.6%	Taicang	Manufacturing and sale of surfactant and by-products	Industrial	Independent Third Party
Changshu Natural Gas Company Limited	2013 9M2014	14.3 46.3	2.2% 8.0%	Changshu	Distribution and sale of piped gas in Changshu	Wholesale	Independent Third Party
Taicang Wanda Plaza Investment Company Limited	2013	13.5	2.0%	Taicang	Property development	Commercial	Independent Third Party
Kunlun Suchuang Usage ⁸	2011	10.8	2.3%	Taicang	Supply and sale of natural gas and CNG	Wholesale	Associated company
Kunlun Suchuang Gas ⁹	2012	10.9	2.1%	Taicang	Supply and sale of piped natural gas	Wholesale	Associated company

⁸ Kunlun Suchuang Usage is held as to 40% by our Company and is therefore an associated company. Please see the section headed "History and Reorganisation – Corporate History of our Group – Kunlun Suchuang Usage" in this prospectus for further information.

⁹ Kunlun Suchuang Gas is held as to 49% by our Company and is therefore an associated company. Please see the paragraph headed "Sale of Piped Natural Gas to Wholesale Customers – Our relationship with Kunlun Suchuang Gas" above in this section for further information.

BUSINESS

For retail sales, our major customers during the Track Record Period were industrial users of piped natural gas in Taicang, who are Independent Third Parties engaged in the manufacturing of materials and products for solar energy industry, manufacturing and processing of metals, alloys and their by-products, manufacturing of fire-resistant materials, and manufacturing of surfactants and by-products, with whom we generally have over seven years of business relationship; and our other retail users include other industrial users, commercial users such as companies engaged in the businesses of restaurants, hotels, spas, public utility users such as local administrative offices, and residential users in Taicang. Please see the paragraph headed “Our Sale of Natural Gas – Retail sale of piped natural gas” above in this section for further information. For our wholesale operation, our customers during the Track Record Period were piped natural gas distributors in or near Taicang, which included Kunlun Suchuang Gas (an associated company of our Company), and other gas distributors operating in Shaxi and Huangjing Districts of Taicang and in Kunshan (昆山) and Changshu (常熟). Please see the paragraph headed “Sale of Piped Natural Gas to Wholesale Customers” above in this section for further information. For our transmission operation, our customers during the Track Record Period were also Kunlun Suchuang Gas and Kunlun Suchuang Usage (which are associated companies of our Company), and other gas distributors operating in Shaxi and Huangjing Districts of Taicang and in Kunshan (昆山) and Changshu (常熟). For our construction and connection business, our customers during the Track Record Period were mainly property developers of residential buildings or estates, owners or occupiers of industrial and commercial buildings, and industrial and commercial users whose premises were not already connected to our pipelines.

We did not rely on any major customer during the Track Record Period. For 2011, 2012, 2013 and the nine months ended 30 September 2014, revenue derived from our sale to our five largest customers collectively was RMB182.5 million, RMB179.6 million, RMB220.9 million and RMB214.3 million, respectively, which accounted for 38.5%, 34.3%, 33.3% and 37.2%, respectively, of our total revenue. During the respective periods, revenue generated from our sale to our largest customer for the respective year amounted to RMB68.5 million, RMB65.6 million, RMB68.7 million and RMB52.2 million, respectively, and accounted for 14.4%, 12.5%, 10.4% and 9.1%, respectively, of our total revenue. None of our Directors, senior management, their respective close 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 during the Track Record Period.

For 2011, 2012, 2013 and the nine months ended 30 September 2014, our turnover days of trade receivables for the sale and transmission of natural gas were three days, four days, seven days and nine days, respectively, and our turnover days of trade receivables for the construction and connection of natural gas pipelines were 51 days, 54 days, 94 days and 142 days, respectively. For detailed discussions of the change in our turnover days of trade receivables, please refer to the section headed “Financial Information – Description of Selected Consolidated Statements of Financial Position Items – Trade and Bills Receivables” in this prospectus.

OUR SUPPLIERS, RAW MATERIALS AND INVENTORIES

Our raw materials mainly comprise piped natural gas, and we also procure certain raw materials for our pipeline construction and connection business, as set out in the paragraphs headed “Our Pipeline Construction and Connection Business – Raw Materials for Our Construction and Connection for Customers” above in this section. During the Track Record Period, we did not encounter any material disruption in our operations due to shortages of raw materials nor did we experience any difficulty in the sourcing of raw materials. Our Directors have confirmed that our principal raw materials are readily available in the PRC and the respective countries of origin.

BUSINESS

Major Suppliers

PetroChina was our largest supplier during the Track Record Period and up to the Latest Practicable Date. Please refer to the paragraph headed “Supply of Natural Gas” above in this section for further details.

During the Track Record Period, other than PetroChina and Kunlun Suchuang Gas (as set out in the paragraph headed “Sale of Piped Natural Gas to Wholesale Customers – Our relationship with Kunlun Suchuang Gas” above in this section), being our suppliers for natural gas, our major suppliers comprise principally suppliers of materials or service providers for our construction of natural gas pipeline operations, with whom we generally have over six years of business relationship. For 2011, 2012, 2013 and the nine months ended 30 September 2014, purchases from our five largest suppliers collectively were RMB362.5 million, RMB374.1 million, RMB462.0 million and RMB433.5 million, respectively, which accounted for 77.5%, 82.4%, 76.6% and 93.3%, respectively, of our total purchases. For 2011, 2012, 2013 and the nine months ended 30 September 2014, purchases from our largest supplier for the respective year amounted to RMB175.3 million, RMB274.4 million, RMB329.9 million and RMB358.1 million, respectively, which accounted for 37.5%, 60.5%, 54.7% and 77.1%, respectively, of our total purchases during the same periods. Save and except for (a) Shanghai Shenxin (which is beneficially owned as to 60% by Ms. Zhu Qiuying, sister of Ms. Zhu and as to 40% by Mr. Huang Zixiu, a former director of Taicang Natural Gas) which had been a supplier of materials for our pipeline construction and connection operation; and (b) Suzhou Shunchuang Pipeline (which was owned by Taicang Sunan Petroleum and Ms. Zhu Qiuying, the sister of Ms. Zhu) which had been a contractor for our pipeline construction operation, none of our Directors, senior management, their respective close 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 during the Track Record Period. Please refer to the section headed “Connected Transactions – Discontinued Related Party Transactions” and Note 39 to the accountants’ report set out in Appendix I to this prospectus for further information on our transactions with related parties during the Track Record Period. Since Ms. Zhu Qiuying intended to spend more time with her family, she downsized or disposed of the businesses and companies in which she held interests. We had ceased our transaction with Shanghai Shenxin as at the Latest Practicable Date. Taicang Sunan Petroleum and Ms. Zhu Qiuying had already disposed of their interests in Suzhou Shunchuang Pipeline as at the Latest Practicable Date. Our transactions with Suzhou Shunchuang Pipeline and Shanghai Shenxin were conducted on normal commercial terms during the Track Record Period.

Inventories

Our inventories consist of construction materials, natural gas and consumables, substantially all of which are related to our gas pipeline construction and connection operation. Our average turnover days of inventory were 85 days, 43 days, 33 days and 49 days for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. For detailed discussions of the change in our turnover days of inventory, please refer to the section headed “Financial Information – Description of Selected Consolidated Statements of Financial Position Items – Inventories” in this prospectus.

For our sale and transmission of natural gas operation, because we transmit the piped natural gas we purchase from our suppliers to our customers directly, almost no inventory of natural gas is recorded except for the gas which exists in the pipeline network. Thus we recorded insignificant balances of natural gas as at each of the balance sheet dates during the Track Record Period.

BUSINESS

EMPLOYEES

As at 30 September 2014, we had 150 staff members, including a team of around 110 engineers, technicians and other staff which are responsible for the safety, maintenance and technical matters regarding our pipeline network. Our full-time staff members in China participate in various employee benefit plans including pension, work-related injury benefits, medical benefit plans, unemployment insurance and childbirth insurance. The employment contracts generally specify the employees' responsibilities, remuneration and grounds for termination. We did not experience any material labour shortages during the Track Record Period.

Compensation for our full-time staff members typically consists of base salary, position based salary and other allowances such as year of service salary and other subsidies. In addition, based on our results of operations, we may award year-end bonuses to our staff members solely at our discretion. We invest in continuing education and training programs for our management and other staff members to update their skills and knowledge periodically. We provide training for our staff members with respect to our operation, technical knowledge and work safety standards and environmental protection.

We have a workers' union in accordance with PRC laws and regulations. We have not had any strikes or other labour disturbances that have materially interfered with our operations, and we believe that we have maintained a good working relationship with our staff members.

MARKET AND COMPETITION

The piped natural gas distribution and sale market in Jiangsu Province is generally dominated by the local natural gas companies in the relevant cities or regions, which usually have obtained concession from the relevant local governments or have gained natural monopolistic or near-monopolistic status. As regulatory authorities in the PRC tightly control the development of natural gas pipelines to prevent duplicative investments and uneconomic use of resources, gas companies do not build natural gas transmission pipelines covering the same areas and customers. In particular, under the Concession, we have been granted an exclusive right to distribute and sell piped natural gas in our Operating Area in Taicang.

Our well-established and strategic relationship with PetroChina provides a stable and reliable source of natural gas and allows us to compete effectively in this sector, as the competition for allocation of natural gas supply from the few upstream suppliers such as PetroChina and Sinopec is keen. Other factors that could affect our competitiveness include, among others, technical capability, financial resources, experience and track record and access to natural gas resources.

We encounter limited direct competition when conducting our sale and transmission of piped natural gas operation as well as gas pipeline connections operation in our Operating Area under the Concession. Accordingly, as at the Latest Practicable Date, we were the dominant operator in respect of our sale and transmission of piped natural gas and gas pipeline construction and connection operations in our Operating Area in Taicang.

BUSINESS

PROPERTIES

Our principal offices, including our administration, sales and marketing departments, are located at our headquarters in Taicang, Jiangsu Province, China. As at the Latest Practicable Date, all our owned and leased properties were located in the PRC, among which 15 properties with an aggregate site area of 108,880.7 m² were our owned properties (including the Energy Tower Property (as defined below) and the Liuhe Property (as defined below), which we have agreed to dispose of as set out below) and one property with a leasable area of 185.2 m² was our leased property. For detailed information of our property interests, please refer to the property valuation report set forth in Appendix IV to this prospectus.

In respect of a parcel of land designated for commercial use with a site area of 11,808.4 sq.m. and the buildings erected thereon with a total gross floor area of 12,870 sq.m. located on the southern side of Zhenhe Road and the eastern side of Loujiang Road in Taicang City (the “**Energy Tower Property**”), Taicang Natural Gas, a subsidiary of our Company, entered into a property transfer agreement with Suchuang Group, a connected person of our Company, on 18 July 2014, pursuant to which Taicang Natural Gas agreed to transfer the Energy Tower Property to Suchuang Group for a total consideration of RMB34,074,200, which was determined based on the valuation by a professional valuer as at 25 June 2014 and was fully settled on 30 July 2014. Our PRC Legal Advisers have opined that the relevant rights, obligations and risks of the Energy Tower Property will not have any material adverse effect on Taicang Natural Gas before the completion of the relevant procedures for changing the title registration of the Energy Tower Property.

In respect of a parcel of land designated for commercial use with a site area of 11,561.6 sq.m. and the building erected thereon with a total gross floor area of 361.24 sq.m. located at Group 36, Liunan Village, Liuhe Town, Taicang City (the “**Liuhe Property**”), Taicang Natural Gas, a subsidiary of our Company, entered into a property transfer agreement with PetroChina Eastern Pipeline Company Limited (“**PetroChina Eastern Pipeline**”) on 26 December 2014, pursuant to which Taicang Natural Gas agreed to transfer part of the Liuhe Property to PetroChina Eastern Pipeline for a total consideration of RMB14,343,900. Our PRC Legal Advisers have opined that the relevant rights, obligations and risks of the Liuhe Property will not have any material adverse effect on Taicang Natural Gas before the completion of the relevant procedures for changing the title registration of the Liuhe Property.

In relation to certain property-related non-compliance matters, please refer to the paragraph headed “Non-compliance and Remedial Measures – Systemic Non-compliance – Non-compliance relating to our properties” below in this section.

In addition to the land properties set out above, we also own natural gas facilities which are material for our operation. Almost all of our facilities are located in Taicang of Jiangsu Province, and mainly comprise high-, mid- and low-pressure urban branch pipeline networks, natural gas processing stations as well as natural gas distribution stations. Please refer to the paragraph headed “Our Pipeline Network and Facilities” above in this section.

BUSINESS

LEGAL AND REGULATORY MATTERS

Licences, Permits and Approvals

As advised by our PRC Legal Advisers, businesses that conduct gas pipeline construction and connections operations should obtain the “Construction Enterprises Qualification Certificate” to comply with the relevant regulations. We subcontract and engage only those authorised subcontractors who have obtained the “Construction Enterprises Qualification Certificate” to conduct gas pipeline construction and connections operations by providing laying and installation services for our residential, commercial, industrial and other users. As advised by our PRC Legal Advisers, we are not required to hold the relevant certificate to conduct our gas pipeline construction and connections operations.

Company name	Licence/Permit/ Certificate	Granting Authority	Date of issuance	Expiry date
Taicang Natural Gas	Business Licence	Taicang Administration for Industry and Commerce of Suzhou City	15 April 2014	13 May 2032
	Taxation registration certificate	Jiangsu Taicang State Administration of Taxation, Taicang Local Taxation Bureau	18 April 2014	–
	Organisation code certificate	The Quality and Technology Supervision Bureau of Taicang	1 August 2012	31 July 2016
	Gas operating licence	Suzhou Housing and Urban Development Bureau	11 March 2014	10 March 2018
Suzhou Zhongyu	Business Licence	Suzhou Gaoxin District (Huqiu) Administration for Industry and Commerce	16 August 2013	13 May 2032
	Taxation registration certificate	Suzhou State Administration of Taxation, Jiangsu Suzhou Local Taxation Bureau	15 May 2012	–
	Organisation code certificate	Jiangsu Bureau of Quality and Technical Supervision	14 May 2012	13 May 2016

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, our Company had obtained all the necessary licences, 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 Concession, and had been in full compliance with all relevant laws and regulations since the incorporation of the respective companies in our Group.

Legal and Regulatory Compliance

As advised by our PRC Legal Advisers, as at the Latest Practicable Date, save as disclosed in the relevant sections in this prospectus and in the paragraph headed “Non-compliance and Remedial Measures” in this section below, we have obtained all the qualifications, approvals and permissions which are necessary for the conduct of our present business in accordance with the PRC laws and regulations, and such qualifications, approvals and permissions were not being subject to any revocation or withdrawal and remained in full force as at the Latest Practicable Date.

Our PRC Legal Advisers have further confirmed that, as at the Latest Practicable Date, the scope of our operations as set out in our current business licence has been approved by the industrial and commercial registration authorities, and the business effectively conducted by us is in accordance with the scope and means of operations as approved by such business licence. The scope and means of our operations have been compliant with the stipulations of the PRC laws and there have been no illegal or non-compliant acts which would materially impact our normal operational activities nor does any legal obstacle exist which would affect our continuing operations.

NON-COMPLIANCE AND REMEDIAL MEASURES

Material Non-compliance

Non-compliant bill financing

Background

Prior to the Reorganisation, our Group was part of a larger private group of companies in which Ms. Zhu, Mr. Su or their family members had more than 50% direct and indirect interests (the “**Larger Group**”). The Larger Group included, during the relevant period, (i) our Group and (ii) other companies which are excluded from our Group (the “**Excluded Group**”) and are related parties of our Company, including those set out in Note 39 to the accountants’ report in Appendix I to this prospectus, which are engaged in various businesses including sale of gasoline and diesel, transportation of LPG, construction and installation of natural gas pipelines, asset management, operation of gas refuelling stations, property management, trading and property development.

Due to the more established relationship of Taicang Natural Gas, a wholly-owned subsidiary of our Company, with banks as well as its stronger and more stable financial position when compared with other members of the Larger Group, during the Track Record Period, Taicang Natural Gas had been acting as the principal financing platform for the Larger Group (including our Group) with the consolidated function of interfacing with and securing facilities from banks and other financial institutions, and was the main channel through which the Larger Group (including our Group) obtained financing from banks (the “**Financing Arrangements**”). Such internal corporate arrangement within the Larger Group is reflected in the consolidated financial statements of our Company in which the “amounts due from other related parties” for 2011, 2012, 2013 and the nine months ended 30 September 2014 were RMB543.4 million, RMB570.5 million, RMB196.1 million and RMB0.6 million, respectively. As part of the Financing Arrangements, our Group has made use of bill financing to obtain funding (“**Bill Financing Arrangements**”). Our Company confirms that it has not made any interest saving by way of the Bill Financing Arrangements.

BUSINESS

Substantially as a result of the Financing Arrangements, our Group's interest-bearing bank loans and other borrowings amounted to RMB616.5 million, RMB614.3 million, RMB499.0 million and RMB170.0 million as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively, and for which our Group had incurred finance costs in the amounts of RMB42.1 million, RMB52.2 million, RMB42.3 million and RMB16.1 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively.

Set forth below is the extract of relevant items from the financial statements of our Group for the periods indicated, which are set out in Appendix I to this prospectus:

Extracts from consolidated statements of profit or loss and other comprehensive income

RMB million	For the year ended 31 December			For the nine months ended 30 September	
	2011	2012	2013	2013 (unaudited)	2014
Revenue	474.2	523.0	663.7	481.7	575.7
Cost of sales	(348.2)	(371.9)	(463.6)	(340.2)	(435.7)
Gross profit	126.0	151.1	200.1	141.5	140.0
Finance costs	(42.1)	(52.2)	(42.3)	(33.3)	(16.1)
Profit for the year/period	59.4	71.0	106.5	75.6	84.7

Extracts from consolidated statements of financial position

RMB million	As at 31 December			As at 30 September
	2011	2012	2013	2014
CURRENT ASSETS				
Amounts due from other related parties	543.4	570.5	196.1	0.6
CURRENT LIABILITIES				
Trade and bills payables	45.0	48.0	24.9	44.5
Amounts due to the Controlling Shareholders	72.3	27.8	–	–
Amounts due to other related parties	9.6	81.6	–	0.9
Interest-bearing bank loans and other borrowings	506.5	564.3	499.0	–
NET CURRENT LIABILITIES	(33.6)	(115.6)	(376.8)	(39.1)
NON-CURRENT LIABILITIES				
Loans from a related party	25.8	27.2	–	–
Interest-bearing bank loans and other borrowings	110.0	50.0	–	170.0

BUSINESS

From the beginning of the Track Record Period to September 2013 (the “**Relevant Period**”), Taicang Natural Gas entered into bank acceptance notes agreements (the “**Credit Agreements**”) with eight banks in the PRC (the “**Endorsing Banks**”) for issuance of bank acceptance notes generally with a term of around six months to:

- Shanghai Shenxin, which is beneficially owned as to 60% by Ms. Zhu Qiuying, sister of Ms. Zhu, and as to 40% by Mr. Huang Zixiu (who is a former director of Taicang Natural Gas and a director of some companies in the Excluded Group; and
- Taicang Port Lihe Energy Development Co., Ltd. (太倉港力合能源發展有限公司) (“**Lihe Energy**”), which is beneficially owned as to 51% by Mr. Su, and as to 49% by Mr. Zhu Yongguo (朱涌國), who is a brother of Ms. Zhu.

(Shenxin and Lihe Energy together as the “**Accepting Parties**”, each an “**Accepting Party**”).

The Credit Agreements generally include provisions relating to the terms of the issuance of bank acceptance notes. Our Group could issue, through the Endorsing Banks, bank acceptance notes to the Accepting Parties for a stipulated amount under the Credit Agreements as payment for provision of services. Under such Credit Agreements, Taicang Natural Gas was required to pledge certain deposits with or provide certain other securities for the Endorsing Banks in the range of 30% to 100% of the face value of the bank acceptance notes issued.

At any time prior to the maturity date, the bank acceptance notes might be presented by the Accepting Parties to other banks or financial institutions (the “**Discounting Banks**”) for discounting or endorsement to a third party for payment of goods or services. Such Accepting Party would obtain an amount equal to the face value of the bank acceptance notes after deducting discounted interest. Upon maturity, our Group was required to repay the face value of the issued bank acceptance notes to the Endorsing Banks.

Non-compliant bill financing arrangements

During the Relevant Period, Taicang Natural Gas instructed the Endorsing Banks to issue bank acceptance notes in the aggregate amount of RMB800.4 million generally with a term of around six months to Shanghai Shenxin or Lihe Energy (the “**Relevant Bills**”). The Controlling Shareholders or Taicang Natural Gas were required to pledge certain deposits with or provide certain other securities for the Endorsing Banks in the range of 30% to 100% of the face value of the bank acceptance notes issued.

As the Relevant Bills were stated to be payable to Shanghai Shenxin or Lihe Energy, they could be endorsed by Shanghai Shenxin or Lihe Energy to third-parties as means of payment. In practice, after the Relevant Bills were issued by the Endorsing Banks, they were then sealed with the company seal of Shanghai Shenxin or Lihe Energy and were kept in the office of our Group, ready to be endorsed to a third-party by insertion of that third-party’s name. Our Group usually instructed the banks to issue the Relevant Bills in bulk quantity for the sake of administrative convenience.

BUSINESS

As there were no actual underlying transactions between our Group and Shanghai Shenxin or Lihe Energy as basis for issuance of the Relevant Bills, the arrangement (the “**Bill Financing Arrangements**”) did not comply with the terms of the Credit Agreements and the provisions of the PRC laws and regulations, except for certain Relevant Bills that were issued but not endorsed or discounted in the end, for which our PRC Legal Advisers confirmed that no non-compliance with any PRC laws or regulations was involved as the arrangement had not been completed. Further details of which are set out in the paragraph below headed “Non-compliance with the PRC laws and regulations” in this section.

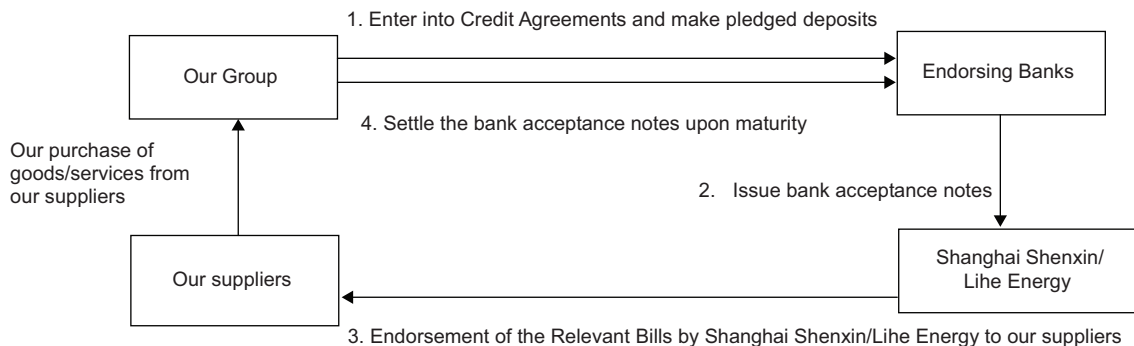
Our Directors confirm that they were previously not aware that the Bill Financing Arrangements involved non-compliance with any PRC laws or regulations.

During the Relevant Period, the Relevant Bills were used in circumstances that can be summarised into the three scenarios set out below. They were used in scenario (1) below for our Group’s own purpose, and were used in scenarios (2) and (3) below as part of the Financing Arrangements under which our Group obtained funding for the use of the Larger Group, as discussed above.

Scenario (1)

For the Relevant Bills in the amounts of RMB9.8 million, RMB7.7 million and RMB7.8 million comprising 5%, 3% and 2% of the amounts involved in the Bill Financing Arrangements for 2011, 2012 and 2013, respectively, our Group caused Shanghai Shenxin or Lihe Energy to endorse them to our own suppliers for payment of our purchases.

The diagram below illustrates the processes involved in scenario (1):



Our Group used the Relevant Bills in scenario (1) because of administrative convenience, as they were kept in our office and were readily available, saving our time and administrative burden in obtaining a bank acceptance note for each transaction we made with our suppliers.

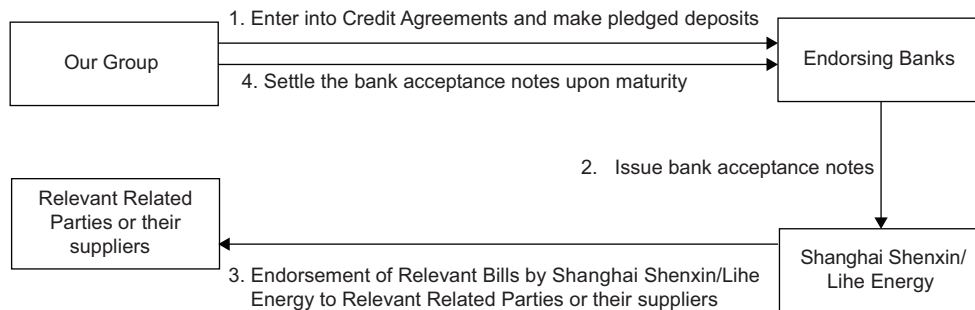
The amounts involved in the transactions in scenario (1) are reflected as “Trade and bills payables” in the financial statements of our Group.

BUSINESS

Scenario (2)

For the Relevant Bills in the amounts of RMB26.5 million, RMB36.5 million, and RMB44.2 million, comprising 14%, 13% and 13% of the amounts involved in the Bill Financing Arrangements for 2011, 2012 and 2013, respectively, including certain non-interest bearing notes, our Group, at the request of the relevant related parties controlled by the Controlling Shareholders (the “**Relevant Related Parties**”), issued such Relevant Bills to Shanghai Shenxin or Lihe Energy, which then endorsed them to the Relevant Related Parties for their own purposes (including payment to the Relevant Related Parties’ suppliers).

The diagram below illustrates the processes involved in scenario (2):



Our Group used the Relevant Bills in scenario (2) in order to provide financing to fund the operation of the Relevant Related Parties, as part of the Financing Arrangements discussed above.

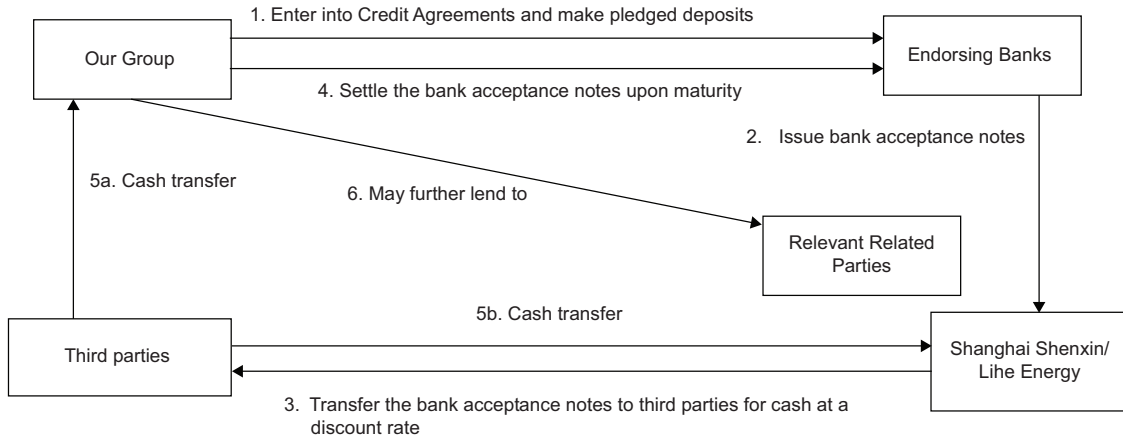
The amounts involved in the transactions in scenario (2) are, in addition to being reflected as “Trade and bills payables”, also reflected as “Amounts due from related parties” in the financial statements of our Group.

Scenario (3)

For the Relevant Bills in the amounts of RMB149.3 million, RMB234.6 million and RMB284 million, comprising 81%, 84% and 85% of the amounts involved in the Bill Financing Arrangements for 2011, 2012 and 2013, respectively, our Group caused Shanghai Shenxin/Lihe Energy to transfer the Relevant Bills to third parties for cash at a discount rate. Such third parties then transferred the cash to our Group or the Relevant Related Parties. In such a way, our Group or the Relevant Related Parties obtained short-term (usually for six months) financing, which our Group or the Relevant Related Parties might use for their own purpose or our Group may further lend to the Excluded Group to support its operation.

BUSINESS

The diagram below illustrates the processes involved in scenario (3):



Our Group used the Relevant Bills in Scenario (3) in order to provide financing to fund the operation of the Larger Group, as part of the Financing Arrangements discussed above, which is reflected as “Interest-bearing bank loans and other borrowings” in the financial statements of our Group.

Reasons for the Bill Financing Arrangements

As set out above, the principal reason for our Group to use the Bill Financing Arrangements was, in scenario (1), the administrative convenience they offered, and in scenarios (2) and (3), the facilitation or lowering of finance costs of the Financing Arrangements to fund the operation of the Larger Group, mainly for the companies in the Excluded Group, but also included our Group itself in scenario (3).

Our Directors confirmed that, except the Bill Financing Arrangements, we had not been involved in any similar bill financing arrangement for the benefit of the Accepting Parties during the Track Record Period. Our Directors and the Accepting Parties confirmed that neither they nor any of their respective directors or associates received any amount as rebate in connection with the Bill Financing Arrangements during the Track Record Period.

Non-compliance with the PRC laws and regulations

In the course of the preparation for the Listing, we were advised by our PRC Legal Advisers that the Bill Financing Arrangements were not in compliance with the PRC Negotiable Instruments Law (中華人民共和國票據法) (in particular Article 10 which states that bank acceptance notes must be issued on the basis of actual underlying transactions) and certain banking regulations promulgated by the PBOC, including the Measures for the Implementation of the Administration of Negotiable Instruments (票據管理實施辦法), the Measures for the Payment and Settlement (支付結算辦法) and the Notice of the People’s Bank of China on Certain Improvements of the Negotiable Instruments Systems (中國人民銀行關於完善票據業務制度有關問題的通知). Upon becoming aware of such non-compliance and the advice of its professional advisers (including our Company’s internal control consultant), we ceased to conduct the Bill Financing Arrangements since September 2013 and had fully settled all bank acceptance notes involved in December 2013.

BUSINESS

Effect on our financial position

The total face value of the bank acceptance notes issued under the Bill Financing Arrangements amounted to RMB185.6 million, RMB278.8 million and RMB336.0 million for 2011, 2012 and 2013, respectively. Some of the bank acceptance notes did not carry interest, and the rest carried interests ranging from 6.1% to 10.9%, 5.2% to 6.5% and 4.3% to 7.2% per annum for 2011, 2012 and 2013, respectively. The interest expenses associated with these bank acceptance notes amounted to RMB6.3 million, RMB7.0 million and RMB7.8 million, for 2011, 2012 and 2013, respectively.

As at 31 December 2011, 2012 and 2013, the balances of the Bill Financing Arrangements were RMB74.0 million, RMB159.0 million and nil, respectively, which were fully settled in or before December 2013 upon maturity.

Our Directors and we confirm that funds obtained from the Bill Financing Arrangements were not only used for funding of our own operations, but also to fund the operations of the Excluded Group. Our Directors and we further confirm that, because of the foregoing, our financial position would not be adversely affected without such Bill Financing Arrangements during the Track Record Period.

We maintained cash and bank balances of RMB69.6 million, RMB64.1 million and, RMB69.8 million, respectively, as at 31 December 2011, 2012 and 2013. Although our interest-bearing bank loans and other borrowings amounted to RMB616.5 million, RMB614.3 million and RMB499.0 million as at 31 December 2011, 2012 and 2013, respectively, they, together with the arrangements set out in scenario (2) above, were part of the Financing Arrangements for obtaining funds to support the operation of the Excluded Group, which is reflected as “amounts due from other related parties” in the amounts of RMB543.4 million, RMB570.5 million and RMB196.1 million in the financial statements of our Group as at 31 December 2011, 2012 and 2013, respectively.

Please refer to the section headed “Financial Information – Overview – Effect of Related Party Transactions on our Financial Position” in this prospectus for further information.

In light of the Bill Financing Arrangements as set out above, we have taken the following actions to demonstrate that (i) the Bill Financing Arrangements do not affect our suitability for listing under Rule 8.04 of the Listing Rules; and (ii) our Directors involved in the Bill Financing Arrangements have the character, experience and integrity required of a director under Rules 3.08 and 3.09 of the Listing Rules.

Our Directors have confirmed that:

- Our Directors authorised such Bill Financing Arrangements because they did not have the relevant legal knowledge in the past that they involved any non-compliance with the PRC laws or regulations at the time when our Directors authorised them, as they were not adequately advised by professionals on matters pertaining to bill financing at that time;

BUSINESS

- Upon becoming aware of the relevant non-compliance and the advice of its professional advisers (including our Company's internal control consultant), we had ceased any further Bill Financing Arrangements since 12 September 2013 and fully settled all bank acceptance notes in relation to the Bill Financing Arrangements in December 2013. No Bill Financing Arrangement has occurred since 12 September 2013;
- Based on the advice of our PRC Legal Advisers, no fraud, bribery or other illegal activities under the PRC Negotiable Instruments Law were involved in obtaining the Bill Financing Arrangements;
- Our Directors will undertake not to, and procure our Group not to, engage in or permit the engagement in Bill Financing Arrangements in the future;
- We had obtained confirmations and opinions from the relevant PRC government authorities and Endorsing Banks for not taking any punitive or legal actions against our Group, as further discussed below;
- Our Directors have undertaken to take the remedial measures set out in the paragraph headed "Remedial Measures" (the "**Remedial Measures**") below in this section; and
- We had made appropriate disclosure in this prospectus, as set out below.

Confirmation from relevant PRC government authorities

We consulted and sought confirmations from Taicang Branch of the PBOC and the Suzhou Office of China Banking Regulatory Commission (中國銀行業監督管理委員會) ("**CBRC**"), which are the regulatory authorities for bill financing activities, to confirm: (1) whether the Taicang Branch of the PBOC will impose any administrative penalties or other punitive measures against Taicang Natural Gas, the Controlling Shareholders and the senior management of Taicang Natural Gas due to the Bill Financing Arrangements; and (2) whether the Suzhou Office of CBRC had received any complaints or other claims in relation to the Bill Financing Arrangements.

The CBRC is the regulatory body responsible for the supervision and regulation of banking institutions of the PRC and it is empowered to impose penalties on banking institutions which are in breach of relevant laws and regulations. It does not, however, have the authority to impose penalties on enterprises other than banking institutions. On 23 January 2014, the CBRC Suzhou Office issued a written confirmation to confirm that it had not received any complaints or other claims in relation to the Bill Financing Arrangements.

The PBOC is responsible for monitoring bill financing activities in the PRC. However, there is no express provision in the relevant laws, rules and regulations in the PRC which imposes administrative or criminal liabilities on enterprises regarding the aforesaid Bill Financing Arrangements. In addition, on 16 January 2014, we received a written confirmation from the PBOC Taicang Branch confirming that it will not impose any administrative penalties or other punitive measures against Taicang Natural Gas, the Controlling Shareholders and the senior management of Taicang Natural Gas due to the Bill Financing Arrangements.

BUSINESS

Confirmations from the Endorsing Banks

We received confirmations from each of the Endorsing Banks involved in the Bill Financing Arrangements, which state that:

- all the bank acceptance notes in respect of the Bill Financing Arrangements had been fully settled;
- the repayments made to them by our Group related to the Bill Financing Arrangements were made in full and on time pursuant to the PRC Negotiable Instruments Law;
- there are no existing or potential disputes associated with the Bill Financing Arrangements;
- no fraud, bribery or other illegal activities were involved in the Bill Financing Arrangements;
- they had not incurred any loss as a result of the Bill Financing Arrangements;
- the Bill Financing Arrangements will not have any adverse effect on the existing and future bank financing activities of our Group; and
- they will not take any legal action against our Group, our Directors, the employees or any relevant party in connection with the Bill Financing Arrangements.

Opinions from our PRC Legal Advisers

We sought opinions from our PRC Legal Advisers, who have confirmed that:

- the Taicang Branch of PBOC and Suzhou Office of the CBRC are the competent and appropriate authorities to issue the confirmations set out above and it is not necessary for our Group to obtain confirmations from the provincial or higher level regulatory authorities;
- subject to (i) all the relevant funds having been fully repaid to the Endorsing Banks before the due date; (ii) our Directors and our senior management not having obtained any personal rebate from the Bill Financing Arrangements; and (iii) all the Endorsing Banks confirming that they had not incurred any loss as a result of the Bill Financing Arrangements, the Bill Financing Arrangements did not constitute fraudulent activities with negotiable instruments for the purpose of illegal possession as prescribed under 中華人民共和國刑法 (Criminal Law of the PRC) (“**PRC Criminal Law**”) and the PRC Negotiable Instruments Law and there will not be criminal liability imposed on our Group, our Directors and the senior management of our Group due to the Bill Financing Arrangements;
- as (i) there are no specific provisions in the PRC Negotiable Instruments Law, the Measures for the Payment and Settlement and other relevant laws and regulations prescribing definitive administrative penalties for such issuance of bank acceptance notes without a real act of trading, on the basis of the principle described in Articles 3 and 4 of 中華人民共和國行政處罰法 (Administrative Penalty Law of the PRC) that “regulations which are not published shall not be taken as the basis for administrative penalties”; (ii) subject to the Taicang Branch of PBOC, as the regulatory authority of matters relating to negotiable instruments in the jurisdictions where Taicang Natural Gas was established, confirming that no administrative penalties or other punitive

BUSINESS

measures would be imposed on Taicang Natural Gas, the Controlling Shareholders and the senior management of Taicang Natural Gas due to the Bill Financing Arrangements; and (iii) subject to the Suzhou Office of the CBRC, as the regulatory authority for the supervision and regulation of the Endorsing Banks in relation to bill financing activities, confirming that it had not received any complaints or other claims in relation to the Bill Financing Arrangements; and

- subject to the confirmations from the Endorsing Banks described in the paragraph headed “Confirmations from the Endorsing Banks” above in this section confirming that:
 - (i) all the bank acceptance notes in respect of the Bill Financing Arrangements had been fully settled before the due date;
 - (ii) there are no existing or potential disputes between our Group and the relevant Endorsing Bank;
 - (iii) the Bill Financing Arrangements would not have any adverse effect on the existing and future bank financing activities of our Group;
 - (iv) they had not incurred any loss as a result of the Bill Financing Arrangements; and
 - (v) they would not take any legal action against our Group, our Directors and its employees and any relevant party in connection with the Bill Financing Arrangements,

our Group, our Controlling Shareholders, our Directors and the senior management of our Group would not be subject to civil liabilities under civil claims from the Endorsing Banks.

Internal control measures

We have engaged an internal control consultant, BDO Financial Services Limited, to conduct a review of our internal control systems over the Bill Financing Arrangements and have implemented the relevant suggestions proposed by our internal control consultant. After the identification of the Bill Financing Arrangements related non-compliance, on 20 August 2013, we engaged (as supplemented by the supplemental agreements signed between us and BDO Financial Services Limited dated 7 July 2014 and 16 September 2014) BDO Financial Services Limited as independent internal control consultant to review the design and operating effectiveness of the internal control measures over the non-compliance issue in relation to the Bill Financing Arrangements, for the period from the control implementation in December 2013 to December 2014.

We have been taking all necessary actions since December 2013 to improve its internal control processes, which include:

- the adoption of written internal control policies and procedures in relation to bill financing arrangements and circulation of such policies and procedures to all Directors and relevant staff;
- the requirement that relevant agreements and records for obtaining bill financing must be submitted to the board of directors of our Company for approval of future financing applications;

BUSINESS

- the requirement that details of all future financing agreements must be recorded in our internal register together with the relevant agreements;
- designated staff will ensure that each supply agreement will not be used for multiple financing. Our Finance staff will check the note payables to identify any non-compliant bill-financing arrangements and to report any non-compliance to the finance manager of our Group;
- the requirement that endorsement of bills should be supported with appropriate vendor contracts and invoices and authorised as cash equivalent payments;
- designated staff will monitor bill endorsements to ensure their appropriateness according to vendor contracts and invoices and to ensure bills will not be used for financing assistance to any third party or related companies;
- the requirement that discount of bills should be authorised by our chief financial officer. Our finance staff will ensure the fund is deposited to our bank account on a timely basis;
- designated staff will maintain a tracking register of the discounted bills and monitor to ensure that the fund is not used for financing assistance to any third party or related companies;
- designated staff will perform compliance assessment and report the results to our board of directors on a semi-annual basis;
- our audit committee may decide on the penalties on the staff who breaches the internal control policies and procedures in relation to bill financing arrangements or the PRC Negotiable Instruments Law;
- training has been provided by our PRC Legal Advisers to the relevant Directors and members of the senior management, including Mr. Su, Ms. Zhu, Ms. Huang Hui, and the financial management team of our Group on 12 August 2014 covering (i) an introduction of bills and bill financing; (ii) the relevant PRC laws and regulations; (iii) the bill financing procedures and the associated risks; (iv) case study of bill financing non-compliance; and (v) internal control on management of bill financing procedures; and
- the engagement of an internal control consultant to assess our internal control system for not less than 12 months after the Listing.

Based on the foregoing, our Directors confirm that our internal control procedures are adequate and effective in preventing future non-compliance in relation to the Bill Financing Arrangements.

Our internal control consultant, BDO Financial Services Limited, has reviewed the internal control measures set out above, and performed a walk-through and control testing. Based on the foregoing, it concurs with the view of our Directors that we have properly designed and effectively operated the internal controls for the purpose of preventing non-compliance in relation to the Bill Financing Arrangements after the relevant non-compliance was identified.

Taking into account the internal control measures implemented by us, and the views of our internal control consultant, the Sole Sponsor concurs with the Directors' view that the internal control procedures are adequate and effective under Rule 3A.15(5) of the Listing Rules in preventing further non-compliance in relation to the Bill Financing Arrangements.

BUSINESS

Furthermore, having considered the facts and circumstances in relation to the non-compliance incidents as disclosed in this section, the training provided to the relevant Directors and members of the senior management as mentioned above, the Bill Financing Arrangements having been ceased since September 2013, and our internal control measures which have been adopted to avoid recurrence of such non-compliance in relation to the Bill Financing Arrangements and other non-compliance, our Directors and the Sole Sponsor are of the view that the Bill Financing Arrangements do not affect our Directors' suitability to act as directors of a listed issuer under Rules 3.08 and 3.09 of the Listing Rules or our suitability for listing under Rule 8.04 of the Listing Rules.

Pursuant to the deed of indemnity dated 23 February 2015 given by the Controlling Shareholders in favour of our Company, our Controlling Shareholders have undertaken to fully indemnify us against, among other things, any and all liabilities arising from the Bill Financing Arrangements.

Systemic Non-compliance

Non-compliant advances to related party enterprises

During the Track Record Period, we made certain non-interest bearing advances to our related party enterprises. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our advances to related parties amounted to RMB543.4 million, RMB568.3 million, RMB194.1 million and nil, respectively. As at the Latest Practicable Date, these advances had been fully repaid to us.

Non-compliance with the PRC laws and regulations

According to our PRC Legal Advisers, such lending activities between enterprises did not comply with the Lending General Provisions (貸款通則) promulgated by the PBOC in 1996. The PBOC may impose a fine on the lending party in an amount equal to one to five times the interest generated from the lending activity, and concurrently invalidate such lending activity.

Opinions from our PRC Legal Advisers

As confirmed by our PRC Legal Advisers, since (i) the relevant advances made to the related party enterprises by us were non-interest bearing; (ii) we had already ceased such practice; and (iii) the relevant advances had been fully repaid by the related party enterprises, there is no basis for PBOC to impose any penalty on us.

Reasons for non-compliance

Prior to the Reorganisation, our Directors considered that we were part of a larger private group of companies, and the advances were made to related party enterprises because of the administrative convenience that they might offer and for funding their operation. Further, the non-compliant advances represented temporary advances to the related party enterprises and were entered into due to our unfamiliarity with the relevant regulatory requirements and a lack of internal control measures to monitor related party advances.

BUSINESS

Remedial measures

Our Directors have confirmed that as at the Latest Practicable Date, the relevant advances to the related party enterprises had been returned by such related party enterprises to our Group. Our Directors have further confirmed that we will not continue any lending activity for related party enterprises. We have also implemented a set of internal control policies to avoid any similar non-compliance in the future. Please refer to the paragraph headed “Internal Control” in this section for further details.

Impact on our Group

Our Directors are of the view that, considering the advice from our PRC Legal Advisers and the amounts advanced having been fully repaid, and that pursuant to the deed of indemnity dated 23 February 2015 given by the Controlling Shareholders in favour of our Company, our Controlling Shareholders have given undertakings that they will indemnify our Group against all losses, claims, charges or expenses arising from our non-compliance in relation to the advances to the related party enterprises, such non-compliance is not expected to have any material impact on our financial condition or operating results.

Non-compliance relating to our properties

Prior to 19 January 2015, we occupied a parcel of land in Jincang Lake Park, Taicang with a site area of 937.7 sq.m. (“**Jincang Property**”) on which we had erected a building with a gross floor area of 110 sq.m., and we did not have the land use rights certificate and the relevant construction certificates for the building erected thereon.

Non-compliance with the PRC laws and regulations

The Jincang Property and the building erected thereon were intended to be used as a pressure regulation and measurement station for transmission of natural gas to users in the surrounding area. Taicang Natural Gas did not obtain the land use rights certificate for the Jincang Property, and the relevant construction site planning permits, construction planning permits and construction work commencement permits were not applied for the said building, therefore Taicang Natural Gas did not have the relevant building ownership certificates for the said building.

According to PRC laws and regulations, as regards land occupied illegally without approval, government land regulating departments at or above the county level can order the land occupied illegally to be returned, confiscate newly built buildings and other facilities on the land occupied illegally and impose administrative penalty which includes the demolition of the buildings and facilities and a fine of up to 10% of the construction fees thereof.

Opinions from our PRC Legal Advisers

As confirmed by our PRC Legal Advisers, although the above non-compliances may result in Taicang Natural Gas being imposed the aforesaid penalty and fine should the relevant governmental authorities take the enforcement action, the non-compliances in respect of the Jincang Property and the building erected thereon are not expected to have a material effect on the operations of, and will not result in material economic losses to our Group, given that if the

BUSINESS

pressure regulating station could not be used due to the above non-compliances, our Group could construct medium pressure network pipelines in nearby areas to supply natural gas to users in the surrounding area which would not materially disrupt our Group's gas supply, and that Mr. Su and Ms. Zhu, being our Controlling Shareholders, have undertaken to indemnify Taicang Natural Gas against all economic losses which may arise due to the non-compliances in respect of the Jincang Property and the building erected thereon.

Reasons for non-compliance

In the initial stages of construction of the Jincang pressure regulation and measurement station, in order to protect the gas supply to residents, we built the station on the Jincang Property in accordance with the requirements of the Taicang Chengxiang Government (as defined below). As the government initially indicated that the Jincang Property could be used by our Company at nil consideration, the land use rights certificates and relevant construction certificates were not applied for in a timely manner.

Remedial measures

Given that the relevant facilities are not required for our current operations, Taicang Natural Gas has unconditionally and irrevocably offered to hand over to People's Government of Chengxiang Town of Taicang City ("**Taicang Chengxiang Government**") the Jincang Property and the building erected thereon together with all the rights attaching to the said properties. On 19 January 2015, by way of a written confirmation, the Taicang Chengxiang Government accepted our offer and confirmed that it had taken over the Jincang Property and the building erected thereon at its disposal with effect from 19 January 2015. As advised by our PRC Legal Advisers, based on the aforesaid written confirmation and the PRC laws and regulations, Taicang Natural Gas no longer has any interest in the Jincang Property and the building erected thereon. Given that there is no natural gas consumer yet near the Jincang Property, the facilities built on the Jincang Property had never come into operations. As at the Latest Practicable Date, we had not had any operations at the facilities built on the Jincang Property and did not hold any interest in the Jincang Property and the building erected thereon.

If necessary, we may identify a new site in the vicinity for constructing a new pressure regulation and measurement station, which our Directors believe will not have any material adverse effect on our operation, financial position or operating results. We have implemented a set of internal control policies relating to compliance matters for with our owned property in the PRC to avoid any similar non-compliances in the future.

Impact on our Group

The total costs expended on the Jincang Property and the building erected thereon were incurred in 2010. Our Directors are of the view that the surrender of the Jincang Property and the building erected thereon will not have any financial impact on our Company given that their net book value is zero in our latest accounts and that no profit or loss on our financial statements has been recorded due to the surrender thereof. Our Directors are further of the view that the aforementioned non-compliance is not expected to have a material adverse effect on our operations and financial conditions based on the following: (i) we had handed over the Jincang Property and the building erected thereon to the relevant local government and no longer held any

BUSINESS

interest therein as of the Latest Practicable Date; (ii) we could construct new pipelines in nearby areas which are connected to our other pressure regulation stations performing the same function as the pressure regulation station on the Jincang Property in order to satisfy the requirements of nature gas customers in the future; (iii) due to our ring pipeline network design, gas supply would not be completely cut off in the event of any single point failure along the ring; (iv) to the best of our Directors' knowledge and belief, there is no safety issues identified in respect of the Jincang Property; and (v) pursuant to the deed of indemnity dated 23 February 2015 given by the Controlling Shareholders in favour of our Company, our Controlling Shareholders have given undertakings in favour of our Group that they will indemnify our Group against all losses, claims, charges or expenses arising from our historical failure to obtain the relevant certificates. In the event that we intend to use the Jincang Property or the building erected thereon again or to construct any building on the land in the vicinity in future, we will obtain the necessary land use right and building ownership right in accordance with the then applicable laws and regulations.

Non-compliance in relation to social insurance fund and housing provident fund contributions

Non-compliance with the PRC laws and regulations

During the Track Record Period, Taicang Natural Gas did not contribute to the social insurance fund and housing provident fund for the benefit of its employees for the full amount based on their actual salaries as required under the Social Insurance Law, the Regulations on Management of Housing Provident Fund and the relevant regulations.

We estimate that the maximum amounts of the outstanding social insurance fund and housing provident fund contributions for 2011, 2012, 2013 and the nine months ended 30 September 2014 are RMB0.28 million, RMB0.31 million, RMB0.07 million and RMB0.035 million, respectively.

Opinions from our PRC Legal Advisers

As advised by our PRC Legal Advisers, under the relevant PRC laws and regulations, Taicang Natural Gas may be ordered to pay up all outstanding contributions to social insurance within a prescribed period. The employees' portion of the contributions shall be borne by the employees themselves, but such contributions shall be withheld by the employer from the salary of employees. An overdue penalty of 0.05% of the outstanding social insurance contributions per day as from the due date may be imposed by the competent authorities. If Taicang Natural Gas fails to make such payment in full within the prescribed time limit, a fine in the amount of one to three times of the outstanding contributions might be imposed.

As advised by our PRC Legal Advisers, according to the Regulations on Management of Housing Provident Fund, if an employer defaults in the payment of, or underpays, the housing provident fund, the competent authorities shall order it to make the payment within a prescribed time limit, and an application may be made to a people's court for compulsory enforcement if the payment has not been made within the prescribed time limit.

BUSINESS

Remedial measures

We have obtained confirmations from the relevant government authorities that we had made contribution payment to the social insurance fund and the housing provident fund. Since September 2014, we have made full contribution payment for the social insurance fund and the housing provident fund in accordance with the Social Insurance Law and the relevant regulations, and we shall arrange payment of the outstanding social insurance fund and the housing provident fund for the relevant employees in accordance with the PRC national laws and regulations and adopt a policy to ensure payment of full contribution to the social insurance fund and the housing provident fund in accordance with the applicable laws and regulations. We have also obtained confirmations from the relevant government authorities on 30 July 2014 and 3 September 2014 that we had not been subject to any penalty arising from housing provident fund contributions and social insurance fund contributions, respectively.

Impact on our Group

Our Directors are of the view that, based on the advice from our PRC Legal Advisers and the amount of outstanding contributions involved, and that pursuant to the deed of indemnity dated 23 February 2015 given by the Controlling Shareholders in favour of our Company, our Controlling Shareholders have given undertakings to our Group that they will indemnify our Group against all losses, claims, charges or expenses arising from our non-compliances in relation to social insurance and housing provident fund contributions, such non-compliances do not have any material impact on the operations or financial conditions of our Group.

INTERNAL CONTROL

Our Board is responsible for establishing our internal control system and reviewing its effectiveness. In accordance with the applicable laws and regulations, we have established procedures for developing and maintaining internal control systems. Such systems cover corporate governance, operations, management, legal matters, finance and auditing, as appropriate for the needs of our Group.

To strengthen our internal control, we intend to adopt or have adopted the following measures, in addition to the remedial measures for the specific non-compliance set out in the paragraphs under “Non-compliance and Remedial Measures” above in this section.

- (1) we have engaged an internal control consultant to conduct a review of our internal control systems and have implemented the relevant suggestions proposed by our internal control consultant. As our business continues to expand, we will refine and enhance our internal control systems to respond to the evolving requirements of our expanded operations as appropriate. We will continue to review our internal control systems to ensure compliance with applicable legal and regulatory requirements;
- (2) our company secretary will act as the principal channel of communication between members of our Group and our Company in relation to legal, regulatory and financial reporting compliance matters of our Group as well as the chief coordinators to oversee the internal control procedures in general. Upon receipt of any queries or reports on legal, regulatory and financial reporting compliance matters, the company secretary will look into the matter and, if considered appropriate, seek advice, guidance and recommendation from professional advisers and report to relevant members of our Group and/or our Board;

BUSINESS

- (3) we will appoint RHB OSK Capital Hong Kong Limited as our compliance adviser upon Listing to advise our Group on compliance matters in accordance with the Listing Rules;
- (4) we will consider appointing a qualified PRC law firm as our external PRC legal advisers which will assist us in performing the requisite legal due diligence and complying with the relevant laws and regulations in respect of properties to be acquired or leased by us in the future;
- (5) we will provide our Directors, senior management and employees involved with training, development programmes and/or updates regarding the legal and regulatory requirements applicable to the business operations of our Group from time to time;
- (6) we will from time to time remind our employees of their obligations to contribute to their part of the social insurance and housing provident funds in order to comply with the applicable PRC laws and regulations, and advise them on the procedures for making such contributions; and
- (7) we will consider appointing an external Hong Kong legal adviser to advise us on compliance with the Listing Rules and the applicable Hong Kong laws and regulations.

Based on the above, our Directors are of the view that our Group has taken reasonable steps to establish an internal control system and procedures to enhance the control environment, including those in relation to the Bill Financing Arrangements, at both working and monitoring levels, and hence, our Directors are of the view that the enhanced internal control measures adopted by our Group are adequate and effective in reducing the risk of future non-compliance by our Group with legal and regulatory requirements. The Sole Sponsor concurs with the views of the Directors.

INTELLECTUAL PROPERTY

We entered into a trademark licensing agreement with Suchuang Group on 1 August 2014, pursuant to which Suchuang Group agreed to grant to our Group the right to use the trademarks “苏创” and  in the PRC in connection with our Company’s business on a perpetual and non-exclusive basis. We have not filed any patent applications. Details of our intellectual property rights are more particularly set out in “Appendix VI – Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights of our Group” in this prospectus.

We were not aware of any material infringement of our intellectual property rights during the Track Record Period up to the Latest Practicable Date, and we believe that we have taken reasonable measures to prevent infringement of our intellectual property rights. We are not aware of any pending or threatened claims against us or our subsidiaries relating to the infringement of intellectual property rights that we license from third parties.

BUSINESS

HEALTH, WORK SAFETY, SOCIAL AND ENVIRONMENTAL MATTERS

We are committed to conducting our operations in compliance with applicable health, work safety, social and environmental protection laws and regulations, and endeavour to mitigate any negative effects of our operations on the environment. Our operations are subject to environmental, health and safety laws and regulations relating to the construction and operation of natural gas pipelines and stations, noise control, air and water emissions, hazardous substances and waste management.

According to the confirmation issued by Taicang Municipal Environmental Protection Bureau in August 2014, since the inception of our Company, we had been complying with the stipulations of national and local laws and regulations on environmental protection and had not been subject to any penalties by the competent authority for environmental protection. Our construction projects, production and operations had been in compliance with the requirements and standards under the stipulations of national and local laws and regulations on environmental protection, and we had implemented the environmental impact assessment system in accordance with laws. In addition, we had not been involved in any environmental pollution incidents or other illegal environmental acts or in breach of any national and local laws and regulations on environmental protection.

As confirmed by our PRC Legal Advisers, during the Track Record Period up to the Latest Practicable Date, we were in material compliance with relevant environmental, health and safety rules and regulations and not subject to any fines or administrative actions involving non-compliance with any relevant environmental, health and safety regulations, nor did we experience any material environmental, health and safety accidents.

Our Directors confirm that the annual cost of compliance with applicable health, work safety, social and environmental protection laws, regulations and policies was not material during the Track Record Period and is not expected to be significant for the year ended 31 December 2014.

INSURANCE

Our assets are covered by various types of insurance, such as property all risks insurance and machinery breakdown insurance. We carry third-party liability insurance to cover claims in respect of personal injury, property or environmental damages arising from accidents on our natural gas facilities or relating to the operation of our natural gas facilities. We review our insurance policies from time to time.

We believe that the insurance coverage of our natural gas facilities is adequate and standard for the natural gas industry in the PRC. Please refer to the section headed “Risk Factors – Risks Relating to our Business – We may not have adequate insurance to cover all hazards common to the natural gas industry to which our operations are subject.” in this prospectus.

LEGAL PROCEEDINGS

There are no pending or threatened litigation matters or other proceedings, and we are not involved in litigation or other proceedings, that we believe would materially and adversely affect our business, financial condition or results of operations as of the Latest Practicable Date. Our Directors have confirmed and our PRC Legal Advisers have opined that as at the Latest Practicable Date, we had complied with applicable PRC laws and regulations in all material respects during the Track Record Period and had obtained permits, licences, qualifications, authorisations and approvals material to our business operations.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

OUR CONTROLLING SHAREHOLDERS

Immediately following completion of the Global Offering and the Capitalisation Issue (but without taking into account of the Shares to be issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Share Option Scheme), Fung Yu Holdings will hold 51.3075% of the issued share capital of our Company. Fung Yu Holdings is held as to 70% by Mr. Su and 30% by Ms. Zhu, and thus Mr. Su, Ms. Zhu and Fung Yu Holdings will continue to be our Controlling Shareholders upon Listing. For details of our Controlling Shareholders' background, please refer to the sections headed "History and Reorganisation" and "Directors, Senior Management and Staff" in this prospectus.

INFORMATION ON OTHER COMPANIES OWNED BY OUR CONTROLLING SHAREHOLDERS

Apart from the business of our Group, the Controlling Shareholders and their associates, through various companies controlled by them or any of them, are currently interested in a number of companies which have been excluded from our Group (the "**Excluded Group**"). The principal activities of the companies within the Excluded Group include property development and management, trading of steel and chemical products, sale of construction materials, operation of gas and diesel refuelling stations and CNG and LNG refuelling station, logistics, operation of hotels, property management and investment holding.

Save as the CNG/LNG Business set out in the paragraphs headed "Suzhou Suling Automobile Service" below in this section, none of the companies within the Excluded Group is engaged in business similar to that of our Group.

Our Directors consider not to include the Excluded Group as part of our Group due to, among others, (i) the principal activities of the Excluded Group are not within our principal business scope, (ii) it is not in the interest of the Shareholders if our Group allocate resources, management effort and expertise on activities outside the core business of our Group, (iii) Save for Mr. Su and Ms. Zhu, the Excluded Group has its own operational management team which is independent from the our Group, (iv) appropriate arrangement has been in place to ensure the CNG/LNG Business will be injected into our Group at appropriate time, details of which are set out in the paragraphs headed "Suzhou Suling Automobile Service" below in this section, and (v) any potential competition between our Group and the Excluded Group would be minimal and could be closely monitored as each of the Controlling Shareholders has entered into a deed of non-competition with our Company and adequate corporate governance measures will be in place after the Listing in order to protect the interest of the minority Shareholders.

Suzhou Suling Automobile Service

Suzhou Suling Automobile Service, formerly known as Suzhou Suguang Automobile Service Co., Ltd. 蘇州蘇光汽車服務有限公司, was established in the PRC with limited liability on 7 December 1992 and is owned as to 83.87% by Taicang Property and 16.13% by Shanghai Shenxin. Suzhou Suling Automobile Service is principally engaged in the operation of diesel and gasoline refuelling stations, as well as CNG and LNG refuelling stations. As at the Latest Practicable Date, it operated two diesel and gasoline refuelling stations, the First CNG Refuelling Station, and the First LNG Refuelling Station in Taicang, and had one combined CNG/LNG refuelling station under construction in Taicang.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

It is the intention of our Company to acquire the CNG/LNG Business from Suzhou Suling Automobile Service as and when the non-compliance matters as detailed below have been rectified.

The table below sets forth the financial information of the CNG/LNG Business during the Track Record Period:

	For the period from 18 July to 31 December 2012 <i>RMB'000</i>	For the year ended 31 December 2013 <i>RMB'000</i>	For the nine months ended 30 September 2013 <i>RMB'000</i> (Unaudited)		2014 <i>RMB'000</i>
Revenue	1,219	16,093	10,679		17,724
Profit before tax	82	353	546		11
Profit for the year/period	61	253	401		7

For details of the financial information of the CNG/LNG Business, please see the section headed “Accountants’ Report of Target Business of Suzhou Suling Automobile Service” in Appendix IA to this prospectus. For analysis on the financial performance of the CNG/LNG Business during the Track Record Period, please see the section headed “Financial Information – Financial Information on the Target Business of Suzhou Suling Automobile Service (the “Target Business”)” of this prospectus.

In order to enhance the provision of transportation services between urban area and rural area in Taicang, Taicang City Transportation Bureau invited Suzhou Suling Automobile Service to establish the First CNG Refuelling Station in 2012. The First CNG Refuelling Station was established in the car parking spaces as designated by Taicang City Transport Management Division. In order to expand its market share in natural gas refuelling station, and to satisfy the gas demand by vehicles for long distance transportation, Suzhou Suling Automobile Service established the First LNG Refuelling Station in a terminal for long distance public transportation in Taicang in 2013.

The First CNG Refuelling Station has been in trial operation since October 2012 and the First LNG Refuelling Station has been in trial operation since September 2013. Suzhou Suling Automobile Service obtained the supply of bottled gas licences for the operation of the First CNG Refuelling Station and the First LNG Refuelling Station in December 2013. Before obtaining such licences, the CNG and LNG Business had recorded the revenue and net profits of approximately RMB15.8 million and RMB0.3 million, respectively. As advised by our PRC Legal Advisers, Suzhou Suling Automobile Service may be fined up to RMB500,000 for operating the CNG and LNG Business without the supply of bottled gas licences. In addition, all the revenue that has been generated from the operation of the First CNG Refuelling Station and the First LNG Refuelling Station before obtaining the supply of bottled gas licences may be confiscated by the relevant governmental authority.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

As advised by our PRC Legal Advisers, the First CNG Refuelling Station and the First LNG Refuelling Station still have the following defects according to the PRC law:

- (a) the site of the First CNG Refuelling Station is leased from an Independent Third Party and is located on a piece of collectively-owned land. As advised by our PRC Legal Advisers, the lessor has not yet obtained the land use rights certificate for the site. If the lessor does not have the requisite right to lease out the property, the lease agreement may be deemed invalid and as a result, Suzhou Suling Automobile Service may be required to vacate from the site and relocate the First CNG Refuelling Station;
- (b) Suzhou Suling Automobile Service has not yet obtained approvals for construction and work planning permit for the First CNG Refuelling Station, nor did it complete the procedures for acceptance of completion of gas project for the First CNG Refuelling Station. Suzhou Suling Automobile Service may be required by the local government to demolish the First CNG Refuelling Station, and may be fined up to an aggregate of 16% of the construction cost of the First CNG Refuelling Station;
- (c) Suzhou Suling Automobile Service has not yet obtained the governmental approvals for project investment and project design, and the gas bottle filling permit for the First CNG Refuelling Station, nor did it complete the procedures for environmental impact assessment, safety assessment, acceptance of completion of environmental protection and acceptance of safety facilities for the First CNG Refuelling Station. Suzhou Suling Automobile Service may be required to demolish the First CNG Refuelling Station, and may be fined up to an aggregate of RMB2.8 million. In addition, all the revenue that has been generated from the operation of the First CNG Refuelling Station may be confiscated by the relevant governmental authority due to the lack of the gas bottle filling permit; and
- (d) Suzhou Suling Automobile Service has not yet obtained the governmental approval for construction, and gas bottle filling permit for the First LNG Refuelling Station, nor did it complete the procedures for acceptance of safety facilities for the First LNG Refuelling Station. Suzhou Suling Automobile Service may be required to demolish the First LNG Refuelling Station, and may be fined up to an aggregate of 2% of the construction cost of the First LNG Refuelling Station and up to an aggregate of RMB1.5 million. In addition, all the revenue that has been generated from the operation of the First LNG Refuelling Station may be confiscated by the relevant governmental authority due to the lack of the gas bottle filling permit

(together, the “**Non-Compliances**”).

Since the landlord of the site of the First CNG Refuelling Station has not yet obtained the land use rights certificate for such site, Suzhou Suling Automobile Service could not apply for the relevant approvals and permits for the First CNG Refuelling Station, nor could it complete the procedures for the relevant governmental acceptance or assessment for the First CNG Refuelling Station. Besides, Suzhou Suling Automobile Service could not obtain the relevant approvals and permits, nor could it complete the procedures for the relevant governmental acceptance or assessment for the First LNG Refuelling Station on a timely basis because it requires more time to further communicate and coordinate with the landlord of the site of the First LNG Refuelling Station in respect of such matters.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Suzhou Suling Automobile Service is in the process of rectifying the Non-Compliances and expects that the rectification will be completed by the end of 2015. In particular, since the title defects of the site of the First CNG Refuelling Station have to be rectified before Suzhou Suling Automobile Service can take action to apply for the outstanding licences and permits, Suzhou Suling Automobile Service has communicated with the relevant governmental authorities on this matter, and requested and was informed that the landlord of the site has communicated with the relevant land authority in order to rectify the title defects. Based on the information provided by the relevant governmental authorities, in order to rectify the title defects, the usage of the site should be changed from rural land to construction area, and the site should be subject to the bidding or auction process. When the landlord obtains the proper land title for the site, Suzhou Suling Automobile Service will apply for the outstanding licences and permits for the First CNG Refuelling Station. To reduce the risk exposure of Suzhou Suling Automobile Service, the landlord agreed to be responsible for any losses that Suzhou Suling Automobile Service may suffer as a result of the title defects of the site of the First CNG Refuelling Station. Our PRC Legal Advisers are of the view that based on the interviews with the management personnel of the relevant PRC governmental authorities, after the landlord has obtained proper land title for the site, there should be no legal impediments for Suzhou Suling Automobile Service to rectify these non-compliances of the First CNG Refuelling Station.

For the First LNG Refuelling Station, Suzhou Suling Automobile Service has applied for gas bottle filling permit and will proceed to complete the procedures for the acceptance of safety facilities. Suzhou Suling Automobile Service has also communicated with the landlord of the site of the First LNG Refuelling Station in respect of the application of the approval of construction of project as such application has to be submitted by the landlord. Our PRC Legal Advisers are of the view that based on the interviews with the management personnel of the relevant PRC governmental authorities, there should be no legal impediments for Suzhou Suling Automobile Service to rectify these non-compliances of the First LNG Refuelling Station.

Subject to the Non-Compliances having been rectified, we may acquire the CNG/LNG Business at our Company's sole and absolute discretion, details of which is set out in "Business – Our Strategies – Acquisition of the CNG/LNG Business from Suzhou Suling Automobile Service" in this prospectus. As advised by our PRC Legal Advisers, if the proposed acquisition of the CNG/LNG Business from Suzhou Suling Automobile Service is materialized, the potential penalties that may be imposed by the PRC governmental authorities due to the Non-Compliances and the lack of the supply of bottled gas licences during the trial operation period will be borne by Suzhou Suling Automobile Service because Suzhou Suling Automobile Service was the operator of the First CNG Refuelling Station and the First LNG Refuelling Station at the time such non-compliances occurred, and we as purchaser of the CNG/LNG Business will not assume any liabilities or penalties associated with the Non-Compliances and the lack of the supply of bottled gas licences during the trial operation of the First CNG Refuelling Station and the First LNG Refuelling Station.

Since Suzhou Suling Automobile Service is in the process of rectifying the Non-Compliances, our Company considers that it is not in the best interests of our Company and the Shareholders to include Suzhou Suling Automobile Service as part of our Group, as (i) Suzhou Suling Automobile Service has not yet rectified the Non-Compliances, and (ii) our Company will need to allocate its resources to the operation of diesel and gasoline refuelling stations carried out by Suzhou Suling Automobile Service, which is not related to the core business of our Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Suzhou Suling Automobile Service operated two diesel and gasoline refuelling stations in Taicang as at the Latest Practicable Date. Our Directors consider that such diesel and gasoline refuelling stations should not be in competition with the CNG and LNG refuelling stations business carried out by Suzhou Suling Automobile Service. Diesel and gasoline, as well as CNG and LNG, are commonly used as motor vehicle fuels, but they are not substitute for each other because the type of fuel used by a motor vehicle is determined at the time of manufacturing of the motor vehicle and could not be switched without substantial modification. For motor vehicles that could use both diesel and gasoline as well as CNG as fuels after substantial modification, our Directors consider that diesel and gasoline could not compete with CNG and LNG as the operating cost (being the cost of fuel per unit of distance travelled) for CNG and LNG per unit is substantially lower than that for diesel and gasoline.

To avoid any possible competition between Suzhou Suling Automobile Service and our Group in respect of the CNG/LNG Business, and in anticipation of the possibility that the CNG/LNG Business carried out by Suzhou Suling Automobile Service may become beneficial to our Group after the Non-Compliances are rectified and the construction of the combined CNG/LNG refuelling stations is completed, it is the intention of Suzhou Suling Automobile Service to make an offer to our Group of the CNG/LNG Business. On 23 February 2015, Suzhou Suling Automobile Service and our Company entered into the Deed of First Offer, pursuant to which Suzhou Suling Automobile Service granted to us an irrevocable right exercisable after rectification of the Non-Compliances, for acquiring at one or more than one time, within a period of three years from the Deed of First Offer (extendable at our Company's sole discretion), all or part of the CNG/LNG Business at our Company's sole and absolute discretion, at the lower of their set-up cost or fair market value to be determined by an internationally reputable firm of accountants or valuers, subject to the applicable governmental approvals, board approval and shareholders' approval of our Company (as may be required under the Listing Rules).

In addition, the following additional corporate governance measures will be adopted by our Company with respect to such offer:

- (a) decision for the exercise or not to exercise our right under the offer shall be determined by the independent non-executive Directors only;
- (b) the independent non-executive Directors are empowered to engage professional advisors at our Company's cost for advices on matters relating to the offer; and
- (c) our Company will disclose in an announcement on the decision, with basis, of the independent non-executive Directors to exercise or not to exercise our right under the offer.

Suzhou Suling Automobile Service has undertaken that it will provide all information reasonably required by our independent non-executive Directors to assist them in the assessment of the CNG/LNG Business.

It is currently expected that our right might be exercised within six months from the date when the Non-Compliances are rectified. The exercise of our right will be (a): based on the best commercial interests of our Company and Shareholders and will be determined by the independent non-executive Directors upon taking appropriate professional advice as above-mentioned, and having considered, as a minimum, (i) our Company's management resources, (ii) the CNG/LNG Business' competitive strengths and business prospects, and (iii) financial position

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

of the CNG/LNG Business; and (b) financed by the proceeds from the Global Offering as set out in the section headed “Future Plans and Use of Proceeds” in this prospectus, and further funding (if required) will be financed by our internal resources and/or bank borrowing, as appropriate. Upon completion of such acquisition, Suzhou Suling Automobile Service would cease to operate the CNG/LNG Business. The proposed acquisition of the CNG/LNG Business from Suzhou Suling Automobile Service contemplated under the Deed of First Offer, if materialised, will constitute connected transaction(s) of our Company upon Listing. We will comply with all applicable requirements in Chapters 14 and 14A of the Listing Rules when such transaction(s) takes place.

Deed of Non-competition

By a deed of non-competition dated 23 February 2015, each of the Controlling Shareholders has, among others, undertaken that save and except that disclosed in this Prospectus:

- (a) he/she/it will not (except through our Group and any investments or interests held through our Group) engage, participate or hold any right or interest in or render any services to or otherwise be involved in any business (whether as owner, manager, operator, licensor, licensee, lender, partner, stockholder, joint venture, employee, consultant or otherwise) which competes or is likely to compete, either directly or indirectly, with the business currently carried on by our Group and the business which is identical or similar to, or in direct or indirect competition with, that of any member of our Group from time to time, including, but not limited to, sale and transmission of piped natural gas, construction and connection of gas pipelines and operation of CNG and LNG refuelling stations (except for the CNG/LNG Business which has been offered to our Company to acquire under the Deed of First Offer) (the “**Restricted Business**”);
- (b) in respect of any of his/her/its associates (other than any member of our Group), he/she/it will procure that each of such associates will not engage or otherwise be involved in any Restricted Business;
- (c) he/she/it will not (and procure his/her/its associates (other than any member of our Group) will not) exploit his/her/its knowledge or information obtained from our Group to compete, directly or indirectly, with the business currently carried on by our Group and such other businesses as may be carried on by our Group from time to time;
- (d) he/she/it will not (and procure that his/her/its associates (other than any member of our Group) will not), directly or indirectly, take any other action which constitutes an intentional undue interference with or a disruption of any of our Group’s current business and such other businesses as may be carried on by our Group from time to time;
- (e) he/she/it will not (and will procure that his/her/its associates, either by himself/herself/itself or through another company will not), either on his/her/its own account or in conjunction with or on behalf of any person, firm or company, directly or indirectly, be interested or engaged in or acquire or hold (in each case, whether acting as an investor, shareholder, partner, agent or otherwise and whether for profit, reward or otherwise) any of the Restricted Business;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (f) he/she/it will provide all information necessary (including his/her/its interest in business undertakings and those of his/her/its associates (other than any member of our Group)) for the annual review by a committee comprising the independent non-executive Directors of the compliance with and the enforcement of the deed of non-competition;
- (g) he/she/it will make an annual confirmation to our Company on compliance with the deed of non-competition which shall be disclosed in our annual reports or by way of announcements to the public; and
- (h) he/she/it will excuse himself/herself/itself from, and abstain from voting and not be counted as quorum of any meetings of shareholders and/or our Board for consideration and approval of any matters referred to in the non-competition deed which have given or may give rise to conflicts of interest, whether actual or potential.

The independent non-executive Directors will review, on an annual basis, the Controlling Shareholders' compliance with the deed of non-competition. Our Controlling Shareholders have undertaken that they will provide all information necessary (including the information of their associates) to our independent non-executive Directors to assist them in the assessment. The decisions on matters reviewed by our independent non-executive Directors relating to the compliance with and the enforcement of the non-competition deed (if any) will be disclosed in our annual report or, where the Board considers it appropriate, by way of an announcement. The disclosure on how the deed of non-competition was complied with and enforced is consistent with the principles of making voluntary disclosures in the Corporate Governance Report to be contained in our annual report pursuant to the Listing Rules.

The deed of non-competition is effective from the Listing Date to the date falling on the earlier of (i) the Controlling Shareholders and/or their respective associates are no longer beneficially interested in at least 30% of the issued share capital of our Company, and (ii) the date on which the Shares cease to be listed on the Stock Exchange.

The deed of non-competition shall not restrict each of the Controlling Shareholders (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 recognised 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 Controlling Shareholders and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and the Controlling Shareholders 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 the Controlling Shareholders and/or their respective associates in aggregate.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

INDEPENDENCE FROM CONTROLLING SHAREHOLDERS

Operational Independence

Our Group has its own work force (including engineers and technical staff) to carry out our core business which operates independently and does not share its operation team with the Controlling Shareholders. Our Group has been granted the exclusive right to sell and transmit piped natural gas to users in the Operating Area for an initial term of 30 years from 1 September 2013 to 31 August 2043, please refer to the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – The Concession” in this prospectus for details. We have sufficient operational capacity in terms of capital, equipment and employees to operate our business independently from the Controlling Shareholders. Our Group has all relevant licences, permits and certificates (separate and distinct from the Excluded Group) which are necessary to carry on and operate our businesses, please refer to the section headed “Business – Legal and Regulatory Matters – Licences, Permits and Approvals” in this prospectus for details. Our Group has independent access to our suppliers and customers. Our Directors consider our Group’s operations do not rely on the Controlling Shareholders or any of their respective associates.

Management Independence

The Board comprises three executive Directors, one non-executive Director and three independent non-executive Directors. Save for their positions in our Group, Mr. Su and Ms. Zhu also held certain positions in the Excluded Group, including directors and/or legal representatives of the companies in the Excluded Group. Ms. Zhu is also the director of Fung Yu Holdings, one of our Controlling Shareholders. Mr. Su and Ms. Zhu undertake that they will spend substantially all of their working time in the operation of our Group after Listing.

Mr. Du Shaozhou, Mr. Xu Lei, Mr. Zhou Qingzu, Mr. He Junjie, Mr. Luk Wai Keung and the members of the senior management of our Group do not hold any positions in any of the companies in the Excluded Group.

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 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. Su and Ms. Zhu will not attend any board meetings in respect of those matters or transactions relating to the Excluded Group 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. Su and Ms. Zhu and their 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.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Despite the interests of Mr. Su and Ms. Zhu in the Excluded Group, our Directors consider that the Board will function independently from the Controlling Shareholders because:

- (a) the businesses of the Excluded Group are not in competition with the core business of our Group, and there are adequate corporate governance measures in place to manage the existing and potential conflict of interests. Each Director, including Mr. Su and Ms. Zhu, is aware of his/her fiduciary duties as a Director which requires, among other things, that he/she acts for the benefit and in the best interests of our Company and would not allow any conflict between his/her duties as a Director and his/her personal interest;
- (b) in the event that there is any potential conflict of interests arising out of any transaction to be entered into between our Company and our Directors or their respective associates, each of the interested Directors shall abstain from voting at the relevant board of directors meetings of our Company in respect of such transaction;
- (c) the Board comprises seven Directors and three of them are independent non-executive Directors, which represents more than one-third of the members of the Board. This is in line with the requirements as set out in the Listing Rules; and
- (d) save for Mr. Su and Ms. Zhu, none of our Directors and members of the senior management of our Group currently holds and is not expected, upon Listing, to hold any senior managerial position or directorship within the Excluded Group.

Having considered the above, 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 the business independently from Mr. Su and Ms. Zhu and their associates after Listing.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to its own business needs. As at 30 September 2014, our Group had bank borrowings of RMB170.0 million guaranteed by the Controlling Shareholders and companies controlled by them. Such guarantees for our Group's bank borrowings will be released upon Listing. The amount due from the Controlling Shareholders and companies within the Excluded Group amounted to RMB38,000 as at 30 September 2014. The amount due to our related parties amounted to RMB946,000 as at 30 September 2014. Such amounts will be fully settled before Listing. Our Directors believe that upon release of such guarantees and settlement of amount due from/to such related parties our Group is able to maintain financial independence from the Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

To further safeguard the interests of our Shareholders, we will adopt the following corporate governance measures to manage any potential conflicts of interest:

- (i) a Director shall absent himself/herself from participating in Board meetings (nor shall he/she be counted in the quorum) and voting on any resolution of the Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested;

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

- (ii) our independent non-executive Directors will review on an annual basis the compliance with and the enforcement of the deed of non-competition given by our Controlling Shareholders. Our Controlling Shareholders undertake to provide all information reasonably required by our independent non-executive Directors to assist them in the assessment and we will disclose decisions on matters reviewed by our independent non-executive Directors relating to the compliance with and the enforcement of the deed of non-competition in our annual reports or by way of announcements to the public. For further details please refer to the paragraph headed “Information on Other Companies owned by Our Controlling Shareholders – Deed of Non-competition” above in this section; and

- (iii) we have appointed our compliance adviser to advise us on the compliance matters in respect of the Listing Rules and applicable laws and regulations.

Further, any transaction that is proposed between our Group and the Controlling Shareholders or their associates will be required to comply with the requirements of the Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent Shareholders’ approval requirements.

With the measures set out above, our Directors believe that the interest of the Shareholders will be protected.

CONNECTED TRANSACTIONS

CONNECTED TRANSACTIONS

We have entered into certain transactions with parties who will become connected persons (as defined under Chapter 14A of the Listing Rules) of our Company upon the Listing. Some of these transactions will continue following the Global Offering, and will therefore constitute continuing connected transactions of our Company under the Listing Rules.


EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transactions have been carried out by our Group and its connected person which constitute continuing connected transactions exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Trademark licensing

Description of transaction

Suchuang Group is a company incorporated in the PRC with limited liability on 4 December 1992. It is owned as to 90% by Mr. Su and 10% by Ms. Zhu. Therefore, Suchuang Group is an associate of a connected person of our Company by virtue of Rule 14A.12(1)(c) of the Listing Rules.

Suchuang Group, as licensor, has entered into a trademark licensing agreement with Taicang Natural Gas and Suzhou Zhongyu, as licensee, on 1 August 2014 (the "**Trademark Licensing Agreement**"), pursuant to which Suchuang Group agreed to grant to Taicang Natural Gas and Suzhou Zhongyu the right to use the trademarks "苏创" and  (the "**Trademarks**") in the PRC in connection with our Company's business on a perpetual and non-exclusive basis at a nominal consideration of RMB1.00.

Details of our intellectual property rights are more particularly set out in the section headed "Statutory and General Information – B. Further Information About Our Business – 2. Intellectual Property Rights of our Group" in Appendix VI to this prospectus.

Pursuant to the Trademark Licensing Agreement, the licensees have the non-exclusive right to use, sub-license and permit our subsidiaries to use the Trademarks in connection with our business. The licensees undertake to use the Trademarks exclusively for the purposes authorised in the Trademark Licensing Agreement and, in particular, undertake not to use the Trademarks in any way that may make them become generic, lose their distinctiveness, become susceptible to mislead the public, or be materially detrimental to or inconsistent with the good name, goodwill, reputation and image of Suchuang Group. The licensees agree not to adopt or use any trademark, symbol or device that incorporates or is confusingly similar to, or is a simulation or colorable imitation of the Trademarks, or unfairly competes with the Trademarks. The licensees further undertake not to at any time, whether during or after termination of the Trademark Licensing Agreement, apply anywhere outside Hong Kong to register any trademarks identical to or so nearly resembling the Trademarks as to be likely to deceive or cause confusion.

CONNECTED TRANSACTIONS

Pursuant to the Trademark Licensing Agreement, Suchuang Group undertakes that the Trademarks have been registered in the PRC and it will be responsible for the renewal of the registration of the Trademarks. It also undertakes not to license or permit any other third party to use the Trademarks except that Suchuang Group may grant licences to any third party to use the Trademarks outside the scope of Taicang Natural Gas's and Suzhou Zhongyu's business if prior written approval of Taicang Natural Gas and Suzhou Zhongyu is obtained.

In the event of any demand, action or claim against us by any third party arising from the use of any Trademarks in accordance with the terms of the Trademark Licensing Agreement, Suchuang Group must indemnify and keep harmless our Group from and against all liabilities, losses, damages, costs, charges and expenses sustained or incurred by us in connection therewith. We undertake to inform Suchuang Group of any misappropriation or infringement of the Trademarks of which we becomes aware, and in the event Suchuang Group takes legal action against such misappropriation or infringement, we will provide reasonable assistance to Suchuang Group upon request.

The Trademark Licensing Agreement may be terminated if the ultimate controlling shareholders of Suchuang Group ceases to be the ultimate controlling shareholders of Taicang Natural Gas and Suzhou Zhongyu.

Listing Rules requirements

As the licensing of the Trademarks involves nominal consideration, the transactions under the Trademark Licensing Agreement will, pursuant to Rule 14A.76(1)(c) of the Listing Rules, be exempted from reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Trademark Licensing Agreement was entered into by Suchuang Group and Taicang Natural Gas and Suzhou Zhongyu in the ordinary and usual course of business of our Group on terms favorable to our Group, and are fair and reasonable and in the interest of our Shareholders as a whole. Suchuang Group considers it to be in its commercial interest to retain ownership of the Trademarks developed by them and grant a non-exclusive licence to our Group.

Tenancy Agreement

Description of the transaction

As described in the paragraph headed "Trademark licensing" above in this section, Suchuang Group is owned as to 90% by Mr. Su and 10% by Ms. Zhu and therefore is an associate of a connected person of our Company by virtue of Rule 14A.12(1)(c) of the Listing Rules.

Suchuang Group, as lessee, has entered into a tenancy agreement and a confirmation letter to the tenancy agreement with Taicang Natural Gas, as lessor, on 20 October 2013 and 13 September 2014 respectively (together, the "**Taicang Tenancy Agreements**"). Pursuant to the Taicang Tenancy Agreements, Suchuang Group has agreed to lease from Taicang Natural Gas an office premise of 1,082 square meter on 5th Floor, No. 305 Zhenghe Middle Road, Loudong Street, Taicang City, Jiangsu Province, the PRC. The Taicang Tenancy Agreements is for a period of three years commencing from 21 October 2013 subject to early termination by mutual consent between the parties. The annual rental payable by Suchuang Group under the Taicang Tenancy Agreements is RMB346,500 (exclusive of tax and management fee).

CONNECTED TRANSACTIONS

Historical transaction amounts

For the three years ended 31 December 2013 and nine months ended 30 September 2014, the rent paid to Taicang Natural Gas were nil, nil, RMB67,996 and RMB259,875 respectively.

Annual caps

Our Directors anticipate that the rent payable by Suchuang Group to Taicang Natural Gas will not exceed RMB346,500, RMB346,500 and RMB307,379 for each of the three years ending 31 December 2016 respectively.

Our Directors confirmed that the annual rent payable under the Taicang Tenancy Agreements had been arrived at after arm's length negotiation between the parties and had been determined by reference to the then prevailing market rent of the premise. JLL, the property valuer of our Company, has reviewed the rent payable pursuant to the Taicang Tenancy Agreements and considers that the annual rent under the Taicang Tenancy Agreements is comparative to market level of similar properties in the locality and is fair and reasonable. Our Directors (including the independent non-executive Directors) confirmed that the transactions under the Taicang Tenancy Agreements are in the interests of our Shareholders as a whole.

Listing Rules requirements

Our Directors expect that the highest applicable percentage ratio as set out in the Listing Rules, for the Taicang Tenancy Agreements, will be, on an annual basis, less than 5% and the annual consideration will be less than HK\$3,000,000 and is on normal commercial terms. Therefore, it will, pursuant to Rule 14A.76(1)(c) of the Listing Rules, be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Supply of Piped Natural Gas by Us to Connected Persons

Description of transactions

We connect our pipeline network with, and sell piped natural gas to, our retail customers in our Operating Area in Taicang in the ordinary and usual course of our business. Our retail customers include certain of our Substantial Shareholders, directors, chief executive of our Group and their respective associates. Each of the above persons is our connected person under chapter 14A of the Listing Rules. We expect to continue to provide the piped natural gas to our connected persons following the Listing, which will constitute continuing connected transactions for us under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

Listing Rules requirements

The piped natural gas are provided by us to our connected persons with reference to prevailing market rates and on normal commercial terms that are comparable to, or no more favourable than, those offered by us to Independent Third Parties in our ordinary and usual course of business. The piped natural gas is supplied to the connected persons for their private use or consumption, and is not for resale or used by the connected persons for any of his/her businesses or contemplated businesses. The piped natural gas is consumed or used by the connected persons in the same state as when it is supplied to the connected persons. Therefore, these transactions will constitute exempt continuing connected transactions under Rule 14A.97 of the Listing Rules and will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Supply of motor vehicle fuels by Suzhou Suling Automobile Service to members of our Group

Description of transactions

Suzhou Suling Automobile Service is a company incorporated in the PRC with limited liability on 7 December 1992. It is owned as to 83.87% by Taicang Property which is held as to 70% in aggregate by Ms. Su Yi and Ms. Su Wen, daughters of Mr. Su and Ms. Zhu. Therefore, Suzhou Suling Automobile Service is an associate of a connected person of our Company by virtue of Rule 14A.12(1)(c) of the Listing Rules.

Suzhou Suling Automobile Service operates gas and diesel refilling stations as well as CNG and LNG refuelling stations in Taicang and sells diesel fuel, gasoline, CNG and LNG to customers in the ordinary and usual course of its business. Its customers include certain members of our Group. We expect Suzhou Suling Automobile Services to continue to provide such motor vehicle fuels to certain members of our Group following the Listing, which will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Listing Rules requirements

The motor vehicle fuels are provided by Suzhou Suling Automobile Service to us by reference to prevailing market rates and on normal commercial terms that are comparable to, or no more favourable than, those offered to independent customers by Suzhou Suling Automobile Service in its ordinary and usual course of business. The motor vehicle fuels are supplied to us by Suzhou Suling Automobile Service for our private use or consumption, and are not processed into our products or for resale. The motor vehicle fuels are consumed or used by us in the same state as when such motor vehicle fuels are supplied to us by Suzhou Suling Automobile Service. Therefore, these transactions will constitute exempt continuing connected transactions under Rule 14A.97 of the Listing Rules and will be exempt from the reporting, annual review, announcement, circular and independent shareholders' approval requirements contained under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

DISCONTINUED RELATED PARTY TRANSACTIONS

Our Group entered into certain related party transactions with its related parties during the Track Record Period (“**Related Party Transactions**”), details of the Related Party Transactions are set out in Note 39 to the accountants’ report in Appendix I to this prospectus.

We discontinued some of the Related Party Transactions. The nature of material Related Party Transactions, which had either been discontinued or settled, is set out below:

Pipeline construction

We engaged Suzhou Shunchuang Pipeline as one of the contractors for the construction of natural gas pipelines for us. During the Track Record Period, the fee paid to Suzhou Shunchuang Pipeline amounted to RMB30,201,000, RMB37,567,000, RMB99,234,000 and RMB12,984,000. Taicang Sunan Petroleum and Ms. Zhu Qiuying, the sister of Ms. Zhu, had already disposed of their interests in Suzhou Shunchuang Pipeline in July 2014 to Independent Third Parties.

Provision of construction materials

Shanghai Shenxin had been a supplier of materials for our pipeline construction and connection operation. During the Track Record Period, the fee paid to Shanghai Shenxin amounted to RMB39,939,000, RMB40,220,000, RMB18,920,000 and nil. We ceased to purchase construction materials from Shanghai Shenxin since 2014.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

DIRECTORS

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors.

The following table sets out certain information about our Directors:

Name	Age	Position	Roles and responsibilities	Date of Appointment as Director	Date of joining the Group (including the predecessor entities)
Mr. Su Aping (蘇阿平)	66	Chairman and executive Director	Overall strategic planning and business direction and overseeing the overall execution of our Group's strategy	26 February 2014	May 2002
Ms. Zhu Yaying (朱亞英)	68	Executive Director	Implementation and monitoring of our Group's strategic plans and inter-departmental coordination within our Group	4 July 2013	May 2002
Mr. Du Shaozhou (杜紹周)	62	Executive Director	Managing the day-to-day operations of our Group	12 September 2014	December 2013
Mr. Xu Lei (許雷)	46	Non-executive Director	Performing roles as a non-executive Director	27 February 2014	February 2014
Mr. Zhou Qingzu (周慶祖)	82	Independent non-executive Director	Performing roles as an independent non-executive Director	16 February 2015	16 February 2015
Mr. He Junjie (何俊傑)	58	Independent non-executive Director	Performing roles as an independent non-executive Director	16 February 2015	16 February 2015
Mr. Luk Wai Keung (陸偉強)	50	Independent non-executive Director	Performing roles as an independent non-executive Director	16 February 2015	16 February 2015

Executive Directors

Mr. Su Aping (蘇阿平), aged 66, was appointed as a Director on 26 February 2014 and was re-designated as the chairman and an executive Director on 12 September 2014 and is responsible for the overall strategic planning and business direction of our Group and overseeing the overall execution of our Group's strategy. Mr. Su has approximately 30 years of experience in the management of gas enterprises. Mr. Su has been the director and general manager of Taicang Natural Gas since its incorporation in May 2002, responsible for its business development and operation, strategic planning and investment. Mr. Su has been the chairman and general manager of Suzhou Suchuang Industrial Group Company (蘇州市蘇創實業集團公司) (now known as Suchuang Group) since its incorporation in 1992 and is responsible for its overall management and business development. From 1984 to 1992, Mr. Su worked at Taicang Enterprise Liquefied Gas Institute (太倉企業液化氣所) under Taicang Fabric Factory (太倉布廠) (later renamed as

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Taicang County Liquefied Gas Company (太倉縣液化氣公司), Taicang County Gas Company (太倉縣煤氣公司) and Taicang City Gas Company (太倉市煤氣公司)) and held various positions including manager and legal representative, responsible for sales and development of business and overall management.

Mr. Su is also the chairman and legal representative of each of Kunlun Suchuang Gas and Kunlun Suchuang Usage. Mr. Su 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. Su is the husband of Ms. Zhu.

Ms. Zhu Yaying (朱亞英), aged 68, was appointed as a Director on 4 July 2013 and was redesignated as an executive Director on 12 September 2014. In addition to assisting the Board and our chairman to formulate our Group's strategic plans, Ms. Zhu is also responsible for the implementation and monitoring of those plans as well as inter-departmental coordination within our Group. Ms. Zhu has over 20 years of experience in the management of gas enterprises. Ms. Zhu joined Taicang Natural Gas since its incorporation in May 2002 where she was appointed as a director since December 2004, responsible for managing the financial resources of our Company. Ms. Zhu joined Suzhou City Suchuang Industrial Group Company (蘇州市蘇創實業集團公司) (now known as Suchuang Group) as deputy general manager on its incorporation in December 1992, responsible for the financial operations and human resources management. Prior to joining Suchuang Group, Ms. Zhu was the head of the labour department of Taicang County Gas Company (太倉縣煤氣公司) (later renamed as Taicang City Gas Company (太倉市煤氣公司)) from March 1988 to December 1992, responsible for supervising and managing human resources.

Ms. Zhu is a director of Kunlun Suchuang Gas. Ms. Zhu 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. Zhu is the wife of Mr. Su.

Mr. Du Shaozhou (杜紹周), aged 62, is the general manager of our Company and was appointed as an executive Director on 12 September 2014. Mr. Du is responsible for managing the day-to-day operations of our Group. He has over 45 years of experience in the oil and gas industry. Mr. Du has been a director of Taicang Natural Gas since 12 February 2015, responsible for the management of its operation. From September 2008 to August 2012, Mr. Du served at PetroChina Kunlun Natural Gas Usage Company Limited (中石油昆侖天然氣利用有限公司) as deputy general manager, deputy secretary to the Communist Party Committee, secretary to the Disciplinary Committee and chairman of the labour union. From April 1995 to September 2008, Mr. Du held various senior positions in Shenzhen Petroleum Industrial Co., Ltd. (深圳石油實業有限公司) such as deputy general manager, deputy secretary to the Communist Party Committee, secretary to the Disciplinary Committee and chairman of the labour union. From June 1978 to April 1995, he worked at the Ministry of Petroleum Industry of the PRC (中國石油工業部) (later known as China National Petroleum Company and China National Petroleum Corporation) where he held various positions including secretary and secretary (deputy division chief level) (副處級秘書). From December 1975 to June 1978, Mr. Du worked at the Locomotive Team of Daqing Oilfield Construction Headquarter (大慶油田油建指揮部機關車隊). From October 1969 to December 1975, Mr. Du worked at the Liaohe Oilfield Geophysical Exploration (遼河油田物探處). Mr. Du obtained a diploma in Public Administration from Staff University of Continuing Education of the Party School of the Central Committee of the CPC (中共中央黨校職工業餘大學) in the PRC in July 1990.

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.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Non-Executive Director

Mr. Xu Lei (許雷), aged 46, was appointed as our Director on 27 February 2014 and was re-designated as our non-executive Director on 12 September 2014. He has over 11 years of experience in investment and business advisory in the PRC. Mr. Xu joined Prax Capital Equity Management Co., Ltd. (普凱股權投資管理(上海)有限公司) in August 2003 and is currently a managing partner of Prax Capital, responsible for leading and conducting the fund's investment activities in the PRC.

Mr. Xu obtained a Master of Business Administration from the Wharton School of the University of Pennsylvania in the United States in May 2001 and a Bachelor of Law from Ningbo University in the PRC in July 1991.

Mr. Xu 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 Director

Mr. Zhou Qingzu (周慶祖), aged 82, was appointed as our independent non-executive Director on 16 February 2015. He has over 60 years of experience in the oil and gas industry. From October 1996 to October 2000, Mr. Zhou was a member of the Senior Technical Council of Economic Advisers (高級技術經濟顧問委員會) at China Petroleum and Petrochemical Engineering Institute (中國石油和石化工程研究會). From July 1994 to July 1997, he was a member of the Advisory Committee (專家委員會) of China International Engineering Consulting Corporation (中國國際工程諮詢公司). From 1988 to 1993, Mr. Zhou worked at China National Petroleum Company (中國石油天然氣總公司) (now known as China National Petroleum Corporation) as chief economist. Prior to joining China National Petroleum Corporation, Mr. Zhou was the head of the planning department of the Ministry of Petroleum Industry of the PRC from 1979 to 1987. From 1954 to 1979, Mr. Zhou held multiple positions within Xinjiang Petroleum Administration Bureau (新疆石油管理局), including chief economist and head of the planning division and deputy head of Xinjiang Petroleum Bureau, head of the planning division of Karamay Mining Bureau (克拉瑪依礦務局), and head of Urumqi Petrochemical Plant (烏魯木齊石化廠). From 1952 to 1954, Mr. Zhou worked at Shanxi Yanchang Oil Field (陝西延長油礦) as an accounting clerk and secretary.

Mr. Zhou obtained a bachelor's degree in financial management from Shanghai Institute of Finance and Economics (now known as Shanghai University of Finance and Economics) in the PRC in August 1952 and was awarded professor-level senior economist in September 1989 by China National Petroleum Company.

Mr. Zhou 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. He Junjie (何俊傑), aged 58, was appointed as our independent non-executive Director on 16 February 2015. Mr. He has over 35 years of experience in enterprise management and 5 years of work experience in the PRC legal system. From June 2010 to June 2013, Mr. He was the executive director of Lanzhou City Ganglian Environmental Development Co., Ltd. (蘭州市港聯生態環境發展有限公司). He served as a juror in the People's Court in Luohu District, Shenzhen, the PRC from March 2005 to April 2010. From January 1995 to January 1997, Mr. He worked at

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Shenpu Co., Ltd. (深浦公司), an affiliate company of Shenzhen Material Group Company (深圳市物資集團公司) (“**Shenzhen Material**”), as general manager. From January 1993 to January 1995, Mr. He was the deputy general manager of Zibo Shengfei Chemical Construction Materials Co., Ltd. (淄博勝飛化學建材有限公司), a joint venture company of Shenzhen Material. From December 1972 to July 1986, Mr. He held various positions at Ningbo City Petroleum Valves Factory (寧波市石油閥門廠) including chief officer, responsible for quality management.

Mr. He obtained a diploma in industrial enterprise management (工業企業管理) from Zhejiang Radio & Television University (浙江廣播電視大學) in the PRC in July 1986 and was awarded the qualification of an assistant economist in December 1988 by Ningbo City Personnel Bureau (寧波市人事局) (now known as Ningbo Municipal Human Resources and Social Security Bureau (寧波市人力資源和社會保障局)). Mr. He also obtained the Luohu District Outstanding Volunteer (羅湖區優秀義工) award in December 2006.

Mr. He 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. Luk Wai Keung (陸偉強), aged 50, was appointed as our independent non-executive Director on 16 February 2015. Mr. Luk has over 18 years of working experience in the accounting and finance area. Mr. Luk has been the chief financial officer of Fu Shou Yuan International Group Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 1448), since November 2013. Mr. Luk was the chief financial officer of Larry Jewelry International Company Limited, a company listed on Growth Enterprise Market of the Stock Exchange (Stock Code: 8351) from July 2011 to October 2013, responsible for its overall financial control and management. From August 2007 to November 2010, Mr. Luk worked at SHV (China) Investment Company Limited, where he held a number of senior positions, including vice president, in finance, internal audit and business development. From May 2006 to June 2007, he served as the chief financial officer of Synergis Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 2340), responsible for its overall finance, accounting and other corporate functions. From January 1996 to January 2006, he worked at PricewaterhouseCoopers in the corporate finance area.

Mr. Luk graduated from the University of Hong Kong with a Bachelor of Science in Engineering in Hong Kong in November 1986 and obtained a Master Degree in Business Administration from the Australian Graduate School of Management of the University of New South Wales in Australia in May 1994. He has been a member of the Hong Kong Institute of Certified Public Accountants since January 2014 and, a Chartered Financial Analyst at the Association for Investment Management and Research since September 1999.

Mr. Luk 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.

Save as disclosed herein, there are no other matters in respect of each of our Directors that is required to be disclosed pursuant to Rule 13.51(2)(a) to (v) of the Listing Rules and there are no other material matters relating to our Directors that need to be brought to the attention of our Shareholders.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

SENIOR MANAGEMENT

The following table sets out certain information about our senior management personnel:

Name	Age	Current Position	Roles and Responsibilities	Date of Appointment	Date of Joining our Group (including the predecessor entities)
Mr. Xu Xihua (徐錫華)	59	Deputy general manager of Taicang Natural Gas	Responsible for the sales and marketing of our Group	12 September 2014	May 2002
Mr. Yuan Qing (袁青)	40	Deputy general manager of Taicang Natural Gas	Responsible for the operation of the production department	12 September 2014	August 2004
Mr. Lian Guangyou (連廣友)	63	Chief engineer of Taicang Natural Gas	Responsible for general technology and engineering work of our Group	12 September 2014	May 2002
Ms. Huang Hui (黃慧)	46	Chief financial officer of Taicang Natural Gas	Responsible for the overall financial management of our Group	12 September 2014	November 2010
Mr. Ng Chi Kit (吳智傑)	41	Chief financial officer and company secretary of our Company	Responsible for our Group's financial and accounting operations	12 September 2014	December 2013
Mr. Zhou Jihui (周繼輝)	52	Deputy general manager of our Company	Responsible for our Group's strategic development planning and managing our Group's construction projects	12 September 2014	April 2014

Senior Management

Mr. Xu Xihua (徐錫華), aged 59, joined our Group in May 2002 and is a deputy general manager of Taicang Natural Gas, responsible for sales and marketing of our Group. Prior to joining our Group, Mr. Xu gained experience in operational management of natural gas enterprise from his employment at Taicang Suchuang Pipeline Liquefied Gas Engineering Company Limited (太倉蘇創管道液化氣工程有限公司), where he was a manager from January 1999 to April 2002, responsible for the overall management of operations, safety, infrastructures and the supply of piped liquified gas. From August 1992 to October 1997, Mr. Xu was the chief officer of the enterprise safety division and the infrastructures division (企保及基建科長) of Suzhou Suchuang Industrial Group Company (蘇州市蘇創實業集團公司) (now known as Suchuang Group), where he was responsible for the internal management and security, infrastructure and property maintenance of the company. Mr. Xu was employed as a telecommunications worker and later promoted to the foreman at Lanzhou Railway Bureau from December 1972 to December 1986.

Mr. Xu graduated from the Correspondence Institute Affiliated to the Party School of the Central Committee of the CPC (中共中央黨校附設函授學校) in the PRC through its distance learning programme in June 1990 specializing in economics management. He has been a certified technician of Suzhou Human Resources Bureau since December 2002 and a certified assistant government relations advisor (助理政工師) of the Ministry of Railway of the PRC since July 1991. In addition, Mr. Xu received the Advanced Productivity Worker award (先進生產(工作)者) from the

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Lanzhou Railway Bureau in March 1990 and the Taicang Outstanding Communist Party Member award in June 1999. Mr. Xu 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. Yuan Qing (袁青), aged 40, joined our Group in August 2004 and is a deputy general manager of Taicang Natural Gas, responsible for overseeing the operation of the production department. Mr. Yuan has extensive management experience. He joined Taicang Natural Gas in August 2004 as a manager of the production division, responsible for gas supply service and scheduling, manufacturing operations and safety management, and was promoted to deputy general manager in July 2006. Prior to joining our Group, Mr. Yuan was head of general office of Suchuang Group from January to July 2004, responsible for internal operation, regulatory compliance and external relationships. From 1993 to 2004, Mr. Yuan served in the People's Liberation Army in Beijing Military Region (北京軍區) and retired from the People's Liberation Army with the rank of captain. He graduated from China People's Liberation Army International Relations College (中國人民解放軍國際關係學院) in July 1999 specialising in Optic Intelligence Terminal Processing (光學情報終端處理) and from Correspondence Institute of the Party School of the Central Committee of the CPC (中共中央黨校函授學院) in the PRC specialising in law through its distance learning programme in December 2001. He was awarded the qualification of engineer in June 2009. Mr. Yuan 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. Lian Guangyou (連廣友), aged 63, joined our Group in May 2002 and is the chief engineer of Taicang Natural Gas, responsible for its general technology and engineering work. Mr. Lian joined Taicang Natural Gas in May 2002 as chief engineer, responsible for designing the construction of natural gas pipeline networks. Mr. Lian has 25 years of experience in the management and operations of large oil and gas enterprises. Prior to joining our Group, Mr. Lian was a senior engineer and later promoted to the head of Zhongyuan Petroleum Company Ethylene Plant (中原石油公司乙烯廠) from January 1992 to March 2002, responsible for managing construction projects and production. From October 1984 to December 1991, Mr. Lian was an engineer and later promoted to the head of Zhongyuan Oil Field Gas Company Pucheng Gas Processing Plant (中原油田天然氣公司濮城氣體處理廠), responsible for overseeing the purification and compression of natural gas and overall management of the plant. From September 1976 to September 1984, Mr. Lian was a technician and later promoted to an assistant engineer at Chongqing Oil Field (長慶油田), responsible for implementation of atmospheric and vacuum distillation technology. Mr. Lian graduated from University of Petroleum (石油大學) (now known as China University of Petroleum (中國石油大學)) in the PRC in August 1976 with a bachelor's degree in oil refining. In addition, he was certified as a senior engineer by China National Petroleum Company (中國石油天然氣總公司) (now known as China National Petroleum Corporation) in December 1995. Mr. Lian 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. Huang Hui (黃慧), aged 46, joined our Group in November 2010 and is the chief financial officer of Taicang Natural Gas, responsible for the overall financial management of our Group. Ms. Huang has extensive experience in financial management. Prior to joining our Group, Ms. Huang gained her financial management experience at Niulan Investment Co., Ltd. Hubei (湖北紐蘭投資有限公司) from September 2009 to October 2010, Wuhan Third Generation Technology Co., Ltd. (武漢三代科技有限公司) from March 2002 to August 2009, Shanghai CIMIC Construction Materials Co., Ltd. (上海斯米克建材有限公司) from November 1998 to February 2002 and Wuhan Jinbolai Commerce and Trade Co., Ltd. (武漢金博萊商貿有限公司) from January 1995 to October 1998. Ms.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Huang graduated from Zhongnan University of Economics (中南財經大學) in the PRC in June 1995 with bachelor's degree in accounting. She was awarded the qualification of a certified senior accountant of the Ministry of Finance of the PRC in May 2002. Ms. Huang 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. Ng Chi Kit (吳智傑), aged 41, joined our Group in December 2013 and is the chief financial officer and the company secretary of our Company, responsible for the oversight of our Group's financial and accounting operations, as well as company secretarial and internal control function. Mr. Ng has over 16 years of experience in accounting and auditing. Since December 2010, Mr. Ng has been a non-executive director and a member of the audit committee of Chaowei Power Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 951), responsible for oversight of the financial management and reporting. From December 2010 to October 2013, Mr. Ng served as the chief financial officer of a private company which is engaged in wholesale agricultural produce markets in the PRC. From January 2010 to December 2010, he served as the chief financial officer and the company secretary of Chaowei Power Holdings Limited, responsible for oversight of financial and accounting operations, company secretarial and internal control function. From March 2000 to December 2009, Mr. Ng worked in the Assurance and Advisory Business Services Department of Ernst & Young and was a senior manager of Ernst & Young from October 2006 to November 2009. From August 1997 to February 2000, Mr. Ng worked in Nelson Wheeler as an accountant.

Mr. Ng graduated from the Hong Kong Polytechnic University in Hong Kong with a Bachelor of Arts in Accountancy in November 1997. Mr. Ng has been an associate member of Hong Kong Institute of Certified Public Accountants since January 2003 and a fellow member of the Association of Chartered Certified Accountants since June 2006.

Mr. Zhou Jihui (周繼輝), aged 52, joined our Group in April 2014 and is the deputy general manager of our Company, responsible for our Group's strategic development planning and managing our Group's construction projects. Prior to joining the group, Mr. Zhou has gained extensive experience in the field of urban gas. From July 1985 to March 2009, Mr. Zhou worked at Southwest Municipal Engineering Design & Research Institute of China (中國市政工程西南設計研究總院有限公司) where he held various positions including assistant engineer, engineer, senior engineer and chief gas engineer, responsible for urban gas design, consultation and technology management. From March 2009 to August 2012, Mr. Zhou was at PetroChina Kunlun Natural Gas Usage Company Limited (中石油昆侖天然氣利用有限公司) where he held various positions including CNG chief technology officer responsible for CNG engineering and technology management, the director of the engineering technology department responsible for the overall management of engineering and technology operations, and the director of the information technology department responsible for technology and information technology management. Mr. Zhou obtained a bachelor's degree in urban gas energy supply engineering (城市燃氣熱能供應工程) from Chongqing Institute of Architecture and Engineering (重慶建築工程學院) (now known as Chongqing University (重慶大學)) in the PRC in July 1985. Mr. Zhou has been a certified senior engineer from December 1997 and a member of the Subcommittee of High Pressure Fuel Gas Cylinders for Automobile of the National Gas Cylinder Standardisation Technical Committee (全國氣瓶標準化技術委員會車用高壓燃料氣瓶分技術委員會) and the Professional Committee of Compressed Natural Gas of the China Gas Society (中國土木工程學會燃氣分會壓縮天然氣專業委員會) since September 2011 and October 2011, respectively. Mr. Zhou 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

CONTINUED ENHANCEMENT OF MANAGEMENT TEAM

Mr. Su has been the director and general manager of Taicang Natural Gas since its incorporation in May 2002. Ms. Zhu joined Taicang Natural Gas since its incorporation in May 2002 where she was appointed as a director since December 2004. They have been working effectively with half of the senior management for over 10 years, while the rest of the senior management was recruited/promoted internally during the Track Record Period. Notwithstanding the achievement of our Group, the Board is aware of the importance to our Group's continual success of succession in the management of our Group, especially at the senior management level. As our Group's business and operation develop, the Board will expand the management team as and when appropriate by, including, without limitation, introducing new member(s) to the Board, enhancing our senior management by internal promotion and attracting and recruiting talents in the industry to join our Group.

COMPANY SECRETARY

Mr. Ng Chi Kit (吳智傑) is the company secretary of our Company. Please refer to his biography under the paragraph headed "Senior Management" above in this section.

COMPLIANCE ADVISOR

We have appointed RHB OSK Capital Hong Kong Limited as our compliance advisor upon listing of our Shares on the Stock Exchange in compliance with Rule 3A.19 of the Listing Rules. Pursuant to the Rule 3A.23 of the Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- 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 we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the first full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

AUDIT COMMITTEE

Our Company has established an audit committee with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and review and supervise the financial reporting system and internal control procedures of our Group.

DIRECTORS, SENIOR MANAGEMENT AND STAFF

The audit committee consists of three independent non-executive Directors, namely, Mr. Zhou Qingzu, Mr. He Junjie and Mr. Luk Wai Keung, and our non-executive Director, Mr. Xu Lei. Mr. Zhou Qingzu is the chairman of the audit committee.

REMUNERATION COMMITTEE

Our Company has established a remuneration committee with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to make recommendations to the Board as to our Company's policy and structure of the remuneration for our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policy.

The remuneration committee consists of two independent non-executive Directors, namely, Mr. He Junjie and Mr. Zhou Qingzu, and our executive Director, Ms. Zhu. Mr. He Junjie is the chairman of the remuneration committee.

NOMINATION COMMITTEE

Our Company has established a nomination committee with written terms of reference in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the structure, size and composition of our Board, assess the independence of independent non-executive Directors and to make recommendations to our Board on the appointment and removal of Directors of our Company.

The nomination committee consists of two independent non-executive Directors, namely, Mr. He Junjie and Mr. Zhou Qingzu, and our executive Director, Mr. Su. Mr. Su is the chairman of the nomination committee.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The aggregate amount of remuneration our Directors and senior management have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind) for the three years ended 31 December 2013 and the nine months ended 30 September 2014 was RMB323,000, RMB383,000, RMB337,000 and RMB1,727,000 respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing and other allowances and other benefits in kind paid to our five highest paid individuals of our Company, including Directors, for the three years ended 31 December 2013 and the nine months ended 30 September 2014 was RMB318,000, RMB339,000, RMB438,000 and RMB1,577,000 respectively.

Under the arrangements currently in force, the aggregate amount of remuneration payable to our Directors for the year ended 31 December 2014 is RMB485,000 (including any discretionary bonuses payable to our Directors).

DIRECTORS, SENIOR MANAGEMENT AND STAFF

Each of our executive Directors, Mr. Su, Ms. Zhu and Mr. Du Shaozhou, has entered into a service contract with us for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by not less than six months' written notice. The annual fees payable by our Company to our executive Directors according to their respective service contracts will be RMB3,500,000. Each of our non-executive Director, Mr. Xu Lei, and our independent non-executive Directors, Mr. Zhou Qingzu, Mr. He Junjie and Mr. Luk Wai Keung, has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date unless terminated by three months' written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. The basic annual remuneration payable by our Company to our non-executive Director and our independent non-executive Directors according to their respective letters of appointment will be RMB480,000. Our Company expects that the aggregate annual fees for our Directors will be RMB3,980,000 for the year ending 31 December 2015 according to their respective service contracts and letters of appointment. Our Company considers that the increase in remuneration to our Directors subsequent to the Track Record Period will not have a material impact on our Group's financial performance after Listing. For details of the service contracts and the letters of appointment, please refer to the section headed "Statutory and General Information – C. Further Information about our Directors and Substantial Shareholders – 2. Directors' Service Contracts" in Appendix VI to this prospectus.

No remuneration was paid by us 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 for the three years ended 31 December 2013 and the nine months ended 30 September 2014. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable for the three years ended 31 December 2013 and the nine months ended 30 September 2014 by our Group to our Directors.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme under which options to subscribe for Shares representing up to 10% of the issued share capital of our Company as of the date on which dealings in the Shares commence on the Stock Exchange can be granted to the directors, full-time or part-time employees, consultants and advisers of the companies in our Group. For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix VI to this prospectus.

SUBSTANTIAL SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

The table sets forth the information regarding our Substantial Shareholders as at the Latest Practicable Date:

Name of Substantial Shareholder	Nature of interest	Number of shares held	Approximate percentage of issued shares
Fung Yu Holdings (<i>Note 1</i>)	Beneficial owner	11,903,286	96%
Mr. Su (<i>Note 2</i>)	Interest in a controlled corporation, interest of spouse	11,903,286	96%
Ms. Zhu (<i>Note 3</i>)	Interest in a controlled corporation, interest of spouse	11,903,286	96%

Notes:

- (1) Fung Yu Holdings is held as to 70% by Mr. Su and 30% by Ms. Zhu.
- (2) Mr. Su is the spouse of Ms. Zhu.
- (3) Ms. Zhu is the spouse of Mr. Su.

So far as our Directors are aware, immediately following the Global Offering and the Capitalisation Issue without taking into account the Shares that could be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme, the following persons will have an interest or a short position in the 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:

Name of Shareholder	Nature of interest	Number of securities held (<i>Note 1</i>)	Approximate shareholding percentage in our Company (%)
Fung Yu Holdings (<i>Note 2</i>)	Beneficial owner	410,460,000(L)	51.3075
Mr. Su (<i>Note 3</i>)	Interest in a controlled corporation, interest of spouse	410,460,000(L)	51.3075
Ms. Zhu (<i>Note 4</i>)	Interest in a controlled corporation, interest of spouse	410,460,000(L)	51.3075
Action East (<i>Note 5</i>)	Beneficial owner	165,540,000(L)	20.6925
Prax Capital China Growth Fund III, L.P. (<i>Note 5</i>)	Interest in a controlled corporation	165,540,000(L)	20.6925
Prax Capital China Growth Fund III GP, Ltd. (<i>Note 5</i>)	Interest in a controlled corporation	165,540,000(L)	20.6925

SUBSTANTIAL SHAREHOLDERS

Notes:

- (1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) Our Company is held as to 51.3075% by Fung Yu Holdings immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme). Fung Yu Holdings is held as to 70% by Mr. Su and 30% by Ms. Zhu.
- (3) Mr. Su is the spouse of Ms. Zhu. Under the SFO, Mr. Su is deemed to be interested in the same number of Shares in which Ms. Zhu is interested.
- (4) Ms. Zhu is the spouse of Mr. Su. Under the SFO, Ms. Zhu is deemed to be interested in the same number of Shares in which Mr. Su is interested.
- (5) Action East is wholly-owned by Prax Capital China Growth Fund III, L.P.. Under the SFO, Prax Capital China Growth Fund III, L.P. is deemed to be interested in the same number of Shares in which Action East is interested.

Prax Capital China Growth Fund III, L.P. is a limited partnership established in the Cayman Islands whose sole general partner is Prax Capital China Growth Fund III GP, Ltd., a limited liability company incorporated in the Cayman Islands.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering and the Capitalisation Issue, have an interest or a short position in the 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 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 any other member of our Group.

CORNERSTONE PLACING

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with each of Yangpu Zhongyou HuaYuan Shipping Co., Ltd. (洋浦中油華遠船務有限公司) (“**Yangpu Zhongyou**”) and Greenland Financial Overseas Investment Group Co., Ltd. (“**Greenland**”) (together the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”), who agreed to subscribe at the Offer Price for such number of Shares with certain investment amount (the “**Cornerstone Placing**”).

Assuming an Offer Price of HK\$2.08, HK\$2.50 and HK\$2.92 (being the minimum, mid-point and maximum of the indicative Offer Price range stated in this prospectus):

- (i) the total number of Shares to be subscribed for by Yangpu Zhongyou, for an aggregate amount of US\$10 million (approximately HK\$77.5 million) (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% per Share), would be 37,284,000, 31,020,000 and 26,558,000 Shares, respectively, representing 4.7%, 3.9% and 3.3%, respectively of our Shares in issue upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) or 4.5%, 3.7% and 3.2%, respectively, of our Shares in issue upon completion of the Global Offering (assuming the Over-allotment Option is exercised); and
- (ii) the total number of Shares to be subscribed for by Greenland, for an aggregate amount of US\$10 million (approximately HK\$77.5 million) (exclusive of brokerage fee of 1.0%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% per Share), would be 37,284,000, 31,020,000 and 26,558,000 Shares, respectively, representing 4.7%, 3.9% and 3.3%, respectively of our Shares in issue upon completion of the Global Offering (assuming the Over-allotment Option is not exercised) or 4.5%, 3.7% and 3.2%, respectively, of our Shares in issue upon completion of the Global Offering (assuming the Over-allotment Option is exercised).

The Cornerstone Placing forms part of the International Placing. The number of Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in “Structure of the Global Offering – The Hong Kong Public Offering – Reallocation and clawback” in this prospectus.

To the best knowledge of our Company, each of the Cornerstone Investors and its ultimate beneficial owners is an Independent Third Party, is not our connected person and not an existing Shareholder of our Company and is independent from each other. The Shares to be subscribed for by the Cornerstone Investors will be counted towards the public float of our Company and will rank *pari passu* with the Shares then in issue and to be listed on the Stock Exchange. Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any Board representation in our Company, and will not become a substantial shareholder of our Company upon the Listing.

Other than the subscription pursuant to the cornerstone investment agreements, the Cornerstone Investors have agreed not to subscribe for any Offer Shares under the Global Offering.

CORNERSTONE PLACING

THE CORNERSTONE INVESTORS

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing.

Yangpu Zhongyou is a private company established in Hainan Yangpu Economic Development Zone of the PRC in 2006. It is principally engaged in crude oil and refined oil shipping business along China's coastal areas and midstream-to-downstream of Yangtze River. It has a wide shipping coverage over the ports of Tianjin, Shanghai, Guangdong, Shenzhen, Guangxi and Nanjing. It is beneficially held and operated by four PRC individuals who are engaged in shipping business in the PRC. To the best knowledge of our Directors and our Company, each of Yangpu Zhongyou and its ultimate beneficial owners is an Independent Third Party and is not our connected person and not an existing Shareholder of our Company.

Greenland is incorporated in the BVI and is the foreign investment vehicle of Greenland Financial Investment Holdings Group Co., Ltd., ("**Greenland Financial**"), which is strategically and specifically established by its parent company, Greenland Holding Group Co., Ltd. (綠地控股集團有限公司) ("**Greenland Group**"), as its main investment and finance platform to conduct domestic and overseas investments in accordance with Greenland Group's strategy on domestic and overseas investment projects. Established in 2011, Greenland Financial is the key financial platform prioritised by Greenland Group for development. Its main businesses include IPO investments, pre-IPO investments, mergers and acquisitions, real estate private equity, micro-finance, financial leasing. Greenland Financial will also be the key driver in Greenland Group to originate and integrate new real estate related products, such as asset-backed securities (ABS) and real estate investment trusts (REIT). To the best knowledge of our Directors and our Company, each of Greenland and its ultimate beneficial owners is an Independent Third Party and is not our connected person and not an existing Shareholder of our Company.

Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around 10 March 2015.

CONDITIONS PRECEDENT

The subscription obligation of each of the Cornerstone Investors is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into, become effective and having become unconditional (in accordance with their respective original terms, as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties) by no later than the time and date as specified in these agreements;
- (b) neither of the aforesaid underwriting agreements having been terminated;

CORNERSTONE PLACING

- (c) no law shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated under the Global Offering or under the respective cornerstone investment agreement and there shall be no order or injunction from a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the Global Offering or under the respective cornerstone investment agreement; and

- (d) the respective representations, warranties, acknowledgements, undertakings and confirmations of the relevant Cornerstone Investor and our Company in the respective cornerstone investment agreement are (as of the date thereof) and will be (as of the delivery date and closing date of the relevant cornerstone investment agreement) accurate and true and not misleading and that there is no breach of the respective cornerstone investment agreement on the part of the relevant Cornerstone Investor or our Company.

RESTRICTIONS ON DISPOSAL BY THE CORNERSTONE INVESTORS

Each of the Cornerstone Investors have agreed that, without the prior written consent of each of our Company, the Sole Global Coordinator and the Sole Sponsor, it will not at any time during the period of six months following the Listing Date dispose of (as defined in the respective cornerstone investment agreement) any of the Shares to be subscribed by it pursuant to the respective cornerstone investment agreement.

Each Cornerstone Investor may transfer the Shares so subscribed in certain limited circumstances, such as transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that such wholly-owned subsidiary agrees to be subject to the restrictions on disposals imposed on such Cornerstone Investor.

SHARE CAPITAL

The authorised and issued share capital of our Company are as follows:

Authorised share capital:

		<i>HK\$</i>
<u>5,000,000,000</u>	Shares of HK\$0.01 each	<u>50,000,000.00</u>

Assuming the Over-allotment Option is not exercised, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which may be granted under the Share Option Scheme):

Issued and to be issued, fully paid or credited as fully paid:

		<i>HK\$</i>
12,399,256	Shares in issue at the date of this prospectus	123,992.56
587,600,744	Shares to be issued pursuant to the Capitalisation Issue	5,876,007.44
200,000,000	Shares to be issued pursuant to the Global Offering (excluding any Shares which may be issued under the Over-allotment Option)	2,000,000.00
<u>800,000,000</u>	Shares	<u>8,000,000.00</u>

Assuming the Over-allotment Option is exercised in full, the issued share capital of our Company immediately following completion of the Global Offering and the Capitalisation Issue will be as follows (without taking into account any Shares which may be issued and allotted pursuant to any exercise of the options which may be granted under the Share Option Scheme):

Issued and to be issued, fully paid or credited as fully paid:

		<i>HK\$</i>
12,399,256	Shares in issue at the date of this prospectus	123,992.56
587,600,744	Shares to be issued pursuant to the Capitalisation Issue	5,876,007.44
230,000,000	Shares to be issued pursuant to the Global Offering (inclusive of any Shares which may be issued under the Over-allotment Option)	2,300,000.00
<u>830,000,000</u>	Shares	<u>8,300,000.00</u>

SHARE CAPITAL

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional, and that the Capitalisation Issue is made but takes no account of any Shares which may fall to be issued pursuant to the exercise of the options which may be granted under the Share Option Scheme or of any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares granted to our Directors as described below.

For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 16 February 2015” in Appendix VI to this prospectus.

RANKING

The Offer Shares will rank *pari passu* in all respects with all other Shares in issue or to be issued as mentioned in this prospectus, and, in particular, will rank in full for all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus except in respect of the Capitalisation Issue.

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme under which options to subscribe for Shares representing up to 10% of the issued share capital of our Company as of the Listing Date may be granted to the directors, full-time or part-time employees, consultants and advisers of our Group. The principal terms of the Share Option Scheme are summarised in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE NEW SHARES

Our Directors have been granted a general unconditional mandate to allot, issue and deal with unissued Shares with an aggregate nominal value not exceeding the sum of:

1. 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue and before the exercise of the Over-allotment Option; and
2. the aggregate nominal amount of the share capital of our Company repurchased by our Company (if any) pursuant to the repurchase mandate.

Our Directors may, in addition to Shares which they are authorised to issue under the mandate, allot, issue or deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights under options which may be granted under the Share Option Scheme, scrip dividend or similar arrangement.

This general mandate to issue Shares will expire:

- at the conclusion of the next annual general meeting of our Company; or

SHARE CAPITAL

- on the date by which the next annual general meeting of our Company is required by law or the Articles to be held; or
- when revoked, varied or renewed by ordinary resolution of our Shareholders in general meeting,

whichever occurs first. For further details of this general mandate, please refer to the section headed “Statutory and General Information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 16 February 2015” in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase such aggregate number of Shares not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Global Offering and the Capitalisation Issue and before the exercise of the Over-allotment Option.

The 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 recognised by the SFC and the Stock Exchange for this purpose. Any repurchases by our Company must be made in accordance with the Listing Rules. A summary of the relevant Listing Rules is set out in the section headed “Statutory and General Information – A. Further information about our Group – 6. Repurchase by our Company of our own securities” in Appendix VI to this prospectus.

This general mandate to repurchase Shares will expire:

- at the conclusion of the next annual general meeting of our Company; or
- the date by which the next annual general meeting of our Company is required by law or by the Articles to be held; or
- when revoked, varied or renewed by ordinary resolution of our Shareholders in general meeting,

whichever occurs first. For further details, please refer to the section headed “Statutory and General Information – A. Further information about our Group – 3. Written resolutions of our Shareholders passed on 16 February 2015” in Appendix VI to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our consolidated financial information together with the accompanying notes, set forth in the accountants' report of Suchuang Gas Corporation Limited included as Appendix I and accountants' report of Target Business of Suzhou Suling Automobile Service included Appendix IA to this prospectus. Our consolidated financial statements have been prepared in accordance with IFRS, which may differ in certain material respects from generally accepted accounting principles in other jurisdictions. You should read the whole of the accountants' reports included as Appendix I and Appendix IA to this prospectus and not rely merely on the information contained in this section. The following discussion contains certain forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements due to various factors, including those set forth in the sections headed "Forward-Looking Statements" and "Risk Factors" in this prospectus.

Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are the dominant piped natural gas operator in Taicang of Jiangsu Province, with an exclusive right under the Concession to sell and transmit piped natural gas to users in the Operating Area for an initial term of 30 years ending 31 August 2043. Taicang is a major industrial county-level city in Jiangsu Province adjacent to Suzhou, Kunshan, Changshu and Shanghai, and the Operating Area represents more than 70% of Taicang's total area. Our piped natural gas business could be traced back to 2005, when our first city gateway station for piped natural gas transmission in Taicang was put into commercial operation.

For 2011, 2012, 2013 and the nine months ended 30 September 2014, the sale and transmission of piped natural gas business was our core business, representing 87.6%, 83.9%, 82.9% and 87.8%, respectively, of our total revenue during the same periods. Our piped natural gas was mainly sold to customers on a retail basis (i.e. natural gas purchased from us for users' own consumption), and these retail customers are further divided into industrial, commercial and residential users, with non-residential users (comprising industrial and commercial users) as our major customers in terms of revenue and sales volume. Revenue derived from our sale of natural gas to non-residential users (comprising industrial and commercial users), in aggregate, accounted for 90.9%, 92.9%, 90.9% and 81.6%, respectively, of our total sales of natural gas, and the sales volume of natural gas to these users, in aggregate, accounted for 88.2%, 90.3%, 87.4% and 77.2%, respectively, of our total gas sold during the same periods. Revenue from, and volume of, natural gas sold by us to non-residential users grew steadily, with a CAGR of 14.2% and 13.5%, respectively, from year 2011 to 2013 and with a growth rate of 14.8% and 8.7%, respectively from the nine months ended 30 September 2013 to the nine months ended 30 September 2014. In addition to retail customers, we also supply piped natural gas to customers on a wholesale basis (i.e. natural gas purchased from us for onward sale).

In addition to piped natural gas sale, we offer transmission services through our pipeline network to our customers who have direct natural gas purchase arrangements with PetroChina, and the transmission fee we received from such services accounted for less than 2% of our total revenue during the Track Record Period. In respect of our construction and connection of gas pipeline business, revenue generated from this business segment, in aggregate, accounted for

FINANCIAL INFORMATION

11.7%, 15.6%, 16.7% and 11.7%, respectively, of our total revenue, for 2011, 2012, 2013 and the nine months ended 30 September 2014 during the Track Record Period.

Our Financial Performance

We achieved stable growth in revenue and earnings during the Track Record Period. Our total revenue increased from RMB474.2 million in 2011 to RMB663.7 million in 2013, representing a CAGR of 18.3% over the three-year period, and increased from RMB481.7 million in the nine months ended 30 September 2013 to RMB575.7 million in the nine months ended 30 September 2014 with a growth rate of 19.5%. Our net profit increased from RMB59.4 million in 2011 to RMB106.5 million in 2013, representing a CAGR of 33.9% over the three-year period, and increased from RMB75.6 million in the nine months ended 30 September 2013 to RMB84.7 million in the nine months ended 30 September 2014 with a growth rate of 12.0%. Our purchase and selling price of piped natural gas and types of construction projects undertaken mainly contributed to the fluctuation in our gross profit margin, which was 26.6%, 28.9%, 30.1% and 24.3% for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. Our net profit margin was 12.5%, 13.6%, 16.1% and 14.7%, respectively, for the same periods.

Effect of Related Party Transactions on our Financial Position

Due to the more established relationship with banks of Taicang Natural Gas, our wholly-owned subsidiary, as well as its stronger and more stable financial position when compared with other members of the Excluded Group during the Track Record Period, Taicang Natural Gas had been acting as the principal financing platform for Suchuang Group (including our Group) with the consolidated function of interfacing with and securing facilities from banks and other financial institutions, and was the main channel through which Suchuang Group (including our Group) obtained financing from banks (the “**Financing Arrangements**”). As part of the Financing Arrangements, we have also made use of bill financing to obtain the funding (“**Bill Financing Arrangements**”), for details of which, please refer to the section headed “Business – Non-compliance and Remedial Measures – Material Non-compliance – Non-compliant bill financing” in this prospectus.

Such internal corporate arrangement within Suchuang Group is reflected in our consolidated financial statements as “Amounts due from other related parties” of RMB543.4 million, RMB570.5 million, RMB196.1 million and RMB0.6 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. Substantially as a result of the Financing Arrangements, our “Interest-bearing bank loans and other borrowings” amounted to RMB616.5 million, RMB614.3 million, RMB499.0 million and RMB170.0 million as at 31 December 2011, 2012, 2013 and 30 September 2014, respectively, and for which we incurred finance costs in the amounts of RMB42.1 million, RMB52.2 million, RMB42.3 million and RMB16.1 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively.

Our Directors and we confirm that the funds obtained from the Bill Financing Arrangements were not only for funding of our own operations, but also to fund the operations of the Excluded Group. Our Directors and we further confirm that, because of the foregoing, our financial position would not be adversely affected without such Bill Financing Arrangements during the Track Record Period. Our Directors and we confirm that we would have had sufficient funding to support our business operations based on our operating income, credit facilities and established relationships with PRC commercial banks and our ability to raise capital, if there had been no Bill Financing Arrangements.

FINANCIAL INFORMATION

Our Directors and we confirm that if we did not make the Bill Financing Arrangements to borrow funds for the Excluded Group, our borrowing and finance costs would have been reduced, and our financial results of our Group would have improved during the Track Record Period. We will settle all of the non-trade balances with related parties prior to the Listing.

For illustrative purpose, the impact of the Bill Financing Arrangements on the key items of our financial statements for 2011, 2012 and 2013 is set out below:

	For the year ended 31 December								
	Audited (A)	2011 Impact of Bill Financing Arrangements (unaudited) (B) RMB'000	(C)= (A)+(B)	Audited (A)	2012 Impact of Bill Financing Arrangements (unaudited) (B) RMB'000	(C)= (A)+(B)	Audited (A)	2013 Impact of Bill Financing Arrangements (unaudited) (B) RMB'000	(C)= (A)+(B)
Net cash inflows/ (outflows)	38,931	-	38,931	(5,493)	-	(5,493)	5,685	-	5,685
Cash and cash equivalents	69,616	-	69,616	64,123	-	64,123	69,808	-	69,808
Net current assets/ (liabilities)	(33,552)	4,757	(28,795)	(115,581)	10,011	(105,570)	(376,789)	15,849	(360,940)
Finance costs	(42,069)	6,343	(35,726)	(52,231)	7,006	(45,225)	(42,267)	7,783	(34,484)
Net profit	59,424	4,757	64,181	71,011	5,254	76,265	106,492	5,838	112,330

Based on the foregoing, our Directors and our Company confirm that our Group would have had sufficient funding to support our business operations based on our operating income, credit facilities and established relationships with PRC commercial banks and our Group's ability to raise capital, if there had been no Bill Financing Arrangements.

Our Directors and our Company respectfully submit that if our Group did not make the Financing Arrangements to borrow funds for the Excluded Group, the borrowing and finance costs of our Group would have been reduced, and the financial results of our Group would have improved for 2011, 2012 and 2013.

For illustrative purpose, the impact of the Financing Arrangements on the key items of the financial statements of our Group for 2011, 2012 and 2013 is set out below:

	For the year ended 31 December								
	Audited (A)	2011 Impact of Financing Arrangements (unaudited) (B) RMB'000	(C)= (A)+(B)	Audited (A)	2012 Impact of Financing Arrangements (unaudited) (B) RMB'000	(C)= (A)+(B)	Audited (A)	2013 Impact of Financing Arrangements (unaudited) (B) RMB'000	(C)= (A)+(B)
Net cash inflows/ (outflows)	38,931	-	38,931	(5,493)	-	(5,493)	5,685	-	5,685
Cash and cash equivalents	69,616	-	69,616	64,123	-	64,123	69,808	-	69,808
Net current liabilities	(33,552)	24,017	(9,535)	(115,581)	48,239	(67,342)	(376,789)	65,715	(311,074)
Finance costs	(42,069)	32,022	(10,047)	(52,231)	32,296	(19,935)	(42,267)	23,301	(18,966)
Net profit	59,424	24,017	83,441	71,011	24,222	95,233	106,492	17,476	123,968

FINANCIAL INFORMATION

BASIS OF PRESENTATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed “Our Reorganisation” in the section headed “History and Reorganisation” in this prospectus, our Company became the holding company of the companies now comprising our Group on 15 April 2014. The companies now comprising our Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, the financial information set out in the Accountants’ Report in Appendix I to this prospectus has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Track Record Period.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of our Group for the Track Record Period include the results and cash flows of all companies now comprising our Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the controlling shareholders, where this is a shorter period. The consolidated statements of financial position of our Group as at 31 December 2011, 2012 and 2013 and 30 September 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders’ perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Concession for the Operation of our Business in our Operating Area

We are principally engaged in the sale and distribution of piped natural gas in our Operating Area in Taicang under the Concession. The Concession is valid for 30 years until 31 August 2043, subject to renewal upon its expiration, and the fulfilment of certain conditions. Pursuant to the Concession Agreement, if we have good performance records within the term of the Concession Agreement, the Concession Grantor may, two years prior to the expiry of the Concession, negotiate with us on the extension of the concession period in accordance with the terms thereof. We shall also enjoy a preferential right for the renewal of the Concession provided that it is not in breach of the applicable laws and regulations therein force or the stipulations of the Concession Agreement. In addition, the Concession Agreement may be terminated before expiration under certain circumstances. Should our Company and the Concession Grantor fail to reach consensus on the renewal issue one year prior to the expiry of the Concession Agreement, the Concession Grantor will be entitled to re-elect the operator of the Concession.

If our Concession Agreement is terminated for whatever reasons before or upon expiration, and we are not able to renew it or relocate to an alternative area to continue our operations which is comparable to our existing operation in the Operating Area, our business, results of operations and financial position will be substantially and adversely impacted. Please refer to the section headed “Risk Factors – Risks Relating to Our Business – Our Concession for the operation of our business will expire or may be terminated before expiration” in this prospectus.

FINANCIAL INFORMATION

Reliance on our Principal Supplier, PetroChina

Natural gas constitutes the major raw material for our business. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our cost of purchases of natural gas amounted to RMB287.6 million, RMB289.5 million, RMB367.4 million and RMB376.0 million, respectively, representing 82.6%, 77.9%, 79.3% and 86.3%, respectively, of our total cost of sales. As of the Latest Practicable Date, PetroChina was our principal natural gas supplier.

We entered into the Master Supply Agreements with PetroChina in 2011. For details please refer to the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – Supply of Natural Gas – Master Supply Agreements with PetroChina” in this prospectus. Pursuant to the Master Supply Agreements, if our actual purchase volume in a year is below the minimum purchase volume, we have a take-or-pay obligation for the difference between the actual purchase volume and the minimum purchase volume in such year. Although our purchase volume for 2011, 2012 and 2013 was 49.6 million m³, 148.6 million m³ and 168.4 million m³, respectively, and therefore we have not met the relevant specified purchase volume, such take-or-pay obligation had never been enforced by PetroChina. PetroChina further confirmed that the specified purchase volume of piped natural gas stated in the Master Supply Agreements is calculated based on the actual quantity of piped natural gas used by us. However, in the event that PetroChina enforces our take-or-pay obligation in the future, we could have to incur additional expenses, which will adversely affect our financial performance and conditions.

We have a well-established relationship with PetroChina, which was started in 2005. PetroChina is our principal supplier of piped natural gas and largest supplier during the Track Record Period and it is also our partner in two associates. We believe that our well-established relationship with PetroChina enables us to obtain a reliable supply of natural gas which is essential for the operation and development of a natural gas distribution business.

Any dispute between our Group and PetroChina may affect our supply relation with PetroChina, and result in the loss of business opportunities or disruption to or termination of the relevant joint venture. If we are not able to source sufficient amount of natural gas or at all at a similar price to our existing purchase price or on commercially acceptable terms, our business, financial condition and operating result will be materially and adversely affected. Further, if there is any price adjustment from the relevant pricing authorities or our supplier on our purchase price of natural gas and if we fail to take necessary step to pass on the corresponding increase in the purchase price of piped natural gas to our customers in a timely manner, we will have limited room to minimise our costs to maintain profitability, our revenue, cash flows and operating results may be materially and adversely affected.

Government’s Price Control Regime for Natural Gas

Our results of operations and financial condition may be affected by government policies regarding our natural gas purchase and selling prices. China’s current natural gas pricing management is subject to a benchmark gateway station price guided by the PRC government. For the details of pricing regime for domestic natural gas, please refer to the section headed “Business – Pricing of Natural Gas – Price Determination Regime of Natural Gas in the PRC” in this prospectus.

FINANCIAL INFORMATION

Natural gas purchase price is generally determined based on the gateway station price set by the NDRC. Our purchase price for the natural gas is subject to negotiation with PetroChina, which is determined based on a combination of factors including the relevant government guided benchmark gateway station prices, pipeline transmission tariff and settlement terms.

Provincial Development and Reform Commissions set natural gas gateway station price within their provinces based on conditions of their regions. Local price bureaus are responsible for determining ceiling price for downstream sale. Our natural gas selling prices to end-users are generally determined by local price bureaus including Suzhou Price Bureau and Taicang Price Bureau. Different natural gas tariff schedules apply to residential usage and non-residential usage including commercial, industrial and other usage. We are entitled to adjust our selling price of natural gas for non-residential users, subject to a maximum end-user price imposed by the local government.

In any event, we have limited control over the pricing of both our natural gas supplies and sales, which are strictly controlled by the government and adjusted from time to time. If the prices of natural gas that we purchase from PetroChina or that we sell to our customers fluctuate due to changes in prevailing market conditions or regulatory policies and we are unable to pass the impact of the price adjustments to our customers in a timely manner, our revenue, cash flows and results of operation will be materially adversely affected.

For illustrative purposes only, the following table sets out a sensitivity analysis of: (1) the effect of fluctuations of our per unit selling price of natural gas; and (2) the effect of fluctuations of our per unit purchase price of natural gas on our profit before tax during the Track Record Period. Fluctuation in our cost of materials from our cost of sales are assumed to be 5% and 10%.

	Impact on profit before tax for the year/period				
	For the year ended 31 December			For the nine months ended 30 September	
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Sensitivity analysis of our per unit selling price of natural gas					
+/-5%	+/-20,851	+/-21,621	+/-27,201	+/-19,386	+/-25,031
+/-10%	+/-41,702	+/-43,243	+/-54,403	+/-38,771	+/-50,061
Sensitivity analysis of our per unit purchase price of natural gas					
+/-5%	-/+14,378	-/+14,476	-/+18,370	-/+13,194	-/+18,800
+/-10%	-/+28,756	-/+28,953	-/+36,740	-/+26,389	-/+37,600

FINANCIAL INFORMATION

Sales Mix

Our natural gas business comprises mainly transmission and sale of natural gas and construction and connection of gas pipelines during the Track Record Period. Our gross profit margin were recorded at 26.6%, 28.9%, 30.1%, and 24.3% for the year 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. The fluctuation was mainly due to the different sales mix as different types of sale generated different gross profit margin with different trend.

During the Track Record Period, our sale and transmission of natural gas generated gross profit margin of 25.7%, 28.7%, 28.3% and 20.9% while our construction and connection of gas pipelines generated gross profit margin of 31.5%, 29.4%, 38.7% and 48.4% for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. The fluctuation of gross profit margin of transmission and sales of natural gas is highly driven by our purchasing and selling price of piped natural gas and our change in demand of natural gas sales to different types of users, whilst fluctuation of gross profit margin of construction and connection of gas pipelines is driven by the types of construction projects undertaken.

Consequently, our gross profit margins are impacted by our sales mix in our products and services and hence the revenue from each business segments. Going forward, we will continue to evaluate and adjust our portfolio of our services and product offerings from time to time to focus on products with higher profit margins, greater market demand and potential to maintain or increase our profitability.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

We set forth below those accounting policies that we believe involve the most significant estimates and judgements used in the preparation of our financial statements. Our significant accounting policies, estimates and judgements, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Note 4 and Note 5 of Section II to our consolidated financial statements as set out in the accountants' report in Appendix I to this prospectus.

Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to our Group and the revenue can be reliably measured, regardless of when the payment is being made, based on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that our Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from the construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" as follows;
- (c) from the rendering of services, when the services are rendered;

FINANCIAL INFORMATION

- (d) from rental income, on a time proportion basis over the lease terms; and
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Property, Plant and Equipment and Depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, our Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.40% to 9.50%
Gas pipelines	4.75%
Plant and machinery	6.33% to 19.00%
Furniture, fixtures and office equipment	19.00%
Motor vehicles	9.50% to 19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

FINANCIAL INFORMATION

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sale proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas station structures, machinery, gas pipelines and other property, plant and equipment under construction which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Construction Contracts

The balances of construction contracts represent the net amount of construction costs incurred to date and recognised profits (less recognised losses), less progress billings and provision for foreseeable contract losses.

Construction contract costs are valued at actual cost, and comprise direct materials, direct labor costs, construction machinery costs, other direct costs and construction overheads. For an individual contract whose costs incurred to date plus recognised profits (less recognised losses) exceeds progress billings, the gross amount due from customers for contract work in inventories is presented as amounts due from construction contract customers. For an individual contract whose progress billings exceeds costs incurred to date plus recognised profits (less recognised losses), the gross amount due to customers for contract work in advance from customers is presented as an advance from customers.

We estimate total contract costs based on actual circumstances for each contract. Provision for foreseeable contract losses will be recognised in profit or loss where total estimated contract costs exceed total contract revenue.

Impairment of Financial Assets

We assess at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

FINANCIAL INFORMATION

Impairment of Non-financial Assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, financial assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Useful Lives of Property, Plant and Equipment

Our Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The useful lives of property, plant and equipment are as disclosed above.

Impairment of trade receivables

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. The carrying amount of trade receivables as at 31 December 2011, 2012 and 2013 and 30 September 2014 was RMB11.3 million, RMB23.6 million, RMB57.5 million and RMB48.6 million, respectively.

FINANCIAL INFORMATION

Deferred Tax

Deferred tax assets relating to certain temporary differences are recognised as management considers that it is probable that future taxable profit will be available against which the temporary tax differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amounts of deferred tax assets carried in the consolidated statement of financial position as at 31 December 2011, 2012, 2013 and 30 September 2014 were RMB15.7 million, RMB21.2 million, RMB23.6 million and RMB24.0 million, respectively.

Estimation of the Amortisation Period of Deferred Income

We receive fees from non-residential customers in advance in exchange for the connection of their gas pipelines to the urban natural gas pipeline network. These fees are received upfront and gradually amortised. We determine the estimated amortisation period of ten years for its revenue recognition. This estimate is based on our historical experience of the actual service period and the strength of our business relationship with each individual customer. It could differ significantly based on the customer's profile, expected term of the relationship and the strength of the customer's business relationship established with us. Generally, amortisation is calculated on the straight-line basis for ten years. The carrying amount of deferred income carried in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 30 September 2014 was RMB52.7 million, RMB73.4 million, RMB85.8 million and RMB88.2 million, respectively.

FINANCIAL INFORMATION

RESULTS OF OPERATIONS

The following table sets forth selected items of the consolidated statements of profit or loss and other comprehensive income for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2013 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i>
Revenue	474,224	522,980	663,663	481,690	575,730
Cost of sales	(348,207)	(371,874)	(463,588)	(340,216)	(435,707)
Gross profit	126,017	151,106	200,075	141,474	140,023
Other income and gains	5,915	2,795	4,521	3,856	6,583
Selling and distribution costs	(2,277)	(2,794)	(2,796)	(2,154)	(3,733)
Administrative expenses	(7,086)	(8,581)	(20,923)	(12,576)	(15,348)
Other expenses	(42)	(997)	(305)	(298)	(1)
Finance costs	(42,069)	(52,231)	(42,267)	(33,295)	(16,053)
Share of profits and losses of:					
A joint venture	(34)	(3)	–	–	–
Associates	(282)	4,879	3,285	3,316	1,354
Profit before tax	80,142	94,174	141,590	100,323	112,825
Income tax expense	(20,718)	(23,163)	(35,098)	(24,701)	(28,121)
Profit for the year/period	<u>59,424</u>	<u>71,011</u>	<u>106,492</u>	<u>75,622</u>	<u>84,704</u>
Profit for the year/period attributable to:					
Owners of the parent	59,424	71,025	106,703	75,833	84,704
Non-controlling interests	–	(14)	(211)	(211)	–
	<u>59,424</u>	<u>71,011</u>	<u>106,492</u>	<u>75,622</u>	<u>84,704</u>

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

During the Track Record Period, we mainly generated revenue from sale and transmission of natural gas and construction and connection of gas pipelines. Others mainly represented revenue generated from pipeline repair and maintenance services, sale of gas products, and property letting in relation to certain areas in our office building since 2013. The following table sets forth the breakdown of the sources of our revenue for the periods indicated.

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sale and transmission of natural gas	415,335	87.6	438,779	83.9	550,345	82.9	391,484	81.3	505,653	87.8
Construction and connection of gas pipelines	55,513	11.7	81,731	15.6	110,898	16.7	88,568	18.4	67,623	11.7
Others	3,376	0.7	2,470	0.5	2,420	0.4	1,638	0.3	2,454	0.5
Total revenue	474,224	100.0	522,980	100.0	663,663	100.0	481,690	100.0	575,730	100.0

Sale and transmission of natural gas

Our revenue from sale and transmission of natural gas represented 87.6%, 83.9%, 82.9% and 87.8% of our total revenue in 2011, 2012, 2013 and the nine months ended 30 September 2014. The following table sets forth the breakdown of revenue from sale and transmission of natural gas during the Track Record Period.

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Retail sales of natural gas	384,696	92.6	409,982	93.4	511,959	93.0	369,895	94.5	423,578	83.8
Wholesale of natural gas	29,904	7.2	20,018	4.6	29,960	5.5	15,826	4.0	74,881	14.8
Sales of natural gas	414,600	99.8	430,000	98.0	541,919	98.5	385,721	98.5	498,459	98.6
Transmission of natural gas	735	0.2	8,779	2.0	8,426	1.5	5,763	1.5	7,194	1.4
Total	415,335	100.0	438,779	100.0	550,345	100.0	391,484	100.0	505,653	100.0

FINANCIAL INFORMATION

Our sale and transmission of natural gas principally came from the sale of piped natural gas to our retail customers primarily including commercial, industrial and residential users. We also supplied natural gas to several wholesale customers as the demands of these local natural gas companies exceeded the amount of natural gas supply that were provided under their respective master supply agreement with their principal suppliers. In addition to piped natural gas sale, we received transmission fee from transmission services provided which accounted for less than 2% of our total revenue during the Track Record Period.

The tables below set forth key data of our sales of piped natural gas for the indicated periods.

	For the year ended 31 December			For the nine months ended 30 September	
	2011	2012	2013	2013 (unaudited)	2014
Retail sales of natural gas					
Residential users					
Sales volume (m ³ '000)*	3,883	5,377	10,219	8,028	8,656
As a percentage of total gas sales volume (%)*	2.7%	3.5%	5.5%	6.0%	5.2%
Average selling price (RMB/m ³ , VAT exclusive)	1.94	1.94	1.94	1.94	1.94
Revenue (RMB'000)	7,516	10,410	19,818	15,549	16,781
As a percentage of total sales of natural gas	1.8%	2.4%	3.6%	4.0%	3.4%
Commercial users					
Sales volume (m ³ '000)*	4,277	4,486	5,364	3,986	4,164
As a percentage of total gas sales volume (%)*	3.0%	2.9%	2.9%	3.0%	2.5%
Average selling price (RMB/m ³ , VAT exclusive)	2.75	2.81	2.98	2.94	3.11
Revenue (RMB'000)	11,758	12,613	15,998	11,723	12,954
As a percentage of total sales of natural gas	2.8%	2.9%	3.0%	3.0%	2.6%
Industrial users					
Sales volume (m ³ '000)*	122,048	134,451	157,232	114,907	125,064
As a percentage of total gas sales volume (%)*	85.2%	87.4%	84.5%	85.7%	74.7%
Average selling price (RMB/m ³ , VAT exclusive)	2.99	2.88	3.03	2.98	3.15
Revenue (RMB'000)	365,422	386,959	476,143	342,623	393,843
As a percentage of total sales of natural gas	88.1%	90.0%	87.9%	88.8%	79.0%

FINANCIAL INFORMATION

	For the year ended 31 December			For the nine months ended 30 September	
	2011	2012	2013	2013 (unaudited)	2014
Wholesale of natural gas					
Industrial users					
Sales volume (m ³ '000)*	12,984	9,449	13,255	7,201	29,530
As a percentage of total gas sales volume (%)*	9.1%	6.2%	7.1%	5.3%	17.6%
Average selling price (RMB/m ³ , VAT exclusive)	2.30	2.12	2.26	2.20	2.54
Revenue (RMB'000)	29,904	20,018	29,960	15,826	74,881
As a percentage of total sales of natural gas	7.3%	4.7%	5.5%	4.2%	15.0%
Total sales of natural gas					
Sales volume (m ³ '000)*	143,192	153,763	186,070	134,122	167,414
Average selling price (RMB/m ³ , VAT exclusive)	2.90	2.80	2.91	2.88	2.98
Revenue (RMB'000)	414,600	430,000	541,919	385,721	498,459

Our sale of natural gas increased from RMB414.6 million in 2011 to RMB541.9 million in 2013, representing a CAGR of 14.3%, mainly resulting from the increased sales volume from retail sales to industrial users. Our sales of natural gas increased from RMB385.7 million in the nine months ended 30 September 2013 to RMB498.5 million in the nine months ended 30 September 2014 representing an increase of 29.2%, which was mainly attributable to: (i) the increase in retail sales to industrial users of RMB51.2 million primarily as a result of the increase in average selling price and sales volume of natural gas to industrial users and (ii) the increase in wholesale of natural gas of RMB59.1 million as a result of the increase in both sales volume and average selling price of natural gas to wholesale customers.

FINANCIAL INFORMATION

Construction and connection of gas pipelines

Our revenue from construction and connection of gas pipelines represented 11.7%, 15.6%, 16.7% and 11.7% of our total revenue in 2011, 2012, 2013 and the nine months ended 30 September 2014. The following table sets forth the breakdown of revenue from construction and connection of gas pipelines.

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Revenue from pipeline construction	49,881	89.9	74,209	90.8	100,224	90.4	80,718	91.1	58,394	86.4
Connection fees	5,632	10.1	7,522	9.2	10,674	9.6	7,850	8.9	9,229	13.6
Total	55,513	100.0	81,731	100.0	110,898	100.0	88,568	100.0	67,623	100.0

Our revenue from pipeline construction is derived from our services provided to construct and install urban gas pipeline networks for property developers, new commercial and industrial users. Connection fees are derived from connection services provided to connect our pipeline networks to industrial and commercial users, which are usually one-off payments or paid by instalments. Our revenue from construction and connection of gas pipelines increased from RMB55.5 million in 2011 to RMB110.9 million in 2013, representing a CAGR of 41.4%, mainly due to the increase in total contract values of construction projects. Our revenue from construction and connection of gas pipelines decreased from RMB88.6 million in the nine months ended 30 September 2013 to RMB67.6 million in the nine months ended 30 September 2014 representing a decrease of 23.7%, mainly due to the decreased number of projects completed in the nine months ended 30 September 2014.

FINANCIAL INFORMATION

Cost of sales

The following table sets forth the breakdown of our cost of sales by nature during the Track Record Period.

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Raw materials and transmission costs of natural gas	287,560	82.6	289,525	77.9	367,403	79.3	263,886	77.6	375,997	86.3
Pipeline construction cost	38,003	10.9	57,692	15.5	68,021	14.7	55,418	16.3	34,882	8.0
Depreciation on property, plant and equipment	15,524	4.5	16,303	4.4	21,285	4.6	15,710	4.6	19,544	4.5
Staff costs	3,363	1.0	4,112	1.1	4,435	1.0	3,297	1.0	3,338	0.8
Other expenses	3,757	1.0	4,242	1.1	2,444	0.4	1,905	0.5	1,946	0.4
Total cost of sales	348,207	100.0	371,874	100.0	463,588	100.0	340,216	100.0	435,707	100.0

The following table sets forth the breakdown of cost of sales by operation during the Track Record Period.

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Sale and Transmission of natural gas	308,421	88.6	312,671	84.1	394,543	85.1	284,036	83.5	400,136	91.8
Construction and connection of gas pipelines	38,003	10.9	57,692	15.5	68,021	14.7	55,418	16.3	34,882	8.0
Others	1,783	0.5	1,511	0.4	1,024	0.2	762	0.2	689	0.2
Total cost of sales	348,207	100.0	371,874	100.0	463,588	100.0	340,216	100.0	435,707	100.0

Our cost of sales mainly consists of raw materials and transmission costs of natural gas, pipeline construction cost and depreciation on property, plant and equipment, totalling 98.0%, 97.8%, 98.6% and 98.8% of our total cost of sales for 2011, 2012, 2013 and the nine months

FINANCIAL INFORMATION

ended 30 September 2014, respectively. Raw materials and transmission costs of natural gas mainly include cost of natural gas purchased and expenses related to transmission of natural gas. Pipeline construction cost mainly relates to construction of pipelines and installation of gas pipelines for our customers which primarily include raw materials and subcontracting fees. Our subcontracting fees recorded at RMB30.6 million, RMB44.5 million, RMB51.3 million and RMB28.1 million, which accounted for 8.8%, 12.0%, 11.1% and 6.4% of our total cost of sales for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively.

Gross Profit

Our gross profit was RMB126.0 million, RMB151.1 million, RMB200.1 million and RMB140.0 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively. Our gross profit margin was 26.6%, 28.9%, 30.1% and 24.3% for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively.

The following table sets forth the breakdown of gross profit and gross profit margin by operation during the Track Record Period.

	For the year ended 31 December			For the nine months ended 30 September	
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
				(unaudited)	
Gross profit					
Sale and transmission of natural gas	106,914	126,108	155,802	107,448	105,517
Construction and connection of gas pipelines	17,510	24,039	42,877	33,150	32,741
Others	1,593	959	1,396	876	1,765
Total	<u>126,017</u>	<u>151,106</u>	<u>200,075</u>	<u>141,474</u>	<u>140,023</u>
Gross profit margin					
Sale and transmission of natural gas	25.7%	28.7%	28.3%	27.4%	20.9%
Construction and connection of gas pipelines	31.5%	29.4%	38.7%	37.4%	48.4%
Others	47.2%	38.8%	57.7%	53.5%	71.9%
Overall	<u>26.6%</u>	<u>28.9%</u>	<u>30.1%</u>	<u>29.4%</u>	<u>24.3%</u>

The improvement in gross profit margin for the sale and transmission of natural gas from 2011 to 2012 was mainly due to increase in retail sales of natural gas to our industrial users in 2012 which contributed a higher gross profit margin. The decline in gross profit margin for sale and

FINANCIAL INFORMATION

transmission of natural gas from the nine months ended 30 September 2013 to the nine months ended 30 September 2014 was mainly attributable to (i) the increase in wholesale of natural gas in the nine months ended 30 September 2014 which contributed a lower gross profit margin, and (ii) the increase in average purchase price of natural gas in the nine months ended 30 September 2014.

The decline in gross profit margin for construction and connection of gas pipelines from 2011 to 2012 was mainly attributable to more projects undertaken in relation to the revamping of pipeline networks for the old residential districts which had a lower gross profit margin. The improvement in gross profit margin for construction and connection of gas pipelines from the nine months ended 30 September 2013 to the nine months ended 30 September 2014 was mainly due to more projects undertaken related to newly developed properties in the nine months ended 30 September 2014 which contributed a higher gross profit margin.

Other Income and Gains

Other income and gains mainly consist of bank interest income, foreign exchange gain, gain on disposal of prepaid land lease payments and property, plant and equipment, government grants and others. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our other income and gains were RMB5.9 million, RMB2.8 million, RMB4.5 million and RMB6.6 million, respectively. We recorded one-off gains on disposal of items of property, plant and equipment and prepaid land lease payments of RMB1.3 million and RMB2.1 million respectively in 2011, which was related to our injection in property, plant and equipment and prepaid land lease payments to increase the registered capital of Kunlun Suchuang Gas. We also recorded a one-off gain of RMB4.3 million on the disposal of prepaid land lease payments related to our non-core business in the nine months ended 30 September 2014, mainly due to our focus on our core business.

Selling and Distribution Costs

The following table sets forth our selling and distribution costs during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Utility expenses	534	23.5	617	22.1	902	32.3	727	33.8	438	11.7
Insurance expenses	472	20.7	484	17.3	520	18.6	467	21.7	2,121	56.8
Fuel cost	373	16.4	502	18.0	401	14.3	290	13.5	402	10.8
Staff costs	242	10.6	240	8.6	280	10.0	208	9.7	211	5.7
Transportation costs	239	10.5	246	8.8	226	8.1	187	8.7	137	3.7
Repair and maintenance	165	7.2	441	15.8	287	10.3	198	9.2	228	6.1
Others	252	11.1	264	9.4	180	6.4	77	3.4	196	5.2
Total	2,277	100.0	2,794	100.0	2,796	100.0	2,154	100.0	3,733	100.0

FINANCIAL INFORMATION

Our selling and distribution costs mainly consist of utility expenses, insurance expenses and fuel costs, staff costs and other sales-related expenses. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our selling and distribution costs were RMB2.3 million, RMB2.8 million, RMB2.8 million and RMB3.7 million, respectively.

Administrative Expenses

The following table sets forth our administrative expenses during the Track Record Period:

	For the year ended 31 December						For the nine months ended 30 September			
	2011		2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)									
Staff costs	896	12.6	1,096	12.8	1,287	6.2	951	7.6	1,801	11.7
Depreciation and amortisation	2,098	29.6	2,187	25.5	3,626	17.3	2,866	22.8	5,281	34.4
Legal and professional fees	466	6.6	713	8.3	12,519	59.8	6,472	51.5	4,839	31.5
Travel and entertainment expenses	1,350	19.1	1,819	21.2	583	2.8	565	4.5	138	0.9
Other tax expenses	1,033	14.6	1,164	13.6	1,523	7.3	755	6.0	1,826	11.9
Others	1,243	17.5	1,602	18.6	1,385	6.6	967	7.6	1,463	9.6
Total	7,086	100.0	8,581	100.0	20,923	100.0	12,576	100.0	15,348	100.0

Administrative expenses primarily consist of staff costs, depreciation and amortisation, legal and professional fees, travel and entertainment expenses, other tax expenses and other administration-related expenses. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our administrative expenses were RMB7.1 million, RMB8.6 million, RMB20.9 million and RMB15.3 million, respectively.

Other Expenses

Our other expenses mainly consist of loss on disposal of property, plant and equipment, provision of bad debt and foreign exchange loss. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our other expenses were RMB42,000, RMB997,000, RMB305,000 and RMB1,000, respectively.

Finance Costs

Finance costs primarily represent interest on bank loans and other borrowings. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our finance costs were RMB42.1 million, RMB52.2 million, RMB42.3 million and RMB16.1 million, respectively.

FINANCIAL INFORMATION

Share of Profits and Losses of a Joint Venture and Associates

Our share of profits and losses of a joint venture and associates represent share of losses of a joint venture, Taicang Chuangda Gas and share of losses and profits of associates, Kunlun Suchuang Gas and Kunlun Suchuang Usage, respectively. For 2011, 2012, 2013 and the nine months ended 30 September 2014, our share of losses of a joint venture were RMB34,000, RMB3,000, nil and nil, respectively. Our share of losses and profits of associates recorded a loss of RMB282,000, a profit of RMB4.9 million, RMB3.3 million and RMB1.4 million for 2011, 2012, 2013 and the nine months ended 30 September 2014, respectively.

Income Tax Expense

Our Group is subject to income tax on an individual legal entity basis on profits arising in or derived from the tax jurisdictions in which companies comprising our Group domicile or operate.

(i) Cayman Islands profits tax

Our Group has not been subject to any taxation in the Cayman Islands.

(ii) Hong Kong profits tax

No Hong Kong profits tax has been provided for as our Group did not have any assessable profit in Hong Kong for the years/periods during the Track Record Period.

(iii) PRC enterprise income tax

Our PRC subsidiaries are subjected to a tax rate of 25% during the Track Record Period on the assessable profits arising in or derived from the PRC.

As a result of the foregoing, our income tax expense for 2011, 2012, 2013 and the nine months ended 30 September 2014 was RMB20.7 million, RMB23.2 million, RMB35.1 million and RMB28.1 million, respectively; the effective tax rate for the same period was 25.9%, 24.6%, 24.8% and 24.9%, respectively. As of the Latest Practicable Date and during the Track Record Period, we had fulfilled all our tax obligations and did not have any unresolved tax disputes.

REVIEW OF HISTORICAL RESULTS OF OPERATION

Nine Months Ended 30 September 2014 Compared with Nine Months Ended 30 September 2013

Revenue

Our total revenue increased by 19.5% from RMB481.7 million to RMB575.7 million in the nine months ended 30 September 2014 compared to the same period of the previous year. The increase was mainly attributable to the increase in revenue from sale and transmission of natural gas.

FINANCIAL INFORMATION

Revenue from our sale and transmission of natural gas increased by 29.2% from RMB391.5 million in the nine months ended 30 September 2013 to RMB505.7 million in the nine months ended 30 September 2014, which was mainly due to: (i) our average selling price of natural gas increased slightly in the nine months ended 30 September 2014 from the nine months ended 30 September 2013; and (ii) the sales volume of natural gas increased from 134.1 million m³ for the nine months ended 30 September 2013 to 167.4 million m³ for the nine months ended 30 September 2014 which was primarily attributable to the increased demand of natural gas from wholesale customers in the nine months ended 30 September 2014.

Revenue from our construction and connection of gas pipeline decreased by 23.7% from RMB88.6 million in the nine months ended 30 September 2013 to RMB67.6 million in the nine months ended 30 September 2014. The decrease was mainly due to the decreased number of projects completed in the nine months ended 30 September 2014.

Cost of sales

Our cost of sales increased by 28.1% from RMB340.2 million in the nine months ended 30 September 2013 to RMB435.7 million in the nine months ended 30 September 2014. Such increase was primarily because our costs for raw materials and transmission of natural gas increased from RMB263.9 million in the nine months ended 30 September 2013 to RMB376.0 million in the nine months ended 30 September 2014, which was as a result of the increased sales volume and increased per unit average purchase price of natural gas; and was partially offset by the decrease in pipeline construction cost of RMB20.5 million mainly due to the decreased number of projects completed in the nine months ended 30 September 2014.

Cost of sales from sale and transmission of natural gas increased by 40.9% from RMB284.0 million for the nine months ended 30 September 2013 to RMB400.1 million for the nine months ended 30 September 2014. The increase was due to the higher volume of natural gas purchased to meet increasing sales volume of piped natural gas and the increase of our purchase price of natural gas for the nine months ended 30 September 2014.

Cost of sales from construction and connection of gas pipelines decreased by 37.1% from RMB55.4 million in the nine months ended 30 September 2013 to RMB34.9 million in the nine months ended 30 September 2014. The decrease was because of the decreased number of projects completed in the nine months ended 30 September 2014 which resulted in the decrease in direct materials and subcontracting fees incurred in the construction.

Gross profit

As a result of the foregoing, our gross profit remained relatively stable at RMB141.5 million and RMB140.0 million for the nine months ended 30 September 2013 and 2014 respectively.

Gross profit for sale and transmission of natural gas decreased from RMB107.4 million in the nine months ended 30 September 2013 to RMB105.5 million in the nine months ended 30 September 2014. Gross profit margin for sale and transmission of natural gas decreased from 27.4% to 20.9% in the same period which mainly resulted from (i) the increase in wholesale of natural gas in the nine months ended 30 September 2014 which contributed a lower gross profit margin, and (ii) the increase in average purchase price of natural gas in the nine months ended 30 September 2014.

FINANCIAL INFORMATION

Gross profit for construction and connection of gas pipelines decreased from RMB33.2 million in the nine months ended 30 September 2013 to RMB32.7 million in the nine months ended 30 September 2014, whilst the gross profit margin increased from 37.4% to 48.4% in the same period. The increase in gross profit margin was mainly due to more projects undertaken related to newly developed projects in the nine months ended 30 September 2014 which generally had a higher gross profit margin among our customers.

Other income and gains

Other income and gains increased by 70.7% from RMB3.9 million in the nine months ended 30 September 2013 to RMB6.6 million in the nine months ended 30 September 2014, primarily attributable to the gain on disposal of prepaid land lease payments related to non-core business in the nine months ended 30 September 2014 mainly as a result of our strategy to focus on our core business, and was partially offset by the decrease in bank interest income as a result of the decreased average bank deposits in the nine months ended 30 September 2014.

Selling and distribution costs

Our selling and distribution costs increased by RMB1.5 million from RMB2.2 million in the nine months ended 30 September 2013 to RMB3.7 million in the nine months ended 30 September 2014, primarily due to the increase in insurance expenses of RMB1.7 million mainly attributable to insurance related to our newly developed office building.

Administrative expenses

Our administrative expenses increased by RMB2.7 million from RMB12.6 million in the nine months ended 30 September 2013 to RMB15.3 million in the nine months ended 30 September 2014, which was mainly due to (i) the increase in depreciation and amortisation of RMB2.4 million primarily as a result of our office building newly developed in September 2013; (ii) the increase in other tax expenses of RMB1.1 million primarily resulting from property tax expenses for the new office building; and was partially offset by the decrease in legal and professional fees of RMB1.6 million primarily resulting from the decrease in listing expenses for the nine months ended 30 September 2014.

Other expenses

Other expenses were relatively insignificant with the amounts of RMB298,000 and RMB1,000 in the nine months ended 30 September 2013 and 2014, respectively, mainly related to losses on disposal of property, plant and equipment.

Finance costs

Our finance costs decreased by 51.8% from RMB33.3 million in the nine months ended 30 September 2013 to RMB16.1 million in the nine months ended 30 September 2014. The decrease was primarily due to the decrease in average borrowing balance in the nine months ended 30 September 2014 compared to the previous period.

FINANCIAL INFORMATION

Share of profits of associates

Our share of profits of associates decreased by 59.2% from RMB3.3 million in the nine months ended 30 September 2013 to RMB1.4 million in the nine months ended 30 September 2014. The decrease was mainly attributable to the increase in cost of natural gas purchased as the average purchase price increased in the nine months ended 30 September 2014.

Income tax expense

Our income tax expense increased by 13.8% from RMB24.7 million in the nine months ended 30 September 2013 to RMB28.1 million in the nine months ended 30 September 2014, primarily attributable to our increased taxable income for the nine months ended 30 September 2014. Our effective tax rate remained stable at 24.6% and 24.9% in the nine months ended 30 September 2013 and 2014 respectively.

Profit for the period

As a result of the foregoing, our profit for the period increased by 12.0% from RMB75.6 million for the nine months ended 30 September 2013 to RMB84.7 million for the nine months ended 30 September 2014.

Year Ended 31 December 2013 Compared with Year Ended 31 December 2012

Revenue

Our total revenue increased by 26.9% from RMB523.0 million in 2012 to RMB663.7 million in 2013. The increase was mainly attributable to increase in revenue from sale and transmission of natural gas.

The revenue from our sale and transmission of natural gas increased by 25.4% from RMB438.8 million in 2012 to RMB550.3 million in 2013, which was mainly due to: (i) our average selling price of natural gas increased slightly from 2012 to 2013; and (ii) the sales volume of natural gas increased from 153.8 million m³ for 2012 to 186.1 million m³ for 2013 primarily attributable to industrial users as a result of the increased number of connections to industrial users in 2013.

The revenue from our construction and connection of gas pipelines increased by 35.7% from RMB81.7 million in 2012 to RMB110.9 million in 2013. The increase in revenue was mainly due to the increase in the number of new connections. The number of customers connected to our pipeline network increased from 118,906 as at 31 December 2012 to 131,629 as at 31 December 2013 representing an increase of 10.7% because of increased market demands.

Cost of sales

Our cost of sales increased by 24.7% from RMB371.9 million in 2012 to RMB463.6 million in 2013. Such increase was primarily due to (i) our costs for raw materials and transmission costs of natural gas increased by RMB77.9 million, which was in line with the increased sales volume of natural gas; (ii) our pipeline construction cost increased by RMB10.3 million as a result of more

FINANCIAL INFORMATION

construction projects carried out in 2013; and (iii) our depreciation on property, plant and equipment increased by RMB5.0 million mainly resulted from the addition of machineries and buildings for the construction and refurbishment of pipeline networks in 2013.

Cost of sales from the sale and transmission of natural gas increased by 26.2% from RMB312.7 million in 2012 to RMB394.5 million in 2013. The increase was due to the increase in purchase of natural gas from 155.2 million m³ to 188.2 million m³ to meet increasing sales volume of piped natural gas and the increase of our purchase price of natural gas in 2013.

Cost of sales from construction and connection of gas pipelines increased by 17.9% from RMB57.7 million in 2012 to RMB68.0 million in 2013. The increase was due to the increase in direct materials used and subcontracting fees incurred in the construction due to increased demand for the gas pipeline construction and connections in 2013.

Gross profit

As a result of the foregoing, our gross profit increased by 32.4% from RMB151.1 million in 2012 to RMB200.1 million in 2013. Our gross profit margin increased slightly from 28.9% in 2012 to 30.1% in 2013.

Gross profit for our sale and transmission of natural gas increased from RMB126.1 million in 2012 to RMB155.8 million in 2013. Gross profit margin for our sale and transmission of natural gas remained relatively stable at 28.7% and 28.3% in 2012 and 2013 respectively.

Gross profit for construction and connection of gas pipelines increased from RMB24.0 million in 2012 to RMB42.9 million in 2013, and the gross profit margin increased from 29.4% to 38.7% in the same period. The increase in gross profit margin was caused by the increased number of projects for construction and connection of gas pipelines for new commercial customers which generally had a higher gross profit margin among our customers.

Other income and gains

Other income and gains increased by 61.8% from RMB2.8 million in 2012 to RMB4.5 million in 2013, primarily attributable to the receipt of government grants and VAT refund in 2013.

Selling and distribution costs

Our selling and distribution costs were relatively stable with the amount of RMB2.8 million for both 2012 and 2013.

Administrative expenses

Our administrative expenses increased significantly by 143.8% from RMB8.6 million in 2012 to RMB20.9 million in 2013. The increase was primarily due to the increase in legal and professional fees of RMB11.8 million mainly attributable to the Listing expenses of RMB8.5 million and expenses related to the Pre-IPO Investments of RMB2.3 million incurred in 2013.

Other expenses

Other expenses decreased from RMB997,000 in 2012 to RMB305,000 in 2013, mainly due to a one-off loss incurred in 2012 on disposal of property, plant and equipment of RMB427,000 and the provision of bad debt of RMB413,000 in 2012.

FINANCIAL INFORMATION

Finance costs

Our finance costs decreased by 19.1% from RMB52.2 million in 2012 to RMB42.3 million in 2013. The decrease was primarily due to the decrease in average borrowing balance and average interest rate on borrowings during 2013 compared to 2012.

Share of profits and losses of a joint venture and associates

Our share of losses of a joint venture decreased from RMB3,000 in 2012 to Nil in 2013, as the joint venture was deregistered in June 2013. Our share of profits of associates decreased from RMB4.9 million in 2012 to RMB3.3 million in 2013. The decrease resulted from the combined effect of the decrease in the profit for our associate Kunlun Suchuang Gas in 2013 compared with 2012 and the increase in the profit for our associate Kunlun Suchuang Usage in 2013 compared with 2012.

Income tax expense

Our income tax expense increased by 51.5% from RMB23.2 million in 2012 to RMB35.1 million in 2013, primarily attributable to our increased taxable income for 2013. Our effective tax rate remained stable at 24.6% and 24.8% for 2012 and 2013 respectively.

Profit for the year

As a result of the foregoing, our profit for the year increased by 50.0% from RMB71.0 million in 2012 to RMB106.5 million in 2013.

Year Ended 31 December 2012 Compared with Year Ended 31 December 2011

Revenue

Our total revenue increased by 10.3% from RMB474.2 million in 2011 to RMB523.0 million in 2012. The increase was attributable to increase in revenue from both of our operations.

The revenue from our sale and transmission of natural gas increased slightly by 5.6% from RMB415.3 million in 2011 to RMB438.8 million in 2012. Although our average selling price of natural gas decreased slightly in 2012, the sales volume of natural gas increased from 143.2 million m³ to 153.8 million m³ for the same period. The increase in sales volume was primarily attributable to the increased number of connections in residential, commercial and industrial users due to market demands.

The revenue from our construction and connection of gas pipelines increased by 47.2% from RMB55.5 million in 2011 to RMB81.7 million in 2012. The increase in revenue was mainly due to the increase in the number of customers connected to our pipeline network from 88,116 as at 31 December 2011 to 118,906 as at 31 December 2012 representing an increase of 34.9%.

Cost of sales

Our cost of sales increased by 6.8% from RMB348.2 million in 2011 to RMB371.9 million in 2012, which was mainly resulted from the increase in pipeline construction cost of RMB19.7 million arising from our construction and connection of gas pipelines.

FINANCIAL INFORMATION

Cost of sales from the sale and transmission of natural gas increased slightly by 1.4% from RMB308.4 million in 2011 to RMB312.7 million in 2012. The increase was due to the increase in purchase of natural gas to meet increasing sales volume of piped natural gas in 2012.

Cost of sales from construction and connection of gas pipelines increased substantially by 51.8% from RMB38.0 million in 2011 to RMB57.7 million in 2012. The increase was because of an increase in direct materials used and subcontracting fees in the construction due to increased demand for the gas pipeline connections in 2012.

Gross profit

As a result of the foregoing, our gross profit increased by 19.9% from RMB126.0 million in 2011 to RMB151.1 million in 2012. Our gross profit margin increased from 26.6% in 2011 to 28.9% in 2012.

Gross profit for our sale and transmission of natural gas increased from RMB106.9 million in 2011 to RMB126.1 million in 2012, and the gross profit margin increased from 25.7% to 28.7% in the same period. The increase in gross profit margin was caused by: (i) the increase in our retail sales proportion to industrial customers, which contributed higher profit margin compared to other retail customers; and (ii) the decrease in our per unit purchase price of natural gas.

Gross profit for construction and connection of gas pipelines increased from RMB17.5 million in 2011 to RMB24.0 million in 2012, and the gross profit margin decreased from 31.5% to 29.4% in the same period. The increase in the gross profit was primarily caused by increased connections of users. The decrease in gross profit margin was resulted from a lower unit price for the pipeline construction projects as we were engaged by the local government to undertake projects in relation to the revamping of pipeline network in the old residential estates.

Other income and gains

Other income and gains decreased by 52.7% from RMB5.9 million in 2011 to RMB2.8 million in 2012, primarily attributable to (i) one-off gains on disposal of prepaid land lease payments and items of property, plant and equipment in 2011 mainly related to our injection in property plant and equipment and the prepaid land lease payment to increase the registered capital of Kunlun Suchung Gas in 2011, (ii) a foreign exchange gain of RMB1.4 million recognised in 2011 in relation to interest expense raised from a loan represented in USD, and (iii) an increase in bank interest income amounted to RMB1.9 million in 2012 compared to 2011 due to the interest income from the deposits of discounted bills in 2012.

Selling and distribution costs

Our selling and distribution costs increased by 22.7% from RMB2.3 million in 2011 to RMB2.8 million in 2012. The increase was primarily due to an increase in maintenance expenses of motor vehicles for daily use in 2012.

Administrative expenses

Our administrative expenses increased by 21.1% from RMB7.1 million in 2011 to RMB8.6 million in 2012. The increase was primarily due to (i) an increase in entertainment expenses of

FINANCIAL INFORMATION

RMB469,000 mainly related to our business expansion, (ii) an increase in professional fees of RMB247,000, and (iii) an increase of salaries and staff benefits of RMB200,000 attributable to the increase in staff costs in 2012.

Other expenses

Other expenses increased from RMB42,000 in 2011 to RMB1.0 million in 2012, mainly due to (i) a one-off loss incurred on disposal of property, plant and equipment of RMB427,000 and (ii) an increase in provision of bad debt of RMB413,000 for a customer which our Group expected the possibility of the repayment was remote.

Finance costs

Our finance costs increased by 24.2% from RMB42.1 million in 2011 to RMB52.2 million in 2012. The increase was primarily due to our increased average interest rate in 2012.

Share of profits and losses of a joint venture and associates

Our share of losses of a joint venture decreased from RMB34,000 in 2011 to RMB3,000 in 2012, mainly attributable to the decrease in administrative expenses incurred by a joint venture amounted RMB62,000. The joint venture had no business activity since its establishment. Our share of losses and profits of associates increased from share of losses of RMB282,000 in 2011 to share of profits of RMB4.9 million in 2012. The increase was mainly due to the increase in the share of profit for Kunlun Suchuang Gas which was primarily attributed to: (i) our Group increased equity interest in Kunlun Suchuang Gas from 14.3% to 49.0% since 12 December 2011; and (ii) the net profit of Kunlun Suchuang Gas increased from RMB6.2 million in 2011 to RMB11.0 million in 2012.

Income tax expense

Our income tax expense increased by 11.8% from RMB20.7 million in 2011 to RMB23.2 million in 2012, primarily attributable to our increase in taxable income for 2012. Our effective tax rate decreased slightly from 25.9% in 2011 to 24.6% in 2012.

Profit for the year

As a result of the foregoing, our profit for the year increased by 19.5% from RMB59.4 million in 2011 to RMB71.0 million in 2012.

LIQUIDITY AND CAPITAL RESOURCES

We finance our liquidity requirements primarily through cash flow generated from operating activities and proceeds from interest-bearing bank loans and other borrowings. Our primary uses of cash are for our operating activities, and capital expenditures on property, plant and equipment and prepaid land lease payments for our continuous business expansion.

FINANCIAL INFORMATION

The following table sets forth a summary of our cash flows information for the periods indicated.

	For the year ended 31 December			For the nine months ended 30 September	
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2013 <i>RMB'000</i> (unaudited)	2014 <i>RMB'000</i>
Net cash flows from operating activities	178,662	191,250	103,680	129,670	166,431
Net cash flows used in investing activities	(107,763)	(132,604)	(93,022)	(90,089)	(13,672)
Net cash flows used in financing activities	(31,968)	(64,139)	(4,973)	(18,968)	(108,497)
Net increase/ (decrease) in cash and cash equivalents	38,931	(5,493)	5,685	20,613	44,262
Cash and cash equivalents at beginning of the year/period	30,685	69,616	64,123	64,123	69,808
Cash and cash equivalents at end of year/period	<u>69,616</u>	<u>64,123</u>	<u>69,808</u>	<u>84,736</u>	<u>114,070</u>

Operating Activities

During the Track Record Period, our cash inflow from operating activities was principally from the receipt of proceeds from piped natural gas sale and construction and connection of gas pipeline operation. Our cash outflow used in operating activities was principally for purchases of raw materials.

For the nine months ended 30 September 2014 net cash flow from operating activities was RMB166.4 million, which was primarily attributable to the profit before tax for the period of RMB112.8 million, adjusted to reflect non-cash items including (i) the depreciation of RMB23.5 million and (ii) the finance costs of RMB16.1 million, and taking into account changes in working capital including (i) the increase in advances from customers of RMB25.8 million primarily resulting from the increase in revenue; (ii) the increase in trade and bill payables of RMB19.6 million primarily resulting from increase in subcontracting payables to Suzhou Shunchuang Pipeline which became an Independent Third Party during the period; and (iii) the increase in deferred income of RMB11.9 million mainly resulted from the increased fees from customers in advance in exchange for the connection of gas pipelines.

For 2013 net cashflow from operating activities was RMB103.7 million, which was primarily attributable to the profit before tax for the year of RMB141.6 million, adjusted to reflect non-cash

FINANCIAL INFORMATION

items including (i) the finance costs of RMB42.3 million due to bank loans and other borrowings, (ii) depreciation of RMB23.6 million, (iii) the amortisation of deferred income of RMB11.0 million, and taking into account changes in working capital including (i) the increase in deferred income of RMB23.4 million which resulted from the increased fees from customers in advance in exchange for the connection of gas pipelines; (ii) the decrease in amounts due to other related parties primarily as a result of our repayments in 2013; and (iii) the decrease in trade and bills payables of RMB23.1 million primarily due to our termination of utilisation of bill financing since September 2013.

For 2012 net cashflow from operating activities was RMB191.3 million, which was primarily attributable to the profit before tax for the year of RMB94.2 million, adjusted to reflect non-cash items including (i) the finance costs of RMB52.2 million due to loans and discounted bills; (ii) depreciation of RMB17.8 million, and taking into account changes in working capital including: (i) the increase in deferred income of RMB28.6 million mainly resulted from the increased fees from customers in advance in exchange for the connection of gas pipelines; (ii) the increase in trade and bills receivables of RMB27.7 million in line with the increase in sales in 2012; (iii) the increase in advances from customers of RMB27.2 million mainly resulted from the increased number of construction projects undertaken in 2012.

For 2011 net cashflow from operating activities was RMB178.7 million, which was primarily attributable to the profit before tax for the year of RMB80.1 million, adjusted to reflect non-cash items including (i) the finance costs of RMB42.1 million; (ii) the depreciation of RMB17.1 million, and taking into account changes in working capital including: (i) the increase in advances from customers of RMB24.5 million mainly resulted from construction projects commenced near the year end of 2011; (ii) the decrease in prepayments, deposits and other receivables of RMB19.5 million mainly resulted from the decrease in prepayments primarily due to our purchase of natural gas was prepaid from monthly to weekly since 2011 and (iii) the increase in deferred income of RMB11.6 million mainly resulted from the increased fees from customers in advance in exchange for the connection of gas pipelines.

Investing Activities

During the Track Record Period, our cash outflow used in investing activities was principally for purchases of property, plant and equipment and prepaid land lease payments and purchase of equity investments.

For the nine months ended 30 September 2014, net cash used in investing activities was RMB13.7 million, which was mainly attributable to the purchase of items of property, plant and equipment of RMB49.6 million for the construction of our pipeline networks and was partially offset by the proceeds from disposal of items of property, plant and equipment and prepaid land lease payments of RMB34.1 million mainly related to our non-core business in the nine months ended 30 September 2014.

For 2013, net cash used in investing activities was RMB93.0 million, which was mainly attributable to purchase of items of property, plant and equipment of RMB97.7 million for construction and refurbishment of pipeline networks, and purchase of prepaid land lease payments of RMB15.3 million for the construction of a CNG refuelling station and was partially offset by the proceeds from the deregistration of a joint venture of RMB14.9 million in 2013.

FINANCIAL INFORMATION

For 2012, net cash used in investing activities was RMB132.6 million, which was mainly attributable to purchase of items of property, plant and equipment of RMB113.9 million, purchase of prepaid land lease payments of RMB13.7 million for construction of pipeline networks, and purchase of equity investments at fair value through profit or loss of RMB41.0 million, and was partially offset by the proceeds from disposal/maturity of equity investments at fair value through profit or loss of RMB42.0 million.

For 2011, net cash used in investing activities was RMB107.8 million, which was mainly attributable to purchase of items of property, plant and equipment of RMB134.7 million mainly for the construction of gas pipelines, purchase of equity investments at fair value through profit or loss of RMB12.9 million, and was partially offset by (i) the proceeds from disposal/maturity of equity investments at fair value through profit or loss of RMB16.9 million related to our wealth management products; and (ii) the proceeds from disposal of equity investments related to transfer of equity interests in the Reorganisation of our Group in preparation for the Listing.

Financing Activities

During the Track Record Period, our cash inflow from financing activities was principally from interest-bearing bank loans and other borrowings, issuance of new shares and advances from other related parties. Our cash outflow used in financing activities was primarily for the repayment of borrowings and payment of dividends and interest expenses.

For the nine months ended 30 September 2014, net cash used in financing activities was RMB108.5 million, primarily represented by (i) repayment of interest-bearing bank loans and other borrowing of RMB519.0 million, and (ii) acquisition of a 75% equity interest in Taicang Natural Gas from then shareholders of RMB214.3 million, and was partially offset by (i) proceeds from issue of shares of RMB279.2 million, (ii) new interest-bearing bank loans of RMB190.0 million, and (iii) decrease in amounts due from other related parties of RMB194.1 million mainly as a result of the settlement in the nine months ended 30 September 2014.

For 2013, net cash used in financing activities was RMB5.0 million, primarily represented by repayment of interest-bearing bank loans and other borrowings of RMB734.3 million, payment of dividends of RMB210.0 million and payment of interest expense of RMB41.0 million, and was partially offset by the proceeds from new interest-bearing bank loans and other borrowings of RMB619.0 million and a decrease in amounts due from other related parties of RMB105.9 million.

For 2012, net cash used in financing activities was RMB64.1 million, primarily represented by repayment of interest-bearing bank loans and other borrowings of RMB836.3 million, payment of interest expense of RMB51.6 million and was partially offset by the proceeds from new interest-bearing bank loans and other borrowings of RMB834.0 million.

For 2011, net cash used in financing activities was RMB32.0 million, primarily represented by repayment of interest-bearing bank loans and other borrowings of RMB594.5 million and an increase in pledged deposits of RMB85.7 million due to the increase in banknotes facilities, and was partially offset by the proceeds from new interest-bearing bank loans and other borrowings of RMB644.1 million in 2011.

FINANCIAL INFORMATION

NET CURRENT LIABILITIES

The following table sets forth our current assets and current liabilities as at the dates indicated.

	As at 31 December			As at 30 September	As at 31 January
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i> (unaudited)
Current assets					
Inventories	8,449	6,248	6,943	6,923	5,311
Amounts due from construction contract customers	36,176	30,586	47,417	47,598	41,903
Trade and bills receivables	11,826	39,089	57,466	53,485	63,192
Prepayments, deposits and other receivables	6,899	6,469	23,643	20,398	14,455
Amounts due from other related parties	543,436	570,490	196,086	627	144
Equity investments at fair value through profit or loss	1,000	–	–	–	–
Pledged deposits	88,237	80,577	6,463	4,513	–
Cash and cash equivalents	69,616	64,123	69,808	114,070	126,191
	765,639	797,582	407,826	247,614	251,196
Current liabilities					
Trade and bills payables	45,006	48,049	24,913	44,526	41,440
Other payables and accruals	61,063	49,779	68,812	55,672	67,904
Advances from customers	86,067	113,294	120,505	146,325	143,735
Amounts due to the Controlling Shareholders	72,330	27,844	–	–	–
Amounts due to other related parties	9,585	81,578	–	946	1,833
Amounts due to the holding company	–	–	33,435	–	–
Deferred income	6,604	9,338	11,830	13,022	13,884
Tax payable	11,987	19,011	26,120	26,264	20,013
Interest-bearing bank loans and other borrowings	506,549	564,270	499,000	–	–
	799,191	913,163	784,615	286,755	288,809
Net current liabilities	(33,552)	(115,581)	(376,789)	(39,141)	(37,613)

FINANCIAL INFORMATION

We recorded net current liabilities of RMB33.6 million, RMB115.6 million, RMB376.8 million and RMB39.1 million as at 31 December 2011, 2012, 2013 and 30 September 2014, respectively. Our net current liabilities position during the Track Record Period mainly resulted from (i) our continuous capital expenditures for construction of our office building and operating facilities using funds from our operating activities, and (ii) declaration and payments of dividends.

Our net current liabilities increased from RMB33.6 million as at 31 December 2011 to RMB115.6 million as at 31 December 2012. The increase was primarily attributable to our capital expenditures incurred for the construction of gas pipeline networks using funds from our operating activities in 2012.

Our net current liabilities increased significantly from RMB115.6 million as at 31 December 2012 to RMB376.8 million as at 31 December 2013. The increase was primarily driven by (i) the dividends of RMB210.0 million declared and paid in 2013, and (ii) the investment in construction and refurbishment of pipeline networks and purchase of prepaid land lease payments in 2013, and was partially offset by the increase in amounts due from construction contract customers primarily resulted from more expenditure incurred for project execution near the year end of 2013.

Our net current liabilities decreased from RMB376.8 million as at 31 December 2013 to RMB39.1 million as at 30 September 2014. The decrease was mainly due to the decrease in current interest-bearing bank loans mainly due to the repayment using part of the proceeds from issuance of new shares, and drawdown of non-current interest-bearing bank loans of RMB170.0 million for our capital expenditure during the period ended 30 September 2014.

Our net current liabilities decreased from RMB39.1 million as at 30 September 2014 to RMB37.6 million as at 31 January 2015. The decrease was mainly due to the net profit generated during the period, which was partially offset by repayment of bank borrowings.

Working Capital

Barring any unforeseen factors and circumstances, our Directors are of the opinion that, and the Sole Sponsor concurs, taking into account the financial resources available to our Group including cash and cash equivalents, internally generated funds and available banking facilities and the net proceeds from the Global Offering, our Group will have sufficient working capital to meet its present requirements, that is, for at least 12 months commencing from the date of this prospectus.

FINANCIAL INFORMATION

DESCRIPTION OF SELECTED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ITEMS

Inventories

Our inventories consist of construction materials, natural gas and consumables, mainly related to our gas pipeline construction and connection operation.

For our sale and transmission of natural gas operation, because we transmit the piped natural gas we purchase from our suppliers to our customers directly, almost no inventory of natural gas is recorded except which exists in the pipeline network. Thus we recorded insignificant balances of natural gas as at each balance sheet dates during the Track Record Period. The following table sets forth the components of our inventories as at the dates indicated:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Construction materials	7,924	5,796	6,378	6,253
Natural gas	495	421	313	640
Consumables	30	31	252	30
Total	8,449	6,248	6,943	6,923

Balances of inventories decreased by RMB2.2 million or 26.1% from RMB8.4 million as at 31 December 2011 to RMB6.2 million as at 31 December 2012 mainly attributable to the improved efficiency in the inventory management in 2012.

Balances of inventories increased by RMB0.7 million or 11.1% from RMB6.2 million as at 31 December 2012 to RMB6.9 million as at 31 December 2013 mainly attributable to the increase in the balance of construction materials by RMB0.6 million mainly attributable to the increase in the purchase of construction materials as a result of more construction projects undertaken in 2013.

Balances of inventories remained relatively stable at RMB6.9 million as at 31 December 2013 and 30 September 2014 respectively.

As most of our inventories are related to our gas pipeline construction and connection operation, our average turnover days of inventories for a period is derived by dividing the average inventory by cost of sales in respect of our gas pipeline construction and connection operation for the period and multiplying by 365 days for a 12-month period and 272 days for a 9-month period. Our average turnover days of inventory were 85 days, 43 days, 33 days and 49 days for 2011, 2012, 2013, and the nine months ended 30 September 2014, respectively. The continuous decrease in average turnover days during the three years ended 31 December 2013 was mainly due to our stringent inventory management and improvement in efficiency to complete our pipeline construction and connection operation. The increase in our average turnover days of inventories for the nine months ended 30 September 2014 was mainly due to more construction projects commenced in the second quarter of 2014 and were still in progress as at 30 September 2014.

FINANCIAL INFORMATION

As at 31 January 2015, approximately RMB3.6 million or 52.0% of our inventories as at 30 September 2014 had been sold or used.

Amounts Due from Construction Contract Customers

Amounts due from construction contract customers are recognised where the contract costs incurred to date plus recognised profits less recognised losses exceed progress billings. Our construction costs are valued at actual costs, mainly comprising direct materials and subcontracting fees. As at 31 December 2011, 2012, 2013 and 30 September 2014, our amounts due from construction contract customers were RMB36.2 million, RMB30.6 million, RMB47.4 million and RMB47.6 million, respectively. The higher balance as at 31 December 2013 was mainly due to the more expenditure incurred for our project execution resulting from larger amount of contract values of our pipeline construction projects for 2013. The balance remained relatively stable at 31 December 2013 and 30 September 2014 respectively.

Trade and Bills Receivables

Our trade and bill receivables mainly represent trade receivables from customers and bank acceptance bills received. The following table sets forth the breakdown of our trade and bill receivables as at the dates indicated:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade receivables	11,412	24,148	57,965	49,084
Less: Impairment	(86)	(499)	(499)	(499)
	11,326	23,649	57,466	48,585
Bills receivables	500	15,440	–	4,900
Total	11,826	39,089	57,466	53,485

For provision of services of construction and connection of gas pipelines, we usually bill customers according to the contract terms. Our sale and transmission of natural gas only wholesale of natural gas is on credit, and we generally allow a credit period ranging between 5 to 10 days to our wholesale customers. Our Group seeks to maintain strict control over our outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk. All our bills receivables were bank acceptance bills that were usually due within six months from the date of issue. Our trade and bills receivables are unsecured and non-interest-bearing.

FINANCIAL INFORMATION

The following table sets forth the aging analysis of our net trade receivables, as at the dates indicated:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 90 days	5,105	12,182	37,194	25,783
90 days to 180 days	950	9,147	4,224	3,586
180 days to 360 days	1,461	–	11,990	12,486
Over 360 days	3,810	2,320	4,058	6,730
Total	11,326	23,649	57,466	48,585

Trade receivables that were past due but not impaired were RMB5.3 million, RMB2.9 million, RMB22.2 million and RMB19.2 million as at 31 December 2011, 2012, 2013 and 30 September 2014, respectively. The aging analysis of trade receivables past due but not impaired is as follows:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Past due but not impaired:				
Less than 90 days	1,461	–	17,587	9,289
Over 90 days	3,810	2,947	4,594	9,927
	5,271	2,947	22,181	19,216

Such amounts related to a number of independent customers that had a good track record with our Group. Most of the customers with relatively longer outstanding balance not impaired are financially healthy, making continuous repayment and not in dispute with us. As at 31 January 2015, approximately RMB2.5 million or 13.1% of trade receivables past due but not impaired as at 30 September 2014 has been settled. Based on the above, our Directors were of the view that no impairment allowance was necessary in respect of these overdue balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

FINANCIAL INFORMATION

As at 31 December 2011, 2012 and 2013 and 30 September 2014, provision for impairment of trade receivables were RMB86,000, RMB499,000, RMB499,000 and RMB499,000, respectively. The movements in the provision for impairment of trade receivables during the Track Record Period are as follows:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Movement in allowance account:				
At beginning and end of year/period	70	86	499	499
Impairment for trade receivables	16	413	–	–
	86	499	499	499

The impaired trade receivables related to individual customers that were in financial difficulties or were in default in payments and the receivables are not expected to be recovered. The increase in provision for impairment of trade receivables in 2012 was mainly attributable to trade receivables from certain customers for sale and transmission of natural gas who ceased business with our Group in 2012. We did not hold any collateral or other credit enhancements over these balances. The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the credit worthiness and the past collection history of each customer. If the financial conditions of the customers of our Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required.

The following table sets forth the breakdown of our net trade receivables by revenue type as at the dates indicated:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Sale and transmission of natural gas	3,914	6,209	15,759	17,280
Construction and connection of gas pipelines	7,412	17,440	41,707	31,305
Total	11,326	23,649	57,466	48,585

FINANCIAL INFORMATION

Our trade receivables increased by RMB12.3 million from RMB11.3 million as at 31 December 2011 to RMB23.6 million as at 31 December 2012, which was mainly due to a relatively long overdue receivable related to construction and connection of gas pipelines from a customer related to the government authority whose internal payment approval procedures were, to our understanding, relatively slow. Our trade receivable increased by RMB33.8 million from RMB23.6 million as at 31 December 2012 to RMB57.5 million as at 31 December 2013, which was mainly attributable to the increase in the receivables from construction and connection of gas pipelines of RMB24.3 million, primarily resulting from the increased total construction contract value in 2013. Our trade receivables decreased by RMB8.9 million from RMB57.5 million as at 31 December 2013 to RMB48.6 million as at 30 September 2014 mainly attributable to the decrease in trade receivables from construction and connection of gas pipelines mainly as a result of decreased revenue from construction and connection of gas pipelines in the nine months ended 30 September 2014 compare to the same period of the previous year.

As at 31 January 2015, approximately RMB21.5 million or 44.2% of trade receivables outstanding as at 30 September 2014 had been settled.

The table below sets forth a summary of turnover days of trade receivables by revenue type for the periods indicated:

	For the year ended 31 December			For the nine months ended 30 September
	2011	2012	2013	2014
Sale and transmission of natural gas ⁽¹⁾	3	4	7	9
Construction and connection of gas pipelines ⁽¹⁾	51	54	94	142
Total⁽¹⁾	9	12	22	25

(1) Turnover days of trade receivables are calculated by dividing average balances of net trade receivables for the relevant year/period by revenue and multiplying the resulting value by 365 days or 272 days, where appropriate.

Our turnover days of trade receivables increased from 9 days in 2011 to 12 days in 2012, which was mainly attributable to the increase in the turnover days of trade receivables in respect of construction and connection of gas pipelines increasing from 51 days in 2011 to 54 days in 2012. Such increase was mainly due to the higher balance of trade receivable related to construction and connection of gas pipelines as at 31 December 2012 as a result of prolonged repayment of trade receivables from one of our customers. Our turnover days of trade receivables further increased from 12 days in 2012 to 22 days in 2013, which was mainly contributed to the increase in the turnover days of trade receivables in respect of construction and connection of gas pipelines from 54 days in 2012 to 94 days in 2013, which was mainly attributable to the increase in number of construction projects completed in the last quarter of 2013 and the increase in number of construction projects related to the government authorities in 2013 whose internal payment approval procedures were relatively slow. Our turnover days of trade receivables increased in the nine months ended 30 September 2014 compared to the previous period mainly contributed to the increase in turnover days of trade receivables in respect of construction and connection of gas pipelines, which was mainly attributable to the decrease in revenue from construction and connection of gas pipeline in the nine months ended 30 September 2014.

FINANCIAL INFORMATION

Prepayments, Deposits and Other Receivables

The following table sets forth the breakdown of our prepayments and other receivables as at the dates indicated:

	As at 31 December			As at
	2011	2012	2013	30 September
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>2014</i>
				<i>RMB'000</i>
Non-current				
Prepayments	3,500	11,500	–	–
Other receivables	1,383	1,923	2,486	2,526
	4,883	13,423	2,486	2,526
Current				
Prepayments	1,436	1,047	16,951	12,895
Deposits and other receivables	5,463	5,422	6,692	7,503
	6,899	6,469	23,643	20,398
Total	11,782	19,892	26,129	22,924

Our non-current portion of prepayments mainly represented prepayments for the acquisition of the land use rights for the purpose of construction of pressure regulating and measuring stations in 2011 and 2012 and a CNG refuelling station in 2013. The amounts were subsequently settled when the certificates of the land use rights were obtained respectively.

Our non-current portion of other receivables mainly represented prepaid other tax expenses related to our connection fees from customers for the connection of gas pipelines to the urban natural gas pipeline network. The increase during the Track Record Period was generally in line with the increase in the advance of connection fees from our customers during the Track Record Period.

Our current portion of prepayments mainly related to purchase of piped natural gas from our main supplier, PetroChina during the Track Record Period. The supplier generally requires us to make prepayments for our natural gas fees weekly. We also included prepayments for subcontracting fees for our pipeline construction projects or purchase of materials for construction of our pipeline networks. Our fluctuations in current prepayments during the Track Record Period came from the timing difference of the payment date for the prepayments closing to the end of each year or period.

FINANCIAL INFORMATION

Our deposits and current portion of other receivables mainly represented deposits paid related to construction of pipelines and other receivables. The balance of our deposits and other receivables remained relatively stable at 31 December 2011 and 2012. The balance of our deposits and other receivables increased by RMB1.3 million from 31 December 2012 to 31 December 2013 mainly related to prepaid listing expenses incurred in 2013. The balance of our deposits and other receivables further increased by RMB0.8 million was mainly due to increased prepaid other tax expenses related to connection services of gas pipelines and bank charges related to bank borrowings during the nine months ended 30 September 2014.

Equity investments at fair value through profit or loss

Equity investments at fair value through profit or loss represented wealth management products issued by financial institutions in Mainland China during the Track Record Period. The fair value of these investments was determined referring to published price quotations in an active market. We disposed of such products in 2013 and had not purchased any equity investments since then and do not intend to purchase any equity investments after the Listing. In the event that it is considered in the future that the purchase of any equity investments will be in our Group's interest, we will ensure that the purchase of the equity investments will comply with all applicable laws and regulations and will adopt appropriate internal control policies to govern and manage the relevant activities.

Trade and Bills Payables

Our trade payables mainly related to purchase from suppliers. Our bills payables mainly related to our Bill Financing Arrangements to obtain bill financing from banks, partially for our purchase from suppliers and partially for obtaining fund to support the Relevant Related Parties for their purchase, which were terminated since September 2013. For details of bill financing, please refer to the section headed "Business – Non-compliance and Remedial Measures – Material Non-compliance – Non-compliant bill financing" in this prospectus. The following table sets forth the breakdown of our trade and bill payables as at the dates indicated:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Trade payables	8,506	13,349	24,913	44,526
Bills payable	36,500	34,700	–	–
Total	45,006	48,049	24,913	44,526

FINANCIAL INFORMATION

The following table sets forth the breakdown of our trade payables by operation as at the dates indicated:

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sale and transmission of natural gas	688	2,033	–	841
Construction and connection of gas pipelines	7,818	11,316	24,913	43,685
Total	8,506	13,349	24,913	44,526

During the Track Record Period, our trade payables were mainly related to construction and connection of gas pipelines. Our trade payables related to construction and connection of gas pipelines increased continuously in the three years ended 31 December 2013 mainly resulted from the increased construction costs for the three years ended 31 December 2013. Our trade payables related to construction and connection of gas pipelines increased by RMB18.8 million from 31 December 2013 to 30 September 2014 mainly resulting from increase in subcontracting payables to Suzhou Shunchuang Pipeline which became an Independent Third Party during the period.

We recorded nil or insignificant amounts of trade payables related to the sale and transmission of natural gas as at 31 December 2011, 2012, 2013 and 30 September 2014, which was mainly due to we generally make prepayments for our natural gas purchase weekly and such trade payables were generally settled in the following week. The fluctuation of trade payables related to the sale and transmission of natural gas came from the timing difference of the prepayment dates at the end of each year/period.

Due to the nature of our trade payables, the following table sets forth the turnover days of trade payables related to construction and connection of gas pipelines.

	For the year ended 31 December			For the nine months ended 30 September
	2011	2012	2013	2014
	Turnover days of trade payables related to construction and connection of gas pipelines ⁽¹⁾	94	61	97

(1) Turnover days of trade payables related to construction and connection of gas pipelines are calculated by dividing average balances of trade payables related to construction and connection of gas pipelines for the relevant years/period by cost of sales from construction and connection of gas pipelines and multiplying the resulting value by 365 days or 272 days, where appropriate.

FINANCIAL INFORMATION

The following table sets forth the aged analysis of our trade payables as at the dates indicated:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within 90 days	5,653	9,635	19,848	25,792
91 to 180 days	997	518	2,410	16,268
181 to 365 days	1,107	2,461	1,556	2,466
1 to 2 years	719	705	1,069	–
Over 2 years	30	30	30	–
Total	8,506	13,349	24,913	44,526

Our suppliers generally grant us a credit period of 180 days. The turnover days of trade payables decreased from 94 days in 2011 to 61 days in 2012 mainly due to the increase in construction cost primarily resulting from increased contract value in 2012. The turnover days of trade payables increased from 61 days in 2012 to 97 days in 2013, which was mainly due to the higher balance of trade payables as at 31 December 2013 mainly resulting from construction works were completed for certain projects closing to the end of 2013, while which were still in the process of assessment. We would not settle the payables until the assessment is completed. The turnover days of trade payables further increased from 97 days in 2013 to 267 days in the nine months ended 30 September 2014, which was mainly due to (i) the decrease in cost of sales from construction and connection of gas pipelines mainly resulting from decreased number of projects completed in the nine months ended 30 September 2014; and (ii) increase in subcontracting payables to Suzhou Shunchuang Pipeline which became an Independent Third Party during the period.

As at 31 January 2015, approximately RMB11.7 million or 26.2% of trade payables outstanding as at 30 September 2014 had been settled. We had no material defaults with regard to payments of trade payables during the Track Record Period.

FINANCIAL INFORMATION

Other Payables and Accruals

The following table sets forth the details of other payables and accruals of the dates indicated:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Payroll and welfare payables	619	749	1,144	1,774
Accruals	1,799	1,544	1,603	2,171
Other tax payables	11,881	1,684	8,139	6,117
Other payables	46,764	45,802	57,926	45,610
Total	61,063	49,779	68,812	55,672

Our other payables mainly represent payroll and welfare payables, other tax payables, payables for the construction of our facilities and office building and others.

Our other payables and accruals decreased by RMB11.3 million or 18.5% from RMB61.1 million as at 31 December 2011 to RMB49.8 million as at 31 December 2012. The decrease was mainly due to the decrease in other tax payables of RMB10.2 million primarily attributable to VAT payables related to our disposal of prepaid land lease payment and items of property, plant and equipment for our capital contribution to Kunlun Suchuang Gas in 2011.

Our other payables and accruals increased by RMB19.0 million or 38.2% from RMB49.8 million as at 31 December 2012 to RMB68.8 million as at 31 December 2013. The increase was mainly attributable to the increase in payables for the construction of our office building and listing expenses incurred in 2013.

Our other payables and accruals decreased by RMB13.1 million from RMB68.8 million as at 31 December 2013 to RMB55.7 million as at 30 September 2014. The decrease was mainly due to the settlement of payables for the construction of our office building during the nine months ended 30 September 2014.

FINANCIAL INFORMATION

Advances from Customers

Our advances from customers mainly represent advances from customers in respect of sales of piped natural gas and construction contracts. The following table sets forth the details of advances from customers of the dates indicated:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Sale and transmission of natural gas	30,870	42,851	47,588	49,751
Construction and connection of gas pipelines	55,197	70,443	72,917	96,574
Total	86,067	113,294	120,505	146,325

Our advances from customers in respect of the sale and transmission of piped natural gas mainly represent advances received from industrial and commercial customers one month in advance based on their estimated purchase volume for the following month and from residential customers in advance as well. As at 31 December 2011, 2012, 2013 and 30 September 2014, the balance of our advances from customers in respect of the sale of piped natural gas recorded as RMB30.9 million, RMB42.9 million, RMB47.6 million and RMB49.8 million, respectively. The continuous increase was mainly due to the increase of the numbers of industrial and commercial customers and residential customers during the Track Record Period.

Our advances from customers in respect of construction contracts mainly represent the gross amount due to customers for contract work for an individual contract whose progress billings exceeds costs incurred to date plus recognised profits (less recognised losses). As at 31 December 2011, 2012, 2013 and 30 September 2014, the balance of our advances from customers in respect of the construction and connection of gas pipelines recorded as RMB55.2 million, RMB70.4 million, RMB72.9 million and RMB96.6 million, respectively. The increase during the three years ended 31 December 2013 was mainly due to the continuous increase in contract value. The increase from 31 December 2013 to 30 September 2014 was mainly due to more projects commenced construction in the second quarter of 2014 and were still in progress as at 30 September 2014.

FINANCIAL INFORMATION

INDEBTEDNESS

The following table sets forth a summary of our indebtedness as of the dates indicated.

	As at 31 December			As at 30 September	As at 31 January
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i> (unaudited)
Current					
Bank loans	444,049	439,970	499,000	–	–
Other borrowings	62,500	124,300	–	–	–
Non-current					
Loans from a related party	25,833	27,150	–	–	–
Bank loans	110,000	50,000	–	170,000	120,000
	642,382	641,420	499,000	170,000	120,000

Loans from a related party

The loans amounting to US\$5,500,000 were obtained in 2009 and 2010 from Kiska International Inc., our related party, with a fixed interest rate of 2% per annum and were repayable in 2019. Our Group made an advance repayment of all principle and interest amounts on 9 September 2013.

Interest-bearing bank loans and other borrowings

	As at 31 December			As at 30 September	As at 31 January
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>	2015 <i>RMB'000</i> (unaudited)
Bank loans, secured	554,049	489,970	499,000	170,000	120,000
Other borrowings, secured	62,500	124,300	–	–	–
	616,549	614,270	499,000	170,000	120,000

FINANCIAL INFORMATION

The following table sets forth the maturity profile of our interest-bearing bank loans and other borrowings as of the dates indicated.

	As at 31 December			As at 30 September	As at 31 January
	2011	2012	2013	2014	2015
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)
Bank loans repayable:					
Within one year	444,049	439,970	499,000	–	–
In the second year	60,000	50,000	–	40,000	10,000
In the third to fifth year, inclusive	50,000	–	–	130,000	110,000
	554,049	489,970	499,000	170,000	120,000
Other borrowings repayable:					
Within one year	62,500	124,300	–	–	–
Total	616,549	614,270	499,000	170,000	120,000

The following table sets out the range of interest rates for our bank loans and other borrowings as at the end of each reporting period during the Track Record Period:

	As at 31 December			As at 30 September	As at 31 January
	2011	2012	2013	2014	2015
	Bank loans	5.18%-9.20%	5.40%-7.57%	5.20%-7.20%	7.21%
Other borrowings	10.92%	5.77%-6.34%	N/A	N/A	N/A

Our total bank loans decreased from RMB554.0 million as at 31 December 2011 to RMB490.0 million as at 31 December 2012, primarily due to the repayment of bank loans in 2012. Our balance of bank loans remained relatively stable at RMB490.0 million and RMB499.0 million as at 31 December 2012 and 2013 respectively. Our total bank loans decreased from RMB499.0 million as at 31 December 2013 to RMB170.0 million as at 30 September 2014 primarily due to our repayment of bank loans during the nine months ended 30 September 2014. Our total bank loans decreased from RMB170.0 million as at 30 September 2014 to RMB120.0 million as at 31 January 2015 primarily due to the repayment during the period.

We recorded other borrowings amounted RMB62.5 million and RMB124.3 million as at 31 December 2011 and 2012, respectively, which related to the Relevant Bills used in Scenario (3) as set out in the section headed “Business – Non-compliance and Remedial Measures – Material Non-compliance – Non-compliant bill financing” in this prospectus.

FINANCIAL INFORMATION

As at 31 December 2011, 2012, 2013 and 30 September 2014, our bank loans amounting to RMB166.4 million, RMB160.0 million, RMB140.0 million and RMB170.0 million, respectively, were jointly secured by our Group's prepaid land lease payments, properties, plant and equipment, related parties and properties of related parties. And our bank loans amounting to RMB328.0 million, RMB330.0 million, RMB359.0 million as at 31 December 2011, 2012 and 2013, respectively, were guaranteed by related parties and properties of related parties. In addition, the bank loan amounting to RMB39.6 million as at 31 December 2011 was secured by our Group's time deposits. We also recorded the bank loan of RMB20.0 million as at 31 December 2011 guaranteed by an independent third party. Our other borrowings as at 31 December 2011 and 2012 were secured by our Group's time deposits and guaranteed by Shanghai Shenxin and Lihe Energy respectively. At the close of business on 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement, we had outstanding bank borrowings of approximately RMB120.0 million which was secured by our certain assets.

As at 31 January 2015, being the latest practicable date for the purpose of this indebtedness statement, our material sources of liquidity were cash and cash equivalents of RMB126.2 million. As at 31 January 2015, we had aggregated total banking facilities of approximately RMB220.0 million from our lending bank, of which approximately RMB120.0 million was utilised and RMB100.0 million was unutilised.

During the Track Record Period, we did not experience any delay or default in repayment of bank loans and other borrowings nor experience any difficulties in obtaining banking facilities with terms that are commercially acceptable to us. As of the date of this prospectus, we did not have any plan for material external debt financing. As at the Latest Practicable Date, our Directors confirm that our banking facilities were not subject to material covenants and there were no breach of any such covenants during the Track Record Period up to the Latest Practicable Date.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, our Group did not have indebtedness or any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other material contingent liabilities at the close of business on 31 January 2015.

CONTINGENT LIABILITIES

As at the Latest Practicable Date, our Group did not have any material contingent liabilities that will have a material adverse effect on our financial position, liquidity or results of operation.

CONTRACTUAL AND CAPITAL COMMITMENTS

Operating Lease Commitments

Our Group did not have any operating lease commitments during the Track Record Period.

FINANCIAL INFORMATION

Capital Commitments

The following table sets forth a breakdown of our capital commitments as at each of the dates indicated.

	As at 31 December			As at 30 September
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<i>Contracted, but not provided for:</i>				
Plant and machinery	1,217	573	7,742	–
Land and buildings	18,830	11,311	–	–
Motor vehicles	–	–	–	220
Total	20,047	11,884	7,742	220

CAPITAL EXPENDITURE

Historical Capital Expenditure

The following table sets forth our capital expenditure as at each of the periods indicated.

	For the year ended 31 December			For the nine months ended 30 September
	2011	2012	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Property, plant and equipment	138,462	112,899	103,977	41,350
Prepaid land lease payments	4,944	5,739	26,774	–
Total	143,406	118,638	130,751	41,350

Our capital expenditures have principally consisted of expenditures on acquisitions of property, plant and equipment and prepaid land lease payments. During the Track Record Period, we incurred capital expenditures of approximately RMB143.4 million, RMB118.6 million, RMB130.8 million and RMB41.4 million, respectively, in 2011, 2012, 2013 and the nine months ended 30 September 2014, majority of which came from the construction of our office building and operational facilities for our natural gas operation. Between 30 September 2014 and the Latest Practicable Date, we did not make any material capital expenditures.

FINANCIAL INFORMATION

Planned capital expenditures

For the year ending 31 December 2015, we estimate that the capital expenditures will amount to approximately RMB329.8 million, primarily for continuing to expand and enhance our piped natural gas sale and transmission business in Taicang, our development plan to expand into CNG and LNG refuelling station business and acquiring controlling interests in other natural gas operators. Please refer to the section headed “Business – Our Strategies” in this prospectus.

Our projected capital expenditures are subject to revision based upon any future changes in our business plan, market conditions, and economic and regulatory environment. Please refer to the section headed “Future plans and use of proceeds” in this prospectus for further information.

We expect to fund our contractual commitments and capital expenditures principally through the net proceeds from the Global Offering, cash generated from our operating activities and proceeds from bank and other borrowings. We believe that these sources of funding will be sufficient to finance our contractual commitments and capital expenditure needs for the next 12 months for the date of the prospectus.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as at each of the dates indicated:

	For the year ended 31 December			For the nine months ended 30 September	
	2011	2012	2013	2013	2014
				(unaudited)	
Gross profit margin ⁽¹⁾	26.6%	28.9%	30.1%	29.4%	24.3%
Net profit margin ⁽²⁾	12.5%	13.6%	16.1%	15.7%	14.7%
Return on equity (%) ⁽³⁾	19.2%	18.5%	39.3%	N/A	26.3%
Return on total assets (%) ⁽⁴⁾	4.6%	4.9%	9.4%	N/A	11.7%
Interest coverage ⁽⁵⁾	2.9	2.8	4.3	4.0	8.0
				As at 30 September	
	As at 31 December			2014	
	2011	2012	2013		
Current ratio ⁽⁶⁾	1.0	0.9	0.5		0.9
Gearing ratio ⁽⁷⁾	207.1%	166.2%	183.7%		39.6%
Net debt to equity ratio ⁽⁸⁾	184.7%	149.6%	158.0%		13.0%

Notes:

- (1) Gross profit margin is calculated on gross profit divided by revenue for the respective year/period.
- (2) Net profit margin is calculated on profit attributable to the owners of the parent divided by revenue for the respective year/period.
- (3) Return on equity is calculated based on the profit attributable to the owners of the parent for the respective year/period divided by the total equity attributable to the owners of the parent as of the respective dates and multiplied by 100% (for the calculation of this ratio, profit attributable to the owners of the parent was annualised based on the actual result for the nine months ended 30 September 2014).

FINANCIAL INFORMATION

- (4) Return on total assets is calculated based on the profit for the respective year/period divided by the total assets of the respective dates and multiplied by 100% (for the calculation of this ratio, profit was annualised based on the actual result for the nine months ended 30 September 2014).
- (5) Interest coverage is calculated on profit before interest and tax divided by finance costs for the respective year/period.
- (6) Current ratio is calculated based on the total current assets as of the respective dates divided by the total current liabilities as of the respective dates.
- (7) Gearing ratio is calculated based on the total debt as of the respective dates divided by total equity as of the respective dates and multiplied by 100%.
- (8) Net debt to equity ratio is calculated based on net debts (being total borrowings net of cash and cash equivalents) as of the respective dates divided by total equity as of the respective dates and multiplied by 100%.
- (9) The above financial ratios come from the audited financial information for the year ended 31 December 2011, 2012, 2013 and the nine months ended 30 September 2014 and unaudited financial information for the nine months ended 30 September 2013.

Gross Profit Margin

Our gross profit margin increased from 26.6% in 2011 to 28.9% in 2012 mainly due to the increase in retail sales of natural gas to our industrial users in 2012 which contributed a higher gross profit margin.

Our gross profit margin increased from 28.9% in 2012 to 30.1% in 2013, mainly due to the more projects undertaken in relation to revamping of pipeline network for the old residential districts in 2012 which contributed a lower gross profit margin.

Our gross profit margin decreased from 29.4% for the nine months ended 30 September 2013 to 24.3% for the nine months ended 30 September 2014, mainly due to the increase in wholesale of natural gas in the nine months ended 30 September 2014 which contributed a lower gross profit margin and the increase in average purchase price of natural gas in the nine months ended 30 September 2014.

Net Profit Margin

Our net profit margin increased from 12.5% in 2011 to 13.6% in 2012 primarily due to the increase in gross profit margin in 2012 as discussed above.

Our net profit margin increased from 13.6% in 2012 to 16.1% in 2013 mainly due to the increase in the gross profit margin in 2013 as discussed above and the decrease in finance costs in 2013 mainly due to the decreased average bank borrowing balance in 2013.

Our net profit margin decreased from 15.7% for the nine months ended 30 September 2013 to 14.7% for the nine months ended 30 September 2014 which was mainly due to the decrease in the gross profit margin for the nine months ended 30 September 2014 as discussed above and partially offset by the decrease in finance costs mainly as a result of the decreased average bank borrowing balance in the nine months ended 30 September 2014.

FINANCIAL INFORMATION

Return on Equity

Our return on equity remained relatively stable at 19.2% and 18.5% in 2011 and 2012 respectively.

Our return on equity increased from 18.5% in 2012 to 39.3% in 2013 mainly due to the increase in the net profit attributable to the owners of the parent in 2013 and the decrease in equity attributable to the owners of the parent primarily resulting from dividend declared and paid amounted RMB210.0 million in 2013.

Our return on equity decreased from 39.3% in 2013 to 26.3% in the nine months ended 30 September 2014 mainly due to the increase in equity primarily as a result of issue of shares amounted RMB309.7 million partially offset by acquisition of equity interest of Taicang Natural Gas by our Group from then shareholders amounted RMB214.3 million.

Return on Total Assets

Our return on total assets remained relatively stable at 4.6% and 4.9% in 2011 and 2012 respectively.

Our return on total assets increased from 4.9% in 2012 to 9.4% in 2013, and further increased to 11.7% in the nine months ended 30 September 2014, which was primarily attributable to the continuous decrease in total assets as a result of the settlement of amount due from related parties in 2013 and the nine months ended 30 September 2014.

Interest Coverage

Our interest coverage remained relatively stable at 2.9 and 2.8 in 2011 and 2012 respectively.

Our interest coverage increased from 2.8 in 2012 to 4.3 in 2013, which was mainly due to our improved financial performance in 2013 and the decrease in finance costs as a result of the decreased average bank borrowing balance in 2013.

Our interest coverage increased from 4.3 in 2013 to 8.0 in the nine months ended 30 September 2014, which was mainly due to the decrease in finance costs primarily as a result of our termination of Bill Financing Arrangement since September 2013 and the decreased average bank borrowing balance in the nine months ended 30 September 2014.

Current Ratio

Our current ratio was 1.0, 0.9, 0.5 and 0.9 as at 31 December 2011, 2012 and 2013, and 30 September 2014, respectively. The decrease of the current ratio from 1.0 as at 31 December 2011 to 0.9 as at 31 December 2012 was mainly due to the increased current portion of bank loans and other borrowings. The decrease from 0.9 as at 31 December 2012 to 0.5 as at 31 December 2013 was mainly due to the settlement of amounts due from other related parties in 2013. The increase from 0.5 as at 31 December 2013 to 0.9 as at 30 September 2014 was mainly due to the decrease in bank borrowings of RMB329.0 million as a result of our repayment during the nine months ended 30 September 2014 and was partially offset by the decrease of amounts due from related parties in the nine months ended 30 September 2014.

FINANCIAL INFORMATION

Gearing Ratio and Net Debt to Equity Ratio

Our gearing ratio was 207.1%, 166.2%, 183.7% and 39.6% as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively. This is consistent with our net debt to equity ratio at 184.7%, 149.6%, 158.0% and 13.0% as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively. The high gearing ratio and net debt to equity ratio as at 31 December 2011 was mainly due to higher degree of financial leverage on bank borrowings mainly from our Bill Financing Arrangement. The fall in our gearing ratio and net debt to equity ratio as at 31 December 2012 compared with 2011 was mainly due to our total equity increase with our profit accumulation. The increase in our gearing ratio and net debt to equity as at 31 December 2013 compared with 2012 was mainly due to the decrease in total equity as a result of a special dividend declared and paid in 2013. Our gearing ratio and net debt to equity ratio decreased significantly as at 30 September 2014 compared to 31 December 2013 mainly as a result of our repayment of bank loans during the nine months ended 30 September 2014.

LISTING EXPENSES

The total expenses for the Listing are estimated to be HK\$64.9 million (assuming an Offer Price of HK\$2.50, of which HK\$33.3 million is directly attributable to the issue of new Shares in the Global Offering and to be accounted for as a deduction from equity and HK\$31.6 million is to be charged as administrative expenses to our profit and loss accounts in the period in which the expenses are incurred. The Listing expenses of HK\$10.8 million and HK\$5.5 million were charged to our profit and loss account for the year ended 31 December 2013 and the nine months ended 30 September 2014 respectively. HK\$15.3 million are expected to be charged to our profit and loss account after 30 September 2014, which will be reflected in our administrative expenses for the year ended 31 December 2014 and the year ending 31 December 2015.

OFF-BALANCE SHEET ARRANGEMENTS

As at the Latest Practicable Date, we did not have any material off-balance sheet arrangements or contingencies except as disclosed under the paragraphs headed “Contractual and capital commitments” and “Indebtedness” in this section.

RELATED PARTY TRANSACTIONS

With respect to the related party transactions set forth in Note 39 to the accountants’ report in Appendix I to this prospectus, our Directors confirm that these transactions were conducted on normal commercial terms or such terms that were no less favourable to our Group than those available to Independent Third Parties and were fair and reasonable and in the interest of our Shareholders as a whole. The effect of such related party transactions would not distort the track record to the extent that the historical results of the Group are not reflective of its performance.

Our amounts due from other related parties and the Controlling Shareholders were non-trade in nature, except for the aggregate amounts of approximately RMB2.2 million, RMB2.0 million and RMB0.6 million as at 31 December 2012 and 2013 and 30 September 2014, respectively. Our amounts due to other related parties and the Controlling Shareholders were non-trade in nature, except for the aggregate amounts of approximately RMB3.5 million and RMB28.7 million as at 31 December 2011 and 2012 respectively. During the Track Record Period,

FINANCIAL INFORMATION

the aggregate amounts due from/to other related parties and the Controlling Shareholders were unsecured, repayable on demand and interest-free. We will settle all amounts due from and due to the other related parties which are non-trade nature prior to the Listing.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Interest Rate Risk

Our exposure to market risk for changes in interest rates relates primarily to our interest-bearing bank loan and other borrowings. We do not use derivative financial instruments to hedge its interest rate risk.

With all other variables held constant, our profit after tax and equity is affected through the impact on floating rate borrowings, as follows:

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Increase by 25 basis points	(293)	(206)	(497)	(425)
Decrease by 25 basis points	293	206	497	425

Foreign Currency Risk

Our businesses are located in Mainland China and the majority of transactions are conducted in RMB. Most of our assets and most of our liabilities are denominated in RMB. We have not hedged our foreign exchange rate risk.

The following table sets forth the sensitivity analysis as at 31 December 2011, 2012, 2013 and 30 September 2014 respectively to a reasonably possible change in the USD exchange rate, with all other variables held constant, of our Group's profit after tax and equity.

	For the year ended 31 December			For the nine months ended 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
RMB/USD				
Strengthened 5%	910	953	1,198	–
Weakened 5%	(955)	(1,001)	(1,297)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

FINANCIAL INFORMATION

Credit Risk

We trade only with recognised and creditworthy third parties. It is our policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis; therefore, our exposure to bad debts is not significant.

With respect to credit risk arising from our other financial assets, our exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk exist when changes in economic, industrial or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to our total credit exposure.

Liquidity Risk

We monitor our risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

Our objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings. In addition, banking facilities have been put in place for contingency purposes. For details of maturity profile of our financial liabilities, please refer to note 43 headed “Financial risk management objectives and policies” as set out in Appendix I to this prospectus.

DIVIDEND POLICY

Our subsidiary, Taicang Natural Gas, declared a special dividend to its then shareholders of RMB210.0 million and RMB23.0 million in July 2013 and May 2014 respectively. The dividends declared were generally financed by internally generated funds of Taicang Natural Gas. Save as aforesaid, no dividend has been declared or paid by the Company or its subsidiaries during the Track Record Period and from 30 September 2014 to the Latest Practicable Date.

Our Directors consider that, in general, the amount of any future dividends to be declared by our Company will depend on our Group’s results of operations, working capital, cash position, capital requirements, the provisions of the relevant laws and other factors as may be considered relevant at such time by our Directors. Our Directors consider that our Company’s dividend policy mentioned above will not materially affect our Group’s working capital position in the coming years.

Future declarations of dividends will be at the absolute discretion of our Directors. Future dividend payments by us will also depend upon the availability of dividends received from our subsidiaries in China. PRC laws require that dividends be paid only out of net profit calculated according to PRC accounting principles, which differ in many aspects from generally accepted accounting principles in other jurisdictions. PRC laws also require foreign-invested enterprises to set aside part of their net profit as statutory reserves, which are not available for distribution as

FINANCIAL INFORMATION

cash dividends. Distributions from our subsidiaries may also be restricted if they incur debt or losses, or in accordance with any restrictive covenants in bank credit facilities or other agreements that our Company or our subsidiaries and associated companies may enter into in the future.

We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business and do not intend to distribute dividend to our shareholders in respect of the year ended 31 December 2014. Our Board will review the dividend policy on an annual basis.

DISTRIBUTABLE RESERVES

As of 30 September 2014, we had RMB311.2 million of reserve available for distribution.

PROPERTY INTERESTS AND PROPERTY VALUATION

JLL, an independent property valuation firm, has valued the properties owned by our Group as at 31 December 2014. Details relating to the property interests of our Group and the text of the letters, summaries of values and valuation certificates are set out in Appendix IV to this Prospectus.

The statement below shows the reconciliation of the net book value of the properties of our Group as at 30 September 2014 with the valuation of the properties of our Group as at 31 December 2014 as set out in Appendix IV to this Prospectus:

	<i>RMB'000</i>
Reference value as at 31 December 2014 (as included in the Valuation Report in Appendix IV to this prospectus)	<u>276,360</u>
Less:	
Capital value of the Energy Tower Property as at 31 December 2014 (<i>Note 1</i>)	<u>(15,056)</u>
Capital value of the properties held by our Group as stated in our management accounts as at 31 December 2014	261,304
Net book value as at 30 September 2014 (as included in the accountants' report in Appendix I to this prospectus) (<i>Note 2</i>)	212,446
Movements for the three months ended 31 December 2014	
– Additions	2,197
– Depreciation and amortisation	(1,715)
Net book value as at 31 December 2014	<u>212,928</u>
Valuation surplus	<u><u>48,376</u></u>

FINANCIAL INFORMATION

Notes:

- (1) The Energy Tower Property was physically transferred during 2014 and were not included in our management accounts as at 31 December 2014. Our PRC Legal Advisers have opined that the transfer of the aforesaid properties will be legally completed upon the completion of the relevant ownership registration procedures. Please refer to the section headed “Business – Properties” in this prospectus for further details.
- (2) The net book value represents the sum of the closing net book amount of prepaid lease payments and buildings in relation to properties held by our group as at 30 September 2014 as stated in the accountants’ report set out in Appendix I to this prospectus.

PROFIT ESTIMATE

Our Directors estimate on the bases set out in Appendix III to this prospectus, the consolidated profit attributable to equity holders of our Company for the year ended 31 December 2014 will not be less than RMB115.0 million. The profit estimate, for which our Directors are solely responsible for, has been prepared by them based on consolidated results for the nine months ended 30 September 2014 as set out in the Accountants’ Report of Suchuang Gas Corporation Limited in Appendix I to the prospectus and our unaudited consolidated results for the three months ended 31 December 2014.

FINANCIAL INFORMATION ON THE TARGET BUSINESS OF SUZHOU SULING AUTOMOBILE SERVICE (THE “TARGET BUSINESS”)

To implement our plan of expansion, we intend to acquire the CNG/LNG Business from Suzhou Suling Automobile Service, a connected person of our Company, as and when the Non-Compliances have been rectified, which is expected to be completed by Suzhou Suling Automobile Service by the end of 2015. Pursuant to the Deed of First Offer executed into in favour of our Company on 23 February 2015, the Controlling Shareholders will make, within six months from the date when the Non-Compliances are rectified, an irrevocable offer to our Company to acquire from it all or part of the CNG/LNG Business. The acquisition of the CNG/LNG Business by our Company in future will also be subject to our Board and Shareholders’ approval (as may be required under the Listing Rules). For further details, please refer to the sections headed “Business – Our Strategies”, “Future Plans and Use of Proceeds” and “Relationship with Controlling Shareholders – Information on Other Companies Owned by Our Controlling Shareholders – Suzhou Suling Automobile Service” in this prospectus. For details of the financial information of CNG/LNG Business, please refer to the section headed “Accountants’ Report of Target Business of Suzhou Suling Automobile Service” set out in Appendix IA to this prospectus.

FINANCIAL INFORMATION

Results of operations

The Target Business commenced its business operations on 18 July 2012. The following table sets forth selected items of the statements of profit and loss and other comprehensive income of the Target Business for the periods indicated.

	For the period from 18 July to 31 December	For the year ended 31 December	For the nine months ended 30 September	
	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Revenue	1,219	16,093	10,679	17,724
Cost of sales	(1,011)	(14,136)	(9,157)	(15,681)
Gross profit	208	1,957	1,522	2,043
Selling and distribution costs	(64)	(1,236)	(700)	(1,559)
Administrative expenses	(62)	(366)	(276)	(473)
Other expenses	–	(2)	–	–
Profit before tax	82	353	546	11
Income tax expense	(21)	(100)	(145)	(4)
Profit for the year/period	61	253	401	7

FINANCIAL INFORMATION

Description of Selected Items in the Statements of Profit and Loss and Other Comprehensive Income

Revenue

The following table sets forth the breakdown of the sources of revenue for the periods indicated.

	For the period from 18 July to 31 December	For the year ended 31 December	For the nine months ended 30 September	
	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Sale of CNG	1,219	14,359	10,101	13,197
Sale of LNG	–	1,734	578	4,527
Total	1,219	16,093	10,679	17,724

The Target Business generated revenue from the sales of natural gas including CNG and LNG from the operation of CNG and LNG refuelling station. As at the Latest Practicable Date, the Target Business operated the First CNG Refuelling Station and the First LNG Refuelling Station, and had one combined CNG/LNG refuelling station under construction in Taicang. The First CNG Refuelling Station and the First LNG Refuelling Station were in trial operation from October 2012 and September 2013 respectively, and up to the date of obtaining the respective supply of bottled gas licenses in December 2013 and January 2014 respectively. During the Track Record Period, the Target Business recorded revenue of RMB1.2 million, RMB16.1 million, RMB10.7 million and RMB17.7 million for the period from 18 July to 31 December 2012, the year ended 31 December 2013, and the nine months ended 30 September 2013 and 2014, respectively.

As set out in the section headed “Regulatory Overview – Overview of Regulations – PRC laws and regulations on the distribution and sale of natural gas – Price determination regime of natural gas” in this prospectus, the selling price of vehicular CNG in Taicang and Suzhou is regulated by the government, whereas the selling price of vehicular LNG is determined by market force, which is based on the demand and supply of vehicular LNG in the market as well as the marketing strategies of the operators of gas refuelling stations, and there is currently no relevant requirement that the selling price of vehicular LNG be subject to the regulation of the government.

Suzhou Suling Automobile Services adopted the government-regulated selling price for CNG sold at the First CNG Refuelling Station and dynamic pricing strategies for LNG sold at the First LNG Refuelling Station. As the First LNG Refuelling Station was at the early stage of operation, to increase its market share, it set a lower selling price for the sale of LNG to attract and encourage customers to purchase LNG at its refuelling station, with a view to enlarging the customer base of LNG and achieving economies of scale when more users change from using gasoline or diesel to using LNG for their vehicles. The management of Suzhou Suling Automobile Services expects that the selling price of LNG at the First LNG Refuelling Station will be adjusted to the market level (comparable to the selling price of LNG sold at other LNG refuelling stations in nearby cities) during the second half of 2015 and the First LNG Refuelling Station will turn to profit in the second half of 2015.

FINANCIAL INFORMATION

The following table sets forth the breakdown of cost of sales by type for the periods indicated.

	For the period from 18 July to 31 December		For the year ended 31 December		For the nine months ended 30 September			
	2012 RMB'000	%	2013 RMB'000	%	2013 RMB'000		2014 RMB'000	
					(unaudited)			
Sale of CNG	1,011	100.0	12,272	86.8	8,595	93.9	11,492	73.3
Sale of LNG	–	–	1,864	13.2	562	6.1	4,189	26.7
Total cost of sales	1,011	100.0	14,136	100.0	9,157	100.0	15,681	100.0

The Target Business' cost of sales mainly consisted of raw materials and transmission costs of natural gas. The Target Business' cost of sales recorded RMB1.0 million, RMB14.1 million, RMB9.2 million and RMB15.7 million, respectively, for the period from 18 July to 31 December 2012, the year ended 31 December 2013, and the nine months ended 30 September 2013 and 2014, respectively.

Gross Profit

The following table sets forth the breakdown of gross profit and gross profit margin by type for the periods indicated.

	For the period from 18 July to 31 December	For the year ended 31 December	For the nine months ended 30 September	
	2012	2013	2013 (unaudited)	2014
Gross profit (RMB'000)				
Sale of CNG	208	2,087	1,506	1,705
Sale of LNG	–	(130)	16	338
Total	208	1,957	1,522	2,043
Gross profit margin (%)				
Sale of CNG	17.1%	14.5%	14.9%	12.9%
Sale of LNG	–	(7.5%)	2.8%	7.5%
Overall	17.1%	12.2%	14.3%	11.5%

FINANCIAL INFORMATION

The gross profit for the Target Business was RMB0.2 million, RMB2.0 million, RMB1.5 million and RMB2.0 million, respectively, for the period from 18 July to 31 December of 2012, the year ended 31 December 2013, and the nine months ended 30 September 2013 and 2014. The gross profit margin for the Target Business was 17.1%, 12.2%, 14.3% and 11.5%, respectively, for the period from 18 July to 31 of December 2012, the year ended 31 December 2013, and the nine months ended 30 September 2013 and 2014. The decrease in gross profit margin for 2013 was mainly due to the decrease in gross profit margin of sale of CNG as a result of the increase in the purchase price of CNG in July 2013 and the negative gross profit margin of the sales of LNG as a result of the incentive strategy launched in order to encourage and attract the customers. The decrease in gross profit margin for the nine months ended 30 September 2014 compared to the same period in 2013 was mainly due to the net effect of the decrease in gross profit margin of sale of CNG as a result of the increase in the purchase price of CNG in August 2013 and the increase in gross profit margin of the sales of LNG as a result of the slight decrease in the purchase price of LNG during 2014.

Selling and Distribution Costs

Selling and distribution costs mainly consisted of staff costs, depreciation and amortisation, rental expenses and other sales-related expenses. For the period from 18 July to 31 of December 2012, the year ended 31 December 2013, and the nine months ended 30 September 2013 and 2014, the Target Business' selling and distribution costs were RMB64,000, RMB1.2 million, RMB0.7 million and RMB1.6 million, respectively. The increase in selling and distribution costs for the nine months ended 30 September 2014 compared to the same period of previous year was mainly due to increase in staff costs and depreciation of LNG refuelling station as a result of the commencement of trial operation in September 2013.

Administrative Expenses

Administrative expenses primarily consisted of amortisation of prepaid land lease payments, tax expenses, equipment and safety inspection fees and other administration-related expenses. For the period from 18 July to 31 December 2012, the year ended 31 December 2013, and the nine months ended 30 September 2013 and 2014, the Target Business' administrative expenses were RMB62,000, RMB366,000, RMB276,000 and RMB473,000, respectively.

Income Tax Expense

The Target Business was subjected to a tax rate of 25% during the Track Record Period on the assessable profits arising in or derived from the PRC.

As a result of the foregoing, the Target Business' income tax expense for the period from 18 July to 31 December 2012, the year ended 31 December 2013, and the nine months ended 30 September 2013 and 2014 was RMB21,000, RMB100,000, RMB145,000 and RMB4,000, respectively.

FINANCIAL INFORMATION

Profit for the year/period

As a result of the foregoing, the Target Business recorded its profit for the year/period at RMB61,000, RMB0.3 million, RMB0.4 million and RMB7,000, respectively, for the period from 18 July to 31 December 2012, the year ended 31 December 2013, and the nine months ended 30 September 2013 and 2014. The net profit margin for the same period was 5%, 1.6%, 3.8% and less than 0.1%, respectively.

The following table sets out the breakdown of net profit margin by type for the periods indicated.

	For the period from 18 July to 31 December	For the year ended 31 December	For the nine months ended 30 September	
	2012	2013	2013	2014
			(unaudited)	
Net profit margin (%)				
Sale of CNG	5.0%	4.8%	6.8%	5.1%
Sale of LNG	N/A	(25.3%)	(49.1%)	(14.6%)
Total	5.0%	1.6%	3.8%	0.0%

The net profit margin fluctuated mainly due to the net loss incurred from the LNG refuelling station business which commenced in September 2013 as a result of the dynamic pricing strategies the Target Business adopted during the relevant period. Solely for illustration purpose, the LNG sold for the nine months ended 30 September 2014 at the First LNG Refuelling Station was about 1.2 million m³. On the assumption that the selling price was set at the market level (i.e. level comparable to the selling price LNG sold at other LNG refuelling stations in nearby cities), the First LNG Refuelling Station would have recorded a profit. The management of Suzhou Suling Automobile Services expects that the selling price of LNG at the First LNG Refuelling Station will be adjusted to the market level and the First LNG Refuelling Station will turn to profit by then.

FINANCIAL INFORMATION

Cash Flows

	For the period from 18 July to 31 December	For the year ended 31 December	For the nine months ended 30 September	
	2012 RMB'000	2013 RMB'000	2013 RMB'000 (unaudited)	2014 RMB'000
Net cash flows generated from/(used in) operating activities	769	2,768	1,048	(237)
Net cash flows used in investing activities	(9,625)	(2,369)	(328)	(5,598)
Net cash flows generated from/(used in) financing activities	10,023	(1,274)	(996)	7,079
Net increase/(decrease) in cash and cash equivalents	1,167	(875)	(276)	1,244
Cash and cash equivalents at beginning of year/period	–	1,167	1,167	292
Cash and cash equivalents at end of year/period	<u>1,167</u>	<u>292</u>	<u>891</u>	<u>1,536</u>

Operating activities

For the nine months ended 30 September 2014, the Target Business had net cash used in operating activities of RMB0.2 million, which was mainly attributable to the profit before tax for the period of RMB11,000, adjusted to reflect non-cash item of the depreciation and amortisation of RMB0.7 million and taken into account changes in working capital including (i) decrease in amount due to related parties of RMB1.1 million mainly arising from the settlement during the period; and (ii) increase in prepayments, deposits and other receivables of RMB0.5 million mainly arising from the increase in rental prepayment.

For 2013, the Target Business had net cash generated from operating activities of RMB2.8 million, which was mainly attributable to the profit before tax for the year of RMB0.4 million, adjusted to reflect non-cash item of the depreciation and amortisation of RMB0.6 million and taken into account changes in working capital including (i) increase in amount due to related parties of RMB2.3 million mainly arising from the purchase of CNG gas from a related party; and (ii) increase in prepayments, deposits and other receivables of RMB0.7 million mainly arising from the payment of guarantee deposits for the construction of new CNG/LNG refuelling station and deposits paid on behalf of one of the Target Business' customers in Taicang for the vehicle conversion from using other vehicular energies to LNG.

FINANCIAL INFORMATION

For the period from 18 July to 31 December of 2012, the Target Business had net cash generated from operating activities of RMB0.8 million, which was mainly attributable to the profit before tax for the period of RMB82,000, adjusted to reflect non-cash item of the depreciation and amortisation of RMB94,000 and taken into account changes in working capital including (i) increase in amount due to related parties of RMB0.7 million mainly arising from the purchase of CNG from related parties; and (ii) increase in advances from customers of RMB0.1 million as a result of commencement of the CNG refuelling station business during the period.

Investing activities

For the nine months ended 30 September 2014, the Target Business had net cash used in investing activities of RMB5.6 million, which was mainly attributable to the purchase of items of property, plant and equipment of RMB5.6 million for purchase of equipment of LNG/CNG refuelling station.

For 2013, the Target Business had net cash used in investing activities of RMB2.4 million, which was mainly attributable to the purchase of items of property, plant and equipment of RMB2.1 million for construction of LNG refuelling station.

For the period from 18 July to 31 December 2012, the Target Business had net cash used in investing activities of RMB9.6 million, which was mainly attributable to the purchase of items of property, plant and equipment of RMB0.5 million for construction of LNG/CNG refuelling station, and purchase of prepaid land lease payments of RMB9.1 million for the construction of new LNG/CNG refuelling station.

Financing activities

For the nine months ended 30 September 2014, the Target Business had net cash generated from financing activities of RMB7.1 million, which was mainly attributable to deemed capital contribution from its controlling shareholders.

For 2013, the Target Business had net cash used in financing activities of RMB1.3 million, which was mainly attributable to deemed capital distribution to its controlling shareholders.

For the period from 18 July to 31 December of 2012, the Target Business had net cash generated from financing activities of RMB10.0 million, which was mainly attributable to deemed capital contribution from its controlling shareholders of RMB2.7 million and increase in amounts due to related parties of RMB7.3 million for financing the construction of refuelling station.

FINANCIAL INFORMATION

Net current liabilities

	<u>As at 31 December</u>		<u>As at</u> <u>30 September</u>
	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Current assets			
Inventories	10	140	68
Trade receivables	–	437	592
Prepayments, deposits and other receivables	386	1,076	1,536
Cash and cash equivalents	<u>1,167</u>	<u>292</u>	<u>1,536</u>
	1,563	1,945	3,732
Current liabilities			
Trade payables	–	234	144
Other payables and accruals	1,149	729	9,258
Advances from customers	110	565	1,147
Amounts due to related parties	8,788	17,384	10,699
Tax payable	<u>21</u>	<u>114</u>	<u>53</u>
	<u>10,068</u>	<u>19,026</u>	<u>21,301</u>
Net current liabilities	<u><u>(8,505)</u></u>	<u><u>(17,081)</u></u>	<u><u>(17,569)</u></u>

As at 31 December 2012, 2013 and 30 September 2014, the Target Business had net current liabilities of RMB8.5 million, RMB17.1 million and RMB17.6 million, respectively. The net current liabilities position of the Target Business was primarily attributable to amount due to related parties to finance the construction and set up the refuelling station during the relevant period.

The increase in net current liabilities by RMB8.6 million as at 31 December 2013 compared to 2012 was mainly due to increase in amounts due to related parties to finance the construction of new refuelling station in 2013.

Discussion of Certain Balance Sheet Items

Trade receivables

Trade receivables mainly represent receivables from customers for sale of LNG. The credit period granted by the Target Business is up to 30 days. As at 31 December 2012, 2013 and 30 September 2014, the balance of trade receivables were nil, RMB0.4 million, and RMB0.6 million, respectively, which were all within 30 days.

FINANCIAL INFORMATION

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables mainly represent prepayments of rental expenses and guarantee deposits paid for construction of new refuelling station. As at 31 December 2012, 2013 and 30 September 2014, the balance of prepayments, deposits and other receivables were RMB0.4 million, RMB1.1 million, and RMB1.5 million, respectively. The increase by RMB0.7 million from 31 December 2012 to 31 December 2013 was mainly due to the guarantee deposits paid for the construction of new CNG/LNG refuelling station and deposits paid on behalf of one of the Target Business' customers in Taicang for the vehicle conversion.

Trade payables

Trade payables mainly related to purchase of LNG from suppliers. As at 31 December 2012, 2013 and 30 September 2014, the balance of trade payables were nil, RMB0.2 million, and RMB0.1 million, respectively.

Other payables and accruals

Other payables and accruals mainly represented construction payable, payroll and welfare payables and other payables. As at 31 December 2012, 2013 and 30 September 2014, the balance of other payables and accruals were RMB1.1 million, RMB0.7 million, and RMB9.3 million, respectively. The significant increase as at 30 September 2014 compared to 31 December 2013 was mainly attributable to construction payable for the new refuelling station.

Advances from customers

Advances from customers mainly represented advances from customers in respect of sales of CNG. As at 31 December 2012, 2013 and 30 September 2014, the balance of advances from customers were RMB0.1 million, RMB0.6 million, and RMB1.1 million, respectively. The continuous increase was mainly due to the increase in number of customers during the Track Record Period.

Amounts due to related parties

Amounts due to related parties were non-trade in nature, except for the aggregate amount of RMB1.5 million, RMB9.2 million and RMB1.9 million, as at 31 December 2012, 2013 and 30 September 2014, respectively.

FINANCIAL INFORMATION

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of unaudited pro forma adjusted net tangible assets of our Group which has been prepared in accordance with Rule 4.29 of the Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 September 2014 and based on the audited consolidated net tangible assets attributable to owners of our Company as at 30 September 2014 as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

	Consolidated net tangible assets attributable to owners of our Company as at 30 September 2014 RMB'000 (Note 1)	Estimated net proceeds from the Global Offering RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets RMB'000	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share (HK\$ equivalent)
Based on an Offer Price of HK\$2.08 per Share	429,614	293,031	722,645	0.90	1.14
Based on an Offer Price of HK\$2.92 per Share	429,614	419,656	849,270	1.06	1.34

Notes:

- (1) The consolidated net tangible assets attributable to owners of our Company as of 30 September 2014 is arrived at after deducting nil intangible assets from the audited consolidated equity attributable to owners of our Company of RMB429,614,000 as at 30 September 2014, as shown in the accountants' report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$2.08 or HK\$2.92 per Share after deduction of the underwriting fees and other related expenses payable by our Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds are converted into RMB at the rate of HK\$1=RMB0.7893. No representation is made that the RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at the rate or at any other rates or at all.
- (3) The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 30 September 2014 and an Offer Price of HK\$2.08 per Share, being the low end of the Offer Price range, and 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 30 September 2014 and an Offer Price of HK\$2.92 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.

FINANCIAL INFORMATION

DISCLOSURE REQUIRED UNDER THE LISTING RULES

As of the Latest Practicable Date, our Directors confirmed that there are no circumstances that will give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

RECENT DEVELOPMENT AND NO MATERIAL ADVERSE CHANGE

Based on our unaudited consolidated management accounts for the three months ended 31 December 2014, we continued to experience stable growth in revenue compared with the same period in 2013, while our gross profit margin for the three months ended 31 December 2014 remained stable. Our purchase price of stock natural gas for non-residential usage was adjusted by PetroChina from RMB2.42/m³ to RMB2.82/m³ effective from 1 September 2014 and the maximum selling price for non-residential usage and other (public utilities) usage in Taicang was adjusted upward by RMB0.33/m³ by Taicang Price Bureau effective from 20 October 2014. Given that there existed a time gap between the increase of our purchase price and selling price of natural gas for non-residential usage, the abovementioned price adjustments have slightly impacted our gross profit margin for the transmission and sales of natural gas during the aforementioned period, while afterwards we were able to substantially pass on the increase in purchase price of natural gas to non-residential users. On 30 December 2014, upon the approval of the Jiangsu Price Bureau, Taicang Price Bureau announced that the base selling price of residential usage of natural gas in Taicang shall be adjusted upward by RMB0.25/m³ and a ladder gas pricing system shall be implemented with effect from 1 January 2015. Our management expects that the adjustment would have a positive effect on our gross profit margin for transmission and sales of natural gas for the year ending 31 December 2015. Please refer to the section headed “Business – Pricing of Natural Gas – Adjustment of Natural Gas Price in 2014” in this prospectus for further information. Our Directors have confirmed that there is no event since 30 September 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared) and up to the date of this prospectus that would have a material adverse impact on our business operation, financial condition and operating results.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please refer to the paragraph headed “Business – Our Strategies” in this prospectus for details of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds to us from the Global Offering (after deducting underwriting fees and estimated expenses payable by us in connection with the Global Offering) (the “**Net Proceeds**”), assuming an Offer Price of HK\$2.50, being the mid-point of the indicative Offer Price range, will be HK\$451.5 million, assuming that the Over-allotment Option is not exercised. We currently intend to apply the net proceeds in the following manner:

- (i) approximately 25%, or HK\$112.9 million, will be used for acquiring three CNG/LNG refuelling stations from Suzhou Suling Automobile Service and constructing around nine CNG/LNG refuelling stations for the sale of CNG/LNG for vehicular use. The consideration for the potential acquisition of CNG/LNG refuelling stations from Suzhou Suling Automobile Service will be determined by reference to the lower of their set-up cost or fair market value to be determined by internationally reputable firms of accountants or valuers, subject to the approvals from the relevant government bureaux, the Board and the Shareholders (as may be required under the Listing Rules). In the event that we decide not to acquire these three CNG/LNG refuelling stations from Suzhou Suling Automobile Service under the Deed of First Offer, we will use the proceeds initially allocated to such purpose for the construction of additional CNG/LNG refuelling stations;
- (ii) approximately 35%, or HK\$158.0 million, will be used for expanding our pipeline network and the sale of piped natural gas to customers in our existing market, such as large industrial users, in our Operating Area in Taicang;
- (iii) approximately 30%, or HK\$135.5 million, will be used for acquiring controlling interests in natural gas operators outside Taicang for distribution and sale of natural gas in cities other than Taicang. As at the Latest Practicable Date, we did not have any specific acquisition or joint venture plans or targets and had not entered into any definitive agreement or engaged in any active discussion with any potential target. Please refer to the section headed “Business – Our Strategies – Expand our business coverage to other cities by acquiring controlling interests in other natural gas operators” for details of our plan and acquisition strategy; and
- (iv) approximately 10%, or HK\$45.1 million, will be used as working capital and other general corporate purposes.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the Net Proceeds, assuming that the Over-allotment Option is not exercised, will increase to HK\$531.7 million or decrease to HK\$371.3 million, respectively, and in such event, we intend to increase or decrease, respectively, the Net Proceeds to be used for the above purposes on a pro-rata basis.

FUTURE PLANS AND USE OF PROCEEDS

If the Over-allotment Option is exercised in full, the Net Proceeds will increase to approximately HK\$523.1 million, assuming an Offer Price of HK\$2.50, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the Net Proceeds including the proceeds from the exercise of the Over-allotment Option will increase to approximately HK\$615.3 million or decrease to approximately HK\$430.8 million, respectively; and in such event, we intend to increase or decrease, respectively, the allocation of the Net Proceeds to the above purposes on a pro-rata basis.

To the extent that the Net Proceeds are not sufficient to fund the purposes as set out above, we intend to fund the balance through a variety of means, including cash generated from operations, bank loans and other borrowings, as appropriate.

Should our Directors decide to re-allocate the intended use of proceeds to other business plans and/or new projects of our Group to a material extent and/or there is to be any material modification to the use of proceeds as described above, we will make appropriate announcement(s) in due course.

To the extent that the Net Proceeds of the Global Offering are not immediately required for the above purposes and to the extent permitted by applicable law and regulations, if we are unable to effect any part of our future plans as intended, we may hold such funds in short term demand deposits with banks in Hong Kong or the PRC and/or through money market instruments.

UNDERWRITING

HONG KONG UNDERWRITERS

The Hong Kong Underwriters are:
BNP Paribas Securities (Asia) Limited
Haitong International Securities Company Limited

INTERNATIONAL UNDERWRITERS

The International Underwriters are expected to include:
BNP Paribas Securities (Asia) Limited
Haitong International Securities Company Limited
CIMB Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 20,000,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

- (a) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including but not limited to an additional 30,000,000 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently being revoked; and
- (b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us and the Sole Global Coordinator (on behalf of the Underwriters)),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse.

The Hong Kong Underwriting Agreement is conditioned upon and subject to the International Underwriting Agreement being signed and becoming unconditional and not having been terminated in accordance with its terms.

UNDERWRITING

Grounds for termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares will be subject to termination by notice (orally or in writing) to our Company from the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters) with immediate effect if any of the following events occur at or prior to 8:00 a.m. on the Listing Date:

1. there shall develop, occur, exist or come into effect:
 - (a) any local, national, regional or international event or circumstance in the nature of force majeure (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, volcanic eruption, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism), in any of the PRC, Hong Kong, the Cayman Islands, the BVI, the United States, the United Kingdom, the European Union, Japan or any jurisdiction relevant to any member of the Group or the Global Offering (the “**Relevant Jurisdictions**”); or
 - (b) any change, or any development involving a prospective change, or any event or circumstance likely to result in any change or development involving a prospective change, in any local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets) in any of the Relevant Jurisdictions; or
 - (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange or the Shanghai Stock Exchange; or
 - (d) the imposition of any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or by other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the BVI or the Cayman Islands, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of our Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in any of those places or jurisdictions; or
 - (e) the imposition of economic sanctions, in whatever form, directly or indirectly, on any of the Relevant Jurisdictions; or

UNDERWRITING

- (f) any new law, regulations or rules (“**Laws**”), or any change or any development involving a prospective change or any event or circumstance likely to result in a change or a development involving a prospective change in (or in the interpretation or application by any court or other competent authority of) existing Laws, in each case, in or affecting Hong Kong, the PRC, the United States, the BVI or the Cayman Islands, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of our Group; or
- (g) a change or development involving a prospective change in or affecting taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in Hong Kong, the PRC, the United States, the BVI or the Cayman Islands, the United Kingdom, the European Union (or any member thereof), Japan or any other jurisdiction relevant to any member of our Group; or
- (h) any litigation or claim of any third party being threatened or instigated against any member of our Group; or
- (i) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (j) the chairman or chief executive of our Company vacating his or her office; or
- (k) an authority or a political body or organization in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (l) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling any of the Shares (including Shares to be allotted and issued under the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (m) a contravention by any member of our Group of, or non-compliance of the prospectus (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with, the Listing Rules or applicable Laws other than those disclosed in this prospectus; or
- (n) the issue or requirement to issue by our Company of any supplement or amendment to the prospectus (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC; or
- (o) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

UNDERWRITING

which, individually or in the aggregate, in the sole and absolute opinion of the Sole Global Coordinator (1) has or will have or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Placing; or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for the Global Offering to proceed or to market the Global Offering; or (4) has or will have or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

2. there has come to the notice of the Sole Global Coordinator:
 - (i) that any statement contained in any of the prospectus or application forms and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the "**Offer Documents**") was, when it was issued, or has become, untrue or incorrect in any material respect or misleading, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of the Offer Documents is not fair and honest and based on reasonable assumptions; or
 - (ii) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of the prospectus, constitute a material omission from any of the Offer Documents; or
 - (iii) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers or any of the Hong Kong Underwriters or the International Underwriters); or
 - (iv) any material adverse change, or any development involving a prospective material adverse change, in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of any member of our Group; or
 - (v) any event, act or omission which gives or is likely to give rise to any liability of any of the Indemnifying Parties pursuant to the indemnity clause of the Hong Kong Underwriting Agreement; or
 - (vi) any breach of, or any event or circumstance rendering untrue or incorrect in any respect, any of the representations, warranties, agreements and undertakings of the Controlling Shareholders and executive Directors as set out in the Hong Kong Underwriting Agreement; or

UNDERWRITING

- (vii) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-Allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (viii) our Company withdraws the Hong Kong Prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings given to the Stock Exchange pursuant to the Listing Rules

By our Company

We have undertaken to the Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the date on which Shares first commence dealing on the Stock Exchange (whether or not such issue of Shares will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Listing Rules, each of our Controlling Shareholders has undertaken to us and to the Stock Exchange that except pursuant to the Stock Borrowing Agreement, it shall not:

- (a) in the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the “**First Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that it is shown to beneficially own in this prospectus (the “**Relevant Shares**”); or
- (b) in the period of a further six months commencing on the date on which the First Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it will cease to be a controlling shareholder (as defined in the Listing Rules) of our Company.

Each of our Controlling Shareholders has further undertaken to us and the Stock Exchange that, within the period commencing on the date by reference to which disclosure of its shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

- (a) when it pledges or charges any securities in our Company beneficially owned by it in favor of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and

UNDERWRITING

- (b) when it receives indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by it will be disposed of, immediately inform us in writing of such indications.

We will also inform the Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by any of our Controlling Shareholders and subject to the then requirements of the Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Listing Rules as soon as possible.

Undertakings to the Hong Kong Underwriters

Undertakings by our Company

Our Company has undertaken to each of the Sole Sponsor, the Sole Global Coordinator and the Hong Kong Underwriters that except pursuant to the Global Offering (including pursuant to the Over-allotment Option and the Stock Borrowing Agreement and in compliance with Rule 10.07(3) of the Listing Rules), the Capitalisation Issue and the issue of any Shares pursuant to the exercise of any options that may be granted under the Share Option Scheme, during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months after the Listing Date (the “**First Six-Month Period**”), our Company will not, and will procure each other member of our Group (“**Group Company**”) not to, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“**Encumbrance**”) over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable), or deposit any Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, with a depository in connection with the issue of depository receipts; or
- (b) 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 Shares or other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or

UNDERWRITING

- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above,

in each case, whether any of the transactions specified in (a), (b) or (c) above is to be settled by delivery of Shares or other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period).

In the event that, during the period of six months commencing on the date on which the First Six-month Period expires (the “**Second Six-Month Period**”), our Company enters into any of the transactions specified in (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

By the Controlling Shareholders

Each of the Controlling Shareholders undertakes to each of the Sole Sponsor, the Sole Global Coordinator, our Company and the Hong Kong Underwriters that, without the prior written consent of the Sole Sponsor and the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the Listing Rules:

- (a) he/she/it will not, at any time during the First Six-Month Period,
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or deposit any Shares or other securities of our Company with a depository in connection with the issue of depository receipts, 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 Shares or other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or
 - (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above, or

UNDERWRITING

- (iv) offer to or agree to or announce any intention to effect any transaction specified in (i), (ii) or (iii) above, in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company or in cash or otherwise (whether or not the issue of such Shares or other securities will be completed within the First Six-Month Period);
- (b) he/she/it will not, during the Second Six-Month Period, enter into any of the transactions specified in (i), (ii) or (iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or Encumbrance pursuant to such transaction, he/she/it will cease to be a “Controlling Shareholder” (as the term is defined in the Listing Rules) of our Company; and
- (c) until the expiry of the Second Six-Month Period, in the event that he/she/it enters into any of the transactions specified in (i), (ii) or (iii) above or offer to or agrees to or announce any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that he/she/it will not create a disorderly or false market in the securities of our Company,

provided that the aforesaid undertaking shall not prevent the Controlling Shareholders from using the Shares or other securities of our Company or any interest therein beneficially owned by them as security (including a charge or a pledge) in favor of an authorized institution as defined in the Banking Ordinance for a bona fide commercial loan.

Underwriters’ interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

The Sole Sponsor’s Independence

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

The International Placing

International Placing

In connection with the International Placing, we expect to enter into the International Underwriting Agreement on the Price Determination Date with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Placing Shares or procure purchasers for the International Placing Shares initially being offered pursuant to the International Placing. Please refer to the section headed “Structure of the Global Offering – The International Placing” in this prospectus.

UNDERWRITING

Under the International Underwriting Agreement, we intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offering to require us to issue and allot up to an aggregate of 30,000,000 additional Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering and at the Offer Price, to cover, among other things, any over-allocations in the International Placing, if any.

Total Commission and Expenses

We will pay the Sole Global Coordinator (for itself and on behalf of the Underwriters) an underwriting commission of 4.0% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering (excluding any International Placing Shares reallocated to the Hong Kong Public Offering and any Hong Kong Offer Shares reallocated to the International Placing), out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters. In addition, we may, at our sole and absolute discretion, pay to the Sole Global Coordinator for its account and/or any or all of the Underwriters an incentive fee at the rate of not less than 0.5% of the aggregate Offer Price in respect of all the Offer Shares offered under the Global Offering.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$2.50 per Share (being the mid-point of the stated range of the Offer Price between HK\$2.08 and HK\$2.92 per Share), the aggregate commissions and estimated expenses, together with the Stock Exchange listing fee, SFC transaction levy, Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to HK\$64.9 million in total and are payable by us.

Indemnity

We undertake to indemnify and keep indemnified on demand (on an after-tax basis) and hold harmless each of the Sole Global Coordinator, the Sole Sponsor, the Joint Bookrunners and the Hong Kong Underwriters (for itself and on trust for its directors, officers, employees, agents, assignees and affiliates) from and against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

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 offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules is made within seven days of the expiration of the stabilising period.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

- (i) the Hong Kong Public Offering of an initial 20,000,000 Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph headed “The Hong Kong Public Offering” in this section; and
- (ii) the International Placing of an initial 180,000,000 International Placing Shares, subject to adjustment and the Over-allotment Option as mentioned below, outside the U.S. (including to professional investors within Hong Kong) in offshore transactions in reliance on Regulation S or pursuant to another exemption from the registration requirements under the U.S. Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Placing, but cannot do both. Our Directors and the Sole Global Coordinator will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offering and the International Placing which are not allowed and are bound to be rejected. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to professional investors in Hong Kong. The International Placing will involve selective marketing of Offer Shares to professional and institutional investors expected to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the U.S. in reliance on Regulation S. The International Underwriters are 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 before 4 March 2015.

The number of Shares to be offered under the Hong Kong Public Offering and the International Placing may be subject to reallocation as described in the paragraph headed “Pricing and Allocation” below in this section.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offering.

PRICING AND ALLOCATION

Pricing

The Offer Price is expected to be fixed by an agreement between us and the Sole Global Coordinator (on behalf of the Underwriters) on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around 4 March 2015 and in any event no later than 9 March 2015 and the Offer Shares are expected to be allocated shortly thereafter. If for any reason, we and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not proceed and will lapse.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Price will be not more than HK\$2.92 per Offer Share and is expected to be not less than HK\$2.08 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offering, as explained below.

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.

Reduction in offer price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters), with our consent, considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced 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 Offering.

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 last day for lodging applications under the Hong Kong Public Offering, expected to be on 4 March 2015, cause to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notice(s) of the reduction in the number of Offer Shares and/or the indicative offer price range. Such notice(s) will also be available at the websites of the Stock Exchange at www.hkexnews.hk and our Company at www.suchuanggas.com. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section headed "Summary" in this prospectus, and any other financial information which may change as a result of such reduction(s). Before submitting applications for 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 Offering.

Upon the issuance of such notice, the revised number of Offer Shares and/or the revised offer price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised offer price range. In the absence of any notice of a reduction in the indicative offer price range and/or the number of Offer Shares stated in this prospectus being published on or before the last day for lodging applications under the Hong Kong Public Offering, the Offer Price, if agreed upon, will under no circumstances be set outside the offer price range stated in this prospectus, and the number of Offer Shares will under no circumstances be fewer than the number stated in this prospectus.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

STRUCTURE OF THE GLOBAL OFFERING

Allocation of our 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 Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Stock Exchange. Such allocation may be made to professional and institutional investors and is intended to result in a distribution of the Offer 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 Offer Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation 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 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 are estimated to be HK\$451.5 million. The estimated net proceeds are calculated assuming an Offer Price of HK\$2.50 per Offer Share (being the mid-point of the stated offer price range of HK\$2.08 to HK\$2.92 per Offer Share) and 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.

Announcement of Offer Price and Basis of Allocations

The Offer Price under the Global Offering, the level of indications of interest in the International Placing, and the level of applications and the results of and basis of allocations under the Hong Kong Public Offering are expected to be announced on 10 March 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese), on our website (www.suchuanggas.com) (in English and Chinese) and on the Stock Exchange's website (www.hkexnews.hk) and in a variety of channels in the manner described in the section headed "How to Apply for Hong Kong Offer Shares – 11. Publication of Results" in this prospectus. You should note that our website, and all information contained in our website, does not form part of this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

- (i) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including additional 30,000,000 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option), and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Stock Exchange;
- (ii) the Offer Price having been duly determined between us and the Sole Global Coordinator (on behalf of the Underwriters), and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

STRUCTURE OF THE GLOBAL OFFERING

- (iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the date which is 30 days after the date of this prospectus.

If for any reason the Offer Price is not agreed by 9 March 2015 between us and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. 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. We will cause a notice of the lapse of the Hong Kong Public Offering to be published by us in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares” in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Hong Kong Offer Shares are expected to be issued on 10 March 2015 but will only become valid certificates of title at 8:00 a.m. on 11 March 2015, the date of commencement of dealings in the Shares, 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 Offering – 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 becoming valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFERING

We are initially offering 20,000,000 Hong Kong Offer Shares at the Offer Price, representing 10% of the 200,000,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offering will represent 25% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

STRUCTURE OF THE GLOBAL OFFERING

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offering and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Placing will not be allotted Offer Shares in the International Placing.

Applications

Each applicant under the Hong Kong Public Offering will be required to give an undertaking and confirmation in the Application Form or applying online through the **HK eIPO White Form** service or the **electronic application instruction** to HKSCC submitted by him or her, that he or she, and any person(s) for whose benefit he or she is making the application (if any), have not indicated an interest for or taken up and will not indicate an interest for or take up any International Placing Shares, and such applicant's application will be rejected if this undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator will take reasonable steps to identify and reject applicants under the Hong Kong Public Offering 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 Offer Shares in the Hong Kong Public Offering.

The Sole Global Coordinator, on behalf of the Underwriters, may require any investor who has been offered Shares under the International Placing, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that he or she is excluded from any application for Shares under the Hong Kong Public Offering.

The Offer Price will be not more than HK\$2.92 per Offer Share and is expected to be not less than HK\$2.08 per Offer Share. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$2.92 on each Hong Kong Offer Share plus 1% brokerage fee, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee on each Hong Kong Offer Share. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK\$2.92 per Offer Share, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offering.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offering (after taking into account any reallocation and clawback referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B (subject to adjustment of odd lot size). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants

STRUCTURE OF THE GLOBAL OFFERING

who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK\$5 million (excluding brokerage, SFC transaction levy and Stock Exchange trading fee) and up to the value of pool B. For this purpose, the “subscription price” for the Hong Kong Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offering, in relation to both pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. 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 number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications within either pool or between pools and any application for more than 10,000,000 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offering, will be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offering and the International Placing is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offering 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 for subscription under the Hong Kong Public Offering, the total number of Offer Shares available under the Hong Kong Public Offering will be increased to 60,000,000, 80,000,000 and 100,000,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Placing will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to pool A and pool B. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Placing, in such proportions as the Sole Global Coordinator deems appropriate.

STRUCTURE OF THE GLOBAL OFFERING

THE INTERNATIONAL PLACING

The International Placing will consist of initially 180,000,000 Shares and is subject to adjustment and the Over-allotment Option, to be offered outside the United States (within the meaning of Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong. The International Placing will be subject to, among other matters, the Hong Kong Public Offering becoming unconditional.

Pursuant to the International Placing, the International Underwriters will conditionally place our Shares with institutional and professional investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. 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” above in this section and 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 Shares, and/or hold or sell its Shares, after the listing of the Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the 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 our Shareholders as a whole.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we expect 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 Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require us to issue and allot up to an aggregate of 30,000,000 additional Offer Shares (representing 15% of the Offer Shares initially available under the Global Offering), at the same price per Offer Share under the International Placing to cover, among other things, over-allocations in the International Placing, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent 3.6% of our enlarged 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.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through any person acting for it, up to 30,000,000 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) from Fung Yu Holdings pursuant to the Stock Borrowing Agreement, and/or acquire Shares from other sources, including the exercise of the Over-allotment Option.

STRUCTURE OF THE GLOBAL OFFERING

If such stock borrowing arrangement with Fung Yu Holdings is entered into, it will only be effected by the Stabilising Manager 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 complied with. The same number of Shares so borrowed must be returned to Fung Yu Holdings or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, (ii) the day on which the Over-allotment Option is exercised in full, or (iii) such earlier time as may be agreed in writing between the Stabilising Manager and Fung Yu Holdings. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Fung Yu Holdings by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise, and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the International Underwriters, may, to the extent permitted by applicable laws in Hong Kong, over-allocate and/or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising action which may be taken by the Stabilising Manager or any person acting for it may include primary and ancillary stabilising actions such as purchasing or agreeing to purchase any of the Offer Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity. Any such stabilising activities will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules. Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager 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 the lodging of applications under the Hong Kong Public Offering. The number of Shares that may be over-allocated will not exceed the number of Shares which may be issued or sold upon exercise of the Over-allotment Option, being 30,000,000 Shares, which is 15% of our Offer Shares initially available under the Global Offering and before the exercise of the Over-allotment Option.

The Stabilising Manager or any person acting for it, may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

- (a) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or

STRUCTURE OF THE GLOBAL OFFERING

- (b) in connection with any action described in paragraph (a) above:
- (i) (A) over-allocate our Shares; or
 - (B) sell or agree to sell our Shares so as to establish a short position in them,
- for the sole purpose of preventing or minimising any reduction in the market price of our Shares;
- (ii) exercise the Over-allotment Option so as to purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (i) above;
 - (iii) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (a) above in order to liquidate any position that has been established by such action; and/or
 - (iv) offer or attempt to do anything as described in paragraph (b)(i)(B), (b)(ii) or (b)(iii) above.

The Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares, and there is no certainty as to the extent to which or the time period for which it or any person acting for it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may have an adverse impact on the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Stock Exchange and ends on the last trading day before the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. Our Company will ensure or procure that a public announcement will be made within seven days after the end of the stabilising period in compliance with the Securities and Futures (Price Stabilising) Rules.

Any stabilising action taken by the Stabilising Manager 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 stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to an aggregate of 30,000,000 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Sole Global Coordinator on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

STRUCTURE OF THE GLOBAL OFFERING

In particular, for the purpose of settlement of over-allocations in connection with the International Placing, the Stabilising Manager may borrow up to 30,000,000 Shares, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Fung Yu Holdings by the Sole Global Coordinator in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 11 March 2015, it is expected that dealings in our Shares on the Stock Exchange will commence at 9:00 a.m. on 11 March 2015. Our Shares will be traded in board lots of 2,000 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and us on the Price Determination Date.

We expect that we will, on or around the Price Determination Date, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Placing.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section headed "Underwriting" in this prospectus.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the HK eIPO White Form service at www.hkeipo.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the HK eIPO White Form service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, our Company and the Sole Global Coordinator may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of HK eIPO White Form service for the Hong Kong Offer Shares.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in our Company and/or any its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a core connected person of our Company or will become a core connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Listing Rules) of any of the above; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through www.hkeipo.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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 Friday, 27 February 2015 to 12:00 noon on Wednesday, 4 March 2015 from:

- (i) The following offices of the Joint Bookrunners in Hong Kong:

BNP Paribas Securities (Asia) Limited
62/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

Haitong International Securities Company Limited
22/F, Li Po Chun Chambers
189 Des Voeux Road Central
Hong Kong

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) any of the following branches of Standard Chartered Bank (Hong Kong) Limited

	Branch	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Hennessy Road Branch	399 Hennessy Road, Wanchai
	North Point Centre Branch	Shop G, G/F, North Point Centre, 284 King's Road, North Point
Kowloon	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Mei Foo Stage I Branch	G/F, 1C Broadway, Mei Foo Sun Chuen Stage I, Lai Chi Kok
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to HORSFORD NOMINEES LIMITED-SUCHUANG GAS PUBLIC OFFER for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- 9:00 a.m. to 5:00 p.m., Friday, 27 February 2015
- 9:00 a.m. to 1:00 p.m., Saturday, 28 February 2015
- 9:00 a.m. to 5:00 p.m., Monday, 2 March 2015
- 9:00 a.m. to 5:00 p.m., Tuesday, 3 March 2015
- 9:00 a.m. to 12:00 noon, Wednesday, 4 March 2015

The application lists will be open from 11:45 a.m. to 12:00 noon on Wednesday, 4 March 2015, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

HOW TO APPLY FOR HONG KONG OFFER SHARES

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the HK eIPO White Form service, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorise our Company and/or the Sole Global Coordinator (or their agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- (ii) agree to comply with the Hong Kong Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you 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 or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;
- (viii) agree to disclose to our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners, the Underwriters, our Hong Kong Branch Share Registrar, the receiving bank and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number of such shares allocated to you under the application;
- (xv) authorise our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the HK eIPO White Form Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH HK eIPO WHITE FORM SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the HK eIPO White Form service for the Offer Shares to be allotted and registered in their own names through the designated website at www.hkeipo.hk.

Detailed instructions for application through the HK eIPO White Form service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorise the HK eIPO White Form Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the HK eIPO White Form service.

Time for Submitting Applications under the HK eIPO White Form

You may submit your application to the HK eIPO White Form Service Provider at www.hkeipo.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Friday, 27 February 2015 until 11:30 a.m. on Wednesday, 4 March 2015 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Wednesday, 4 March 2015 or such later time under the “Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of HK eIPO White Form, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the HK eIPO White Form service 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 HK eIPO White Form 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 HK eIPO White Form service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Hong Kong Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures 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
1/F, One & Two Exchange Square
8 Connaught Place, Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this 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 will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our Hong Kong Branch Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) HKSCC Nominees will do the following things on your behalf:
- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS participant;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;
 - confirm that you understand that our Company, our Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorise our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of our Company, the Sole Global Coordinator, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to our Company, our Hong Kong Branch Share Registrar, receiving banks, the Sole Global Coordinator, the Underwriters and/or its respective advisers and agents;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (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 itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Hong Kong Companies Ordinance and the Articles; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

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:

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the 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 maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase 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 for a minimum of 2,000 Hong Kong Offer Shares. Instructions for more than 2,000 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.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- 9:00 a.m. to 8:30 p.m.¹⁰, Friday, 27 February 2015
- 8:00 a.m. to 1:00 p.m.¹⁰, Saturday, 28 February 2015
- 8:00 a.m. to 8:30 p.m.¹⁰, Monday, 2 March 2015
- 8:00 a.m. to 8:30 p.m.¹⁰, Tuesday, 3 March 2015
- 8:00 a.m.¹⁰ to 12:00 noon, Wednesday, 4 March 2015

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Friday, 27 February 2015 until 12:00 noon on Wednesday, 4 March 2015 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Wednesday, 4 March 2015, the last application day or such later time as described in the paragraph headed “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

¹⁰ These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

No 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 for which you have given such instructions and/or for 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.

Section 40 of the Hong Kong 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 Hong Kong Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Hong Kong Branch Share Registrar, the receiving bankers, the Sole Global Coordinator, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the HK eIPO White Form service is also only a facility provided by the HK eIPO White Form Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the HK eIPO White Form service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Wednesday, 4 March 2015.

HOW TO APPLY FOR HONG KONG OFFER SHARES

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, 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 or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through HK eIPO White Form service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on 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;
- 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).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

HOW TO APPLY FOR HONG KONG OFFER SHARES

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the HK eIPO White Form service in respect of a minimum of 2,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 2,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.hkeipo.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and 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 by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure of the Global Offering – Pricing and Allocation” in this prospectus.

10. 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,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Wednesday, 4 March 2015. 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 warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Wednesday, 4 March 2015 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable” in this prospectus, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Tuesday, 10 March 2015 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company’s website at www.suchuanggas.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at www.suchuanggas.com and the Stock Exchange’s website at www.hkexnews.hk by no later than 8:00 a.m. on Tuesday, 10 March 2015;
- from the designated results of allocations website at www.tricor.com.hk/ipo/result with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Tuesday, 10 March 2015 to 12:00 midnight on Monday, 16 March 2015;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- by telephone enquiry line by calling +852 3691 8488 between 9:00 a.m. and 6:00 p.m. from Tuesday, 10 March 2015 to Friday, 13 March 2015;
- in the special allocation results booklets which will be available for inspection during opening hours from Tuesday, 10 March 2015 to Thursday, 12 March 2015 at all the receiving bank branches.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering” in this prospectus.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to HK eIPO White Form Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Hong Kong Companies Ordinance (as applied by Section 342E of the Hong Kong Companies Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees 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 press 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.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If our Company or its agents exercise their discretion to reject your application:

Our Company, the Sole Global Coordinator, the HK eIPO White Form Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares 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 date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying 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) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the HK eIPO White Form service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

HOW TO APPLY FOR HONG KONG OFFER SHARES

13. REFUND OF APPLICATION 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 maximum offer price of HK\$2.92 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” in this prospectus or if an application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on Tuesday, 10 March 2015.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following 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 the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest).

Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Tuesday, 10 March 2015. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

HOW TO APPLY FOR HONG KONG OFFER SHARES

Share certificates will only become valid at 8:00 a.m. on the Listing Date provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 10 March 2015 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised representative must bear a letter of authorisation from your corporation stamped with your corporation’s chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Branch Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Tuesday, 10 March 2015 by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Tuesday, 10 March 2015, by ordinary post and at your own risk.

If you apply by 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 or the designated CCASS Participant’s stock account as stated in your Application Form on Tuesday, 10 March 2015, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- If you apply through a designated CCASS Participant (other than a CCASS Investor Participant)

For Hong Kong Public Offering shares credited to your designated CCASS Participant’s stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS Participant.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- If you are applying as a CCASS Investor Participant

Our Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 10 March 2015 or any other date as 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 CCASS Internet System.

(iii) If you apply through the HK eIPO White Form service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from the Hong Kong Branch Share Registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Tuesday, 10 March 2015, or such other date as notified by our Company in the newspapers as the date of despatch/collection of Share certificates/e-Auto Refund payment instructions/refund cheques.

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 by ordinary post 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 on Tuesday, 10 March 2015 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Auto Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

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 instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If 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 the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Tuesday, 10 March 2015, or, on any other date determined by HKSCC or HKSCC Nominees.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in “Publication of Results” above on Tuesday, 10 March 2015. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Tuesday, 10 March 2015 or such other date as 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, 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 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, 10 March 2015. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Tuesday, 10 March 2015.

15. ADMISSION OF THE SHARES 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 date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) 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, prepared for the purpose of incorporation in this Prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 February 2015

The Directors
Suchuang Gas Corporation Limited
BNP Paribas Securities (Asia) Limited

Dear Sirs,

We set out below our report on the financial information of Suchuang Gas Corporation Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) comprising the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for each of the years ended 31 December 2011, 2012 and 2013, and the nine months ended 30 September 2014 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 September 2014, and the statements of financial position of the Company as at 31 December 2013 and 30 September 2014, together with the notes thereto (the “Financial Information”), and the comparative consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group for the nine months ended 30 September 2013 (the “Interim Comparative Information”), prepared on the basis of presentation set out in note 2 of Section II below, for inclusion in the prospectus of the Company dated 27 February 2015 (the “Prospectus”) in connection with the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 4 July 2013. Pursuant to a group reorganisation (the “Reorganisation”) as set out in note 1 of Section II below, which was completed on 15 April 2014, the Company became the holding company of the other subsidiaries comprising the Group. Apart from the Reorganisation, the Company has not commenced any business or operation since its incorporation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.

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 companies now comprising the Group have adopted 31 December as their financial year end date. The statutory financial statements of the companies now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the countries in which they were incorporated and/or established. Details of their statutory auditors during the Relevant Periods are set out in note 1 of Section II below.

For the purpose of this report, the directors of the Company (the "Directors") have prepared the consolidated financial statements of the Group (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for each of the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information, and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information, and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 *Prospectuses and the Reporting Accountant* issued by the HKICPA.

We have also performed a review of the Interim Comparative Information 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 principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 of Section II below, the Financial Information gives a true and fair view of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 30 September 2014, and of the state of affairs of the Company as at 31 December 2013 and 30 September 2014, and of the consolidated results and cash flows of the Group for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Consolidated Statements of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 31 December			Nine months ended 30 September	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
REVENUE	7	474,224	522,980	663,663	481,690	575,730
Cost of sales		(348,207)	(371,874)	(463,588)	(340,216)	(435,707)
Gross profit		126,017	151,106	200,075	141,474	140,023
Other income and gains	7	5,915	2,795	4,521	3,856	6,583
Selling and distribution costs		(2,277)	(2,794)	(2,796)	(2,154)	(3,733)
Administrative expenses		(7,086)	(8,581)	(20,923)	(12,576)	(15,348)
Other expenses		(42)	(997)	(305)	(298)	(1)
Finance costs	8	(42,069)	(52,231)	(42,267)	(33,295)	(16,053)
Share of profits and losses of:						
A joint venture		(34)	(3)	–	–	–
Associates		(282)	4,879	3,285	3,316	1,354
PROFIT BEFORE TAX	9	80,142	94,174	141,590	100,323	112,825
Income tax expense	12	(20,718)	(23,163)	(35,098)	(24,701)	(28,121)
PROFIT FOR THE YEAR/PERIOD		<u>59,424</u>	<u>71,011</u>	<u>106,492</u>	<u>75,622</u>	<u>84,704</u>
PROFIT FOR THE YEAR/PERIOD ATTRIBUTABLE TO:						
Owners of the parent	13	59,424	71,025	106,703	75,833	84,704
Non-controlling interests		–	(14)	(211)	(211)	–
		<u>59,424</u>	<u>71,011</u>	<u>106,492</u>	<u>75,622</u>	<u>84,704</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/ PERIOD ATTRIBUTABLE TO:						
Owners of the parent		59,424	71,025	106,703	75,833	84,704
Non-controlling interests		–	(14)	(211)	(211)	–
		<u>59,424</u>	<u>71,011</u>	<u>106,492</u>	<u>75,622</u>	<u>84,704</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	15	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

Details of the dividends for the Relevant Periods are disclosed in note 14 to the Financial Information.

Consolidated Statements of Financial Position

	Notes	As at 31 December			As at
		2011 RMB'000	2012 RMB'000	2013 RMB'000	30 September 2014 RMB'000
NON-CURRENT ASSETS					
Property, plant and equipment	17	392,775	486,885	566,762	561,625
Prepaid land lease payments	18	24,010	28,945	53,677	50,409
Investment in a joint venture	19	14,945	14,942	–	–
Investments in associates	20	73,358	77,283	75,805	75,312
Deferred tax assets	22	15,660	21,193	23,647	24,040
Other non-current assets	23	4,883	13,423	2,486	2,526
		<u>525,631</u>	<u>642,671</u>	<u>722,377</u>	<u>713,912</u>
CURRENT ASSETS					
Inventories	24	8,449	6,248	6,943	6,923
Amounts due from construction contract customers	25	36,176	30,586	47,417	47,598
Trade and bills receivables	26	11,826	39,089	57,466	53,485
Prepayments, deposits and other receivables	23	6,899	6,469	23,643	20,398
Amounts due from other related parties	27	543,436	570,490	196,086	627
Equity investments at fair value through profit or loss	28	1,000	–	–	–
Pledged deposits	29	88,237	80,577	6,463	4,513
Cash and cash equivalents	29	69,616	64,123	69,808	114,070
		<u>765,639</u>	<u>797,582</u>	<u>407,826</u>	<u>247,614</u>
CURRENT LIABILITIES					
Trade and bills payables	30	45,006	48,049	24,913	44,526
Other payables and accruals	31	61,063	49,779	68,812	55,672
Advances from customers		86,067	113,294	120,505	146,325
Amounts due to the Controlling Shareholders	27	72,330	27,844	–	–
Amounts due to other related parties	27	9,585	81,578	–	946
Amounts due to the holding company	27	–	–	33,435	–
Deferred income	33	6,604	9,338	11,830	13,022
Tax payable		11,987	19,011	26,120	26,264
Interest-bearing bank loans and other borrowings	34	506,549	564,270	499,000	–
		<u>799,191</u>	<u>913,163</u>	<u>784,615</u>	<u>286,755</u>
NET CURRENT LIABILITIES		<u>(33,552)</u>	<u>(115,581)</u>	<u>(376,789)</u>	<u>(39,141)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>492,079</u>	<u>527,090</u>	<u>345,588</u>	<u>674,771</u>

	Notes	As at 31 December			As at
		2011 RMB'000	2012 RMB'000	2013 RMB'000	30 September 2014 RMB'000
NON-CURRENT LIABILITIES					
Loans from a related party	32	25,833	27,150	–	–
Deferred income	33	46,090	64,090	73,978	75,157
Interest-bearing bank loans and other borrowings	34	110,000	50,000	–	170,000
		<u>181,923</u>	<u>141,240</u>	<u>73,978</u>	<u>245,157</u>
Net assets		<u>310,156</u>	<u>385,850</u>	<u>271,610</u>	<u>429,614</u>
EQUITY					
Equity attributable to owners of the parent					
Issued capital	35	–	–	62	98
Reserves	36(a)	310,156	383,463	271,548	429,516
		<u>310,156</u>	<u>383,463</u>	<u>271,610</u>	<u>429,614</u>
Non-controlling interests		–	2,387	–	–
Total equity		<u>310,156</u>	<u>385,850</u>	<u>271,610</u>	<u>429,614</u>

Consolidated Statements of Changes in Equity

	Attributable to owners of the parent				Non-controlling interests RMB'000	Total equity RMB'000
	Issued capital RMB'000	Merger reserve* RMB'000 Note 36(a)	Capital reserve* RMB'000 Note 36(a)	Statutory reserve fund* RMB'000 Note 36(a)		
At 1 January 2011	-	140,000	11,966	9,910	89,187	251,063
Profit and total comprehensive income for the year	-	-	-	-	59,424	59,424
Deemed distribution to a related party	-	-	(331)	-	-	(331)
Transfer from retained profits	-	-	-	5,942	(5,942)	-
At 31 December 2011 and 1 January 2012	-	140,000	11,635	15,852	142,669	310,156
Profit and total comprehensive income for the year	-	-	-	-	71,025	71,011
Deemed distribution to a related party	-	-	(217)	-	-	(217)
Transfer from retained profits	-	-	-	7,107	(7,107)	-
Capital contribution from a subsidiary of the Controlling Shareholders	-	2,499	-	-	-	2,499
At 31 December 2012 and 1 January 2013	-	142,499	11,418	22,959	206,587	383,463
Issue of shares	62	-	-	-	-	62
Profit and total comprehensive income for the year	-	-	-	-	106,703	106,492
Acquisition of equity interest of a subsidiary from a then shareholder	-	(2,499)	(225)	-	-	(2,724)
Deemed distribution to a related party	-	-	(5,894)	-	-	(5,894)
Dividend declared and paid	-	-	-	-	(210,000)	(210,000)
Transfer from retained profits	-	-	-	10,778	(10,778)	-
At 31 December 2013	62	140,000	5,299	33,737	92,512	271,610
						2,401
						385,850
						62
						(211)
						(4,900)
						(5,894)
						(210,000)
						-
						271,610
						-
						271,610

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Merger reserve*	Capital reserve*	Statutory reserve fund*	Retained profits*	Total	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 31 December 2013 and 1 January 2014								
Issue of shares	62	140,000	5,299	33,737	92,512	271,610	271,610	
Profit and total comprehensive income for the period	36	-	309,675	-	-	309,711	309,711	
Capital contribution from the holding company	-	-	-	-	84,704	84,704	84,704	
Acquisition of equity interests by the Group from then shareholders	-	-	932	-	-	932	932	
Dividend declared and paid	-	(214,343)	-	-	(23,000)	(214,343)	(214,343)	
	-	-	-	-	-	(23,000)	(23,000)	
At 30 September 2014	98	(74,343)	315,906	33,737	154,216	429,614	429,614	

* These reserve accounts comprise the consolidated reserves of RMB310,156,000, RMB383,463,000, RMB271,548,000 and RMB429,516,000 in the consolidated statements of financial position as at 31 December 2011, 2012 and 30 September 2014, respectively.

	Attributable to owners of the parent						Non-controlling interests	Total equity
	Issued capital	Merger reserve	Capital reserve	Statutory reserve fund	Retained profits	Total	Total equity	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Unaudited:								
At 1 January 2013								
Issue of shares	-	142,499	11,418	22,959	206,587	383,463	385,850	
Profit and total comprehensive income for the period	62	-	-	-	-	62	62	
Acquisition of equity interest of a subsidiary from a then shareholder	-	-	-	-	75,833	75,833	75,622	
Deemed distribution to a related party	-	(2,499)	(225)	-	-	(2,724)	(4,900)	
Dividend declared and paid	-	-	(5,894)	-	-	(5,894)	(5,894)	
	-	-	-	-	(210,000)	(210,000)	(210,000)	
At 30 September 2013	62	140,000	5,299	22,959	72,420	240,740	240,740	

Consolidated Statements of Cash Flows

	Notes	Year ended 31 December			Nine months ended 30 September	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		80,142	94,174	141,590	100,323	112,825
Adjustments for:						
Depreciation	9	17,059	17,824	23,627	17,660	23,547
Amortisation of prepaid land lease payments	9	563	666	1,284	916	1,091
(Gain)/loss on disposal of items of property, plant and equipment	9	(1,315)	427	201	201	–
Gain on disposal of prepaid land lease payments	9	(2,122)	–	–	–	(4,287)
Fair value loss/(gain) on equity investments at fair value through profit or loss	9	42	(19)	(1)	(1)	–
Impairment loss recognised on trade receivables, net	9	16	413	–	–	–
Amortisation of deferred income	33	(5,840)	(7,901)	(11,045)	(8,124)	(9,550)
Foreign exchange (gain)/loss	9	(1,393)	190	(575)	(671)	(730)
Bank interest income	7	(796)	(2,656)	(2,683)	(2,173)	(981)
Finance costs	8	42,069	52,231	42,267	33,295	16,053
Share of profits and losses of:						
A joint venture		34	3	–	–	–
Associates		282	(4,879)	(3,285)	(3,316)	(1,354)
		128,741	150,473	191,380	138,110	136,614
(Increase)/decrease in trade and bills receivables		3,548	(27,676)	(18,377)	(10,015)	3,981
(Increase)/decrease in amounts due from construction contract customers		(9,613)	5,590	(16,831)	1,996	(181)
(Increase)/decrease in prepayments, deposits and other receivables		19,497	28	(16,979)	(4,513)	3,149
(Increase)/decrease in inventories		1,497	2,201	(695)	2,971	20
(Increase)/decrease in amounts due from other related parties		–	(2,190)	230	230	1,333
Increase/(decrease) in trade and bills payables		2,152	3,043	(23,136)	13,968	19,613
Increase/(decrease) in other payables and accruals		8,395	185	12,723	1,901	(8,248)
Increase in advances from customers		24,463	27,227	7,211	11,854	25,820
Increase in deferred income		11,552	28,635	23,425	19,336	11,921
Increase/(decrease) in amounts due to other related parties		9,462	25,224	(25,224)	(25,224)	–
Cash generated from operations		199,694	212,740	133,727	150,614	194,022
Interest received		257	182	396	722	779
Tax paid		(21,289)	(21,672)	(30,443)	(21,666)	(28,370)
NET CASH FLOWS FROM OPERATING ACTIVITIES		178,662	191,250	103,680	129,670	166,431

APPENDIX I
**ACCOUNTANTS' REPORT OF
SUCHUANG GAS CORPORATION LIMITED**

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment	(134,744)	(113,915)	(97,726)	(94,793)	(49,593)
Value-added tax paid for the disposal of property, plant and equipment	–	(7,461)	–	–	–
Proceeds from disposal of items of property, plant and equipment	7,471	538	272	272	22,940
Proceeds from disposal of prepaid land lease payments	2,996	–	–	–	11,134
Purchase of prepaid land lease payments	(7,444)	(13,739)	(15,274)	(15,274)	–
Deregister of a joint venture	–	–	14,942	14,942	–
Proceeds from disposal of equity investments	20,000	–	–	–	–
Purchase of equity investments at fair value through profit or loss	(12,900)	(41,000)	(2,000)	(2,000)	–
Proceeds from disposal/maturity of equity investments at fair value through profit or loss	16,858	42,019	2,001	2,001	–
Dividends received from an associate	–	954	4,763	4,763	1,847
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(107,763)	(132,604)	(93,022)	(90,089)	(13,672)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issue of shares	–	–	62	62	279,160
Acquisition of equity interests of a subsidiary from then shareholders	–	–	(4,900)	(4,900)	(214,343)
Capital contribution from a subsidiary of the Controlling Shareholders	–	4,900	–	–	–
Withholding tax paid for acquisition of an equity interest of a subsidiary	–	(2,737)	–	–	–
(Increase)/decrease in pledged deposits	(85,737)	7,660	74,114	(115)	1,950
Interest received from pledged deposits	539	2,474	2,287	1,451	202
Dividends paid	–	–	(210,000)	–	(23,000)
Interest paid	(40,921)	(51,576)	(40,961)	(31,989)	(17,316)
New interest-bearing bank loans and other borrowings	644,099	834,033	619,000	596,944	190,000
Repayment of interest-bearing bank loans and other borrowings	(594,500)	(836,312)	(734,270)	(584,270)	(519,000)
Repayment of loans from a related party	–	–	(33,716)	(33,716)	–
(Increase)/decrease in amounts due from other related parties	(6,625)	(24,864)	105,902	(64,338)	194,126
Increase/(decrease) in amounts due to the Controlling Shareholders	72,330	(44,486)	7,026	(26,501)	–
Increase in amounts due to the holding company	–	–	33,435	33,680	–
Increase/(decrease) in amounts due to other related parties	(21,153)	46,769	177,048	94,724	(276)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(31,968)	(64,139)	(4,973)	(18,968)	(108,497)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year/period	38,931	(5,493)	5,685	20,613	44,262
	30,685	69,616	64,123	64,123	69,808
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD	69,616	64,123	69,808	84,736	114,070

Statements of Financial Position of the Company

	<i>Notes</i>	As at 31 December 2013 RMB'000	As at 30 September 2014 RMB'000
NON-CURRENT ASSET			
Investment in a subsidiary	21	8	8
CURRENT ASSET			
Amount due from a subsidiary	27	33,488	312,188
CURRENT LIABILITIES			
Amount due to the holding company	27	33,435	–
Other payables	31	108	947
		33,543	947
NET CURRENT (LIABILITIES)/ASSET		(55)	311,241
TOTAL ASSETS LESS CURRENT LIABILITIES		(47)	311,249
Net assets		(47)	311,249
EQUITY			
Issued capital	35	62	98
Reserves	36(b)	(109)	311,151
Total equity		(47)	311,249

II. NOTES TO FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Suchuang Gas Corporation Limited (the "Company") was incorporated in the Cayman Islands on 4 July 2013 as an exempted company with limited liability under the Companies Law, Chapter 22 of the Cayman Islands. The registered office of the Company is located at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman KY1-1108, Cayman Islands.

The principal activity of the Company is investment holding.

The principal business activities of the Group during the Relevant Periods included the distribution and sale of piped natural gas, the provision of natural gas transmission, the main contractor of construction and installation of gas pipelines in Mainland China.

In the opinion of the directors of the Company, the holding company of the Company is Fung Yu Holdings Limited ("Fung Yu Holdings") a company incorporated in the British Virgin Islands ("BVI"), and the ultimate controlling shareholders of the Company are Mr. Su Aping (蘇阿平) and Ms. Zhu Yaying (朱亞英) (together known as the "Controlling Shareholders").

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the section headed "History and Reorganisation" in the prospectus.

As at the date of this report, the Company has direct and indirect interests in its subsidiaries, all of which are private limited liability companies (or, if incorporated outside Hong Kong, have substantially similar characteristics to a private company incorporated in Hong Kong), the particulars of which are set out below:

Name of company	Date and place of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct %	Indirect %	
<u>Subsidiaries</u>					
China Suchuang Energy Co., (Hong Kong) Ltd. ⁽¹⁾ ("Suchuang Hong Kong")	6 August 2013 Hong Kong	HK\$10,000	100	–	Investment holding
Taicang Natural Gas Company Limited ⁽²⁾ ("Taicang Natural Gas") (太倉市天然氣有限公司)	14 May 2002 Mainland China	RMB188,000,000	–	100	Distribution and sale of natural gas, provision of natural gas transmission, main contractor of construction and installation of gas pipelines
Suzhou Zhongyu Energy Development Co., Ltd.* ⁽¹⁾ ("Suzhou Zhongyu") (蘇州中宇能源發展有限公司)	14 May 2012 Mainland China	RMB10,000,000	–	100	Construction and operation of natural gas filling stations

Notes:

* The English names of the subsidiaries registered in the People's Republic of China ("PRC") represents the best efforts made by management of the Company to translate their Chinese names as they do not have official English names.

(1) No audited financial statements have been prepared for these entities since the date of incorporation/establishment as the entities are not subject to any statutory audit requirements under the relevant rules and regulations in their jurisdiction of incorporation/establishment.

- (2) This entity is registered as a limited liability company under the laws of the PRC. The statutory financial statements for the years ended 31 December 2011, 2012 and 2013, prepared under PRC generally accepted accounting principles ("PRC GAAP"), were audited by the following auditors:

Financial year end	Auditors
Years ended 31 December 2011 and 2012	Hua Shen Certified Public Accountants (上海華申會計師事務所有限公司), Certified Public Accountants registered in Mainland China.
Year ended 31 December 2013	Xin Lianyi Certified Public Accountants (新聯誼會計師事務所有限公司), Certified Public Accountants registered in Mainland China.

2. BASIS OF PRESENTATION AND PREPARATION

Pursuant to the Reorganisation as more fully explained in the paragraph headed "Our Reorganisation" in the section headed "History and Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 15 April 2014. The companies now comprising the Group were under the common control of the Controlling Shareholders before and after the Reorganisation. Accordingly, for the purpose of this report, the Financial Information has been prepared on a consolidated basis by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the Relevant Periods.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the Relevant Periods include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2011, 2012 and 2013 and 30 September 2014 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from the Controlling Shareholders' perspective. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries and/or businesses held by parties other than the Controlling Shareholders, and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

The Financial Information has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB, and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for the accounting period commencing from 1 January 2014, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Financial Information throughout the Relevant Periods and in the period covered by the Interim Comparative Information.

The Financial Information has been prepared under the historical cost convention except for equity investments measured at fair value through profit or loss. The Financial Information is presented in Renminbi ("RMB"), which is the functional currency of the Company and its subsidiaries, and all values are rounded to the nearest thousand except when otherwise indicated.

The Group had net current liabilities of approximately RMB33,552,000, RMB115,581,000, RMB376,789,000 and RMB39,141,000 as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively. Having taken into account the cash flows from the operations and the current available banking facilities, the Directors consider that it is appropriate to prepare the Financial Information on a going concern basis.

3. ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information:

IFRS 9 (2013)	<i>Financial Instruments</i> ³
IFRS 9, IFRS 7 and IAS 39 Amendments	<i>Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39</i> ³
IFRS 10 and IAS 28 Amendments	<i>Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
IFRS 11 Amendments	<i>Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations</i> ¹
IFRS 14	<i>Regulatory Deferral Accounts</i> ¹
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
IAS 16 and IAS 41 Amendments	<i>Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants</i> ¹
IAS 16 and IAS 38 Amendments	<i>Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹
IAS 27 Amendments	<i>Amendments to IAS 27 Equity Method in Separate Financial Statements</i> ¹
Annual Improvements 2012-2014 Cycle	<i>Amendments to a number of IFRSs</i> ¹
IAS 1 Amendments	<i>Amendments to IAS 1 Disclosure Initiative</i> ¹
IFRS 10, IFRS 12 and IAS 28 Amendments	<i>Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Group is in the process of making an assessment of the impact of the new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs will have a significant impact on its results of operations and its financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**Basis of consolidation**

This Financial Information incorporates the financial statements of the Company and its subsidiaries for the Relevant Periods. As explained in note 2 above, the acquisition of subsidiaries under common control has been accounted for using the merger method of accounting.

The merger method of accounting involves incorporating the financial statement items of the consolidating entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or businesses first came under the control of the controlling party. No amount is recognised in respect of goodwill or the excess of the acquirers' interest in the net fair value of acquirees' identifiable assets, liabilities and contingent liabilities over the cost of investment at the time of common control consolidation. The consolidated statements of profit or loss and other comprehensive income include the results of each of the consolidating entities or businesses from the earliest date presented or since the date when the consolidating entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries that are not classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in profit or loss. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

The results of associates and joint ventures are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates and joint ventures are treated as non-current assets and are stated at cost less any impairment losses.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

Fair value measurement

The Group measures its equity investments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, construction contract assets, financial assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or close member of that person's family and that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.

or:

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) The entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings	2.40% to 9.50%
Gas pipelines	4.75%
Plant and machinery	6.33% to 19.00%
Furniture, fixtures and office equipment	19.00%
Motor vehicles	9.50% to 19.00%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas station structures, machinery, gas pipelines and other property, plant and equipment under construction which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets***Initial recognition and measurement***

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss and loans and receivables. When all financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39.

Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as other expenses in profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in IAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in profit or loss in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, 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 discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, interest-bearing bank borrowings and amounts due to other related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. The Group measures the financial guarantee contract at its fair value at the end of the reporting period.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and, in the case of finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Construction contracts

The balances of construction contracts represent the net amount of construction costs incurred to date and recognised profits (less recognised losses), less progress billings and provision for foreseeable contract losses.

Construction contract costs are valued at actual cost, and comprise direct materials, direct labour costs, construction machinery costs, other direct costs and construction overheads. For an individual contract whose costs incurred to date plus recognised profits (less recognised losses) exceed progress billings, the gross amount due from customers for contract work in inventories is presented as amounts due from construction contract customers. For an individual contract whose progress billings exceed costs incurred to date plus recognised profits (less recognised losses), the gross amount due to customers for contract work in advance from customers is presented as advances from customers.

The Group estimates total contract costs based on actual circumstances for each contract. Provision for foreseeable contract losses will be recognised in profit or loss where total estimated contract costs exceed total contract revenue.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income to match the grant on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;
- (c) from the rendering of services, when the services are rendered;
- (d) rental income, on a time proportion basis over the lease terms; and
- (e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits***Pension scheme***

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute 20% to 22% of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statements of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

This Financial Information is presented in Renminbi ("RMB"), which is the Group's and the Company's presentation and functional currency because the Group's principal operations are carried out in Mainland China. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Judgement

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

Withholding tax arising from the distribution of dividends

The Group's determination, as to whether to accrue withholding taxes arising from the distributions of dividends by certain subsidiaries according to the relevant tax rules enacted in the jurisdictions, is subject to judgement on the plan of the distribution of dividends.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below.

(i) *Useful lives of property, plant and equipment*

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The useful lives of property, plant and equipment are as disclosed in note 4 to the Financial Information.

(ii) *Impairment of trade receivables*

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. The carrying amount of trade receivables as at 31 December 2011, 2012 and 2013 and 30 September 2014 was RMB11,326,000, RMB23,649,000, RMB57,466,000 and RMB48,585,000, respectively. Further details are contained in note 26 to the Financial Information.

(iii) *Deferred tax*

Deferred tax assets relating to certain temporary differences are recognised as management considers that it is probable that future taxable profit will be available against which the temporary tax differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amount of deferred tax assets carried in the consolidated statement of financial position as at 31 December 2011, 2012 and 2013 and 30 September 2014 was RMB15,660,000, RMB21,193,000, RMB23,647,000, and RMB24,040,000, respectively, details of which are set out in note 22 to the Financial Information.

(iv) Estimation of the amortisation period of deferred income

The Group receives fees from customers in advance in exchange for the connection of gas pipelines to the urban natural gas pipeline network. These fees are received upfront and gradually amortised. The Group determines the estimated amortisation period of ten years for its revenue recognition. This estimate is based on the Group's historical experience of the actual service period and the strength of the Group's business relationship with each individual customer. It could differ significantly based on the customer's profile, expected term of the relationship and the strength of the customer's business relationship established with the Group. Generally, amortisation is calculated on the straight-line basis for ten years. The carrying amount of deferred income carried in the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 30 September 2014 was RMB52,694,000, RMB73,428,000, RMB85,808,000 and RMB88,179,000, respectively, details of which are set out in note 33 to the Financial Information.

6. SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is natural gas operation. Since this is the only reportable operating segment of the Group, no further operating segment analysis thereof is presented.

Geographical information

Geographical information is not presented since all of the Group's revenue from external customers is generated in Mainland China and all of the non-current assets of the Group are located in Mainland China. The non-current asset information is based on the location of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

Revenue from major customers each of which accounted for more than 10% of the Group's revenue is as follows:

Group

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Customer A	68,490	64,908	58,582	37,014	48,388
Customer B	64,366	65,621	68,682	50,798	52,248

The Directors have only little information about whether a group of entities are under common control; and therefore such assessment is made to the directors' best knowledge. Especially, such assessment is not made for those entities which might solely be under the ultimate common control of the government after taking into account the economic integration among such entities in the economic environment with a large number of state-owned entities in Mainland China.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable; and an appropriate proportion of contract revenue of construction contracts and service contracts, net of value-added tax, business tax and government surcharges.

An analysis of the Group's revenue, other income and gains is as follows:

Group

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Revenue					
Sale of natural gas	417,020	432,426	544,029	387,710	500,610
Construction and connection of gas pipelines	57,443	84,573	114,753	91,647	69,974
Transmission of natural gas	735	8,779	8,426	5,763	7,194
Others	3,395	2,507	2,470	1,667	2,518
	<u>478,593</u>	<u>528,285</u>	<u>669,678</u>	<u>486,787</u>	<u>580,296</u>
Less: Government surcharges	(4,369)	(5,305)	(6,015)	(5,097)	(4,566)
	<u>474,224</u>	<u>522,980</u>	<u>663,663</u>	<u>481,690</u>	<u>575,730</u>
Other income and gains					
Bank interest income	796	2,656	2,683	2,173	981
Foreign exchange gain	1,393	–	575	671	730
Gain on disposal of items of property, plant and equipment	1,315	–	–	–	–
Gain on disposal of prepaid land lease payments	2,122	–	–	–	4,287
Others	289	139	1,263	1,012	585
	<u>5,915</u>	<u>2,795</u>	<u>4,521</u>	<u>3,856</u>	<u>6,583</u>

8. FINANCE COSTS

An analysis of finance costs is as follows:

Group

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Interest on interest-bearing bank loans and other borrowings wholly repayable within five years	41,459	51,801	42,045	33,073	15,978
Others	610	430	222	222	75
	<u>42,069</u>	<u>52,231</u>	<u>42,267</u>	<u>33,295</u>	<u>16,053</u>

9. PROFIT BEFORE TAX

The Group's profit before tax for the Relevant Periods is arrived at after charging/(crediting):

Group

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Cost of inventories sold	327,313	348,712	436,427	320,062	411,499
Employee benefit expense (excluding Directors' remuneration as set out in <i>note 10</i>):					
Wages and salaries	3,706	4,481	5,218	4,021	4,890
Pension scheme contributions	389	499	526	363	382
Social security contributions and accommodation benefits	384	469	494	391	443
Auditors' remuneration	62	43	2,155	1,201	1,176
(Gain)/loss on disposal of items of property, plant and equipment	(1,315)	427	201	201	–
Gain on disposal of prepaid land lease payments (<i>note 7</i>)	(2,122)	–	–	–	(4,287)
Foreign exchange (gain)/loss	(1,393)	190	(575)	(671)	(730)
Depreciation (<i>note 17</i>)	17,059	17,824	23,627	17,660	23,547
Fair value loss/(gain) on equity investments at fair value through profit or loss	42	(19)	(1)	(1)	–
Impairment loss recognised on trade receivables, net (<i>note 26</i>)	16	413	–	–	–
Amortisation of prepaid land lease payments (<i>note 18</i>)	563	666	1,284	916	1,091
	<u>563</u>	<u>666</u>	<u>1,284</u>	<u>916</u>	<u>1,091</u>

10. DIRECTORS' REMUNERATION

Directors' remuneration during the Relevant Periods, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Group

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Fees	–	–	–	–	–
<i>Other emoluments:</i>					
Salaries, allowances and benefits in kind	–	–	50	25	271
Discretionary bonuses	–	–	–	–	–
Pension scheme contributions	–	–	–	–	–
	<u>–</u>	<u>–</u>	<u>50</u>	<u>25</u>	<u>271</u>

Independent non-executive directors

The fees paid to independent non-executive directors during the Relevant Periods were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Mr. Zhou Qingzu	-	-	-	-	-
Mr. He Junjie	-	-	-	-	-
Mr. Luk Wai Keung	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

There were no other emoluments payable to the independent non-executive directors during the Relevant Periods.

Executive directors and non-executive directors

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2011					
Executive directors:					
- Mr. Su Aping	-	-	-	-	-
- Ms. Zhu Yaying	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Year ended 31 December 2012					
Executive directors:					
- Mr. Su Aping	-	-	-	-	-
- Ms. Zhu Yaying	-	-	-	-	-
	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Year ended 31 December 2013					
Executive directors:					
- Mr. Su Aping	-	50	-	-	50
- Ms. Zhu Yaying	-	-	-	-	-
	-	50	-	-	50
	<u>-</u>	<u>50</u>	<u>-</u>	<u>-</u>	<u>50</u>
Nine months ended 30 September 2014					
Executive directors:					
- Mr. Su Aping	-	178	-	-	178
- Ms. Zhu Yaying	-	93	-	-	93
- Mr. Du Shaozhou	-	-	-	-	-
	-	271	-	-	271
A non-executive director:					
- Mr. Xu Lei	-	-	-	-	-
	-	271	-	-	271
	<u>-</u>	<u>271</u>	<u>-</u>	<u>-</u>	<u>271</u>

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
<u>Unaudited</u>					
Nine months ended 30 September 2013					
Executive directors:					
– Mr. Su Aping	–	25	–	–	25
– Ms. Zhu Yaying	–	–	–	–	–
	–	25	–	–	25

There was no arrangement under which a Director waived or agreed to waive any remuneration during the Relevant Periods.

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors until the date of incorporation, 4 July 2013.

Certain of the directors received remuneration from the subsidiaries now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors as recorded in the financial statements of the subsidiaries is set out below:

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Year ended 31 December 2011					
– Mr. Su Aping	–	5	–	–	5
– Ms. Zhu Yaying	–	44	–	–	44
	–	49	–	–	49
Year ended 31 December 2012					
– Mr. Su Aping	–	60	–	–	60
– Ms. Zhu Yaying	–	44	–	–	44
	–	104	–	–	104
During the period from 1 January 2013 to 4 July 2013					
– Mr. Su Aping	–	51	–	–	51
– Ms. Zhu Yaying	–	–	–	–	–
	–	51	–	–	51

11. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within the Group during the Relevant Periods is as follows:

	Number of employees				
	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013 (Unaudited)	2014
Directors	–	–	1	1	1
Non-Directors	5	5	4	4	4
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of Directors' remuneration are set out in note 10 above.

Details of the remuneration of the above non-Director, highest paid employees are as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Salaries, allowances and benefits in kind	307	321	310	246	1,371
Discretionary bonuses	–	–	–	–	–
Pension scheme contributions	11	18	27	23	28
	<u>318</u>	<u>339</u>	<u>337</u>	<u>269</u>	<u>1,399</u>

The number of non-Director, highest paid employees whose remuneration fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011	2012	2013	2013 (Unaudited)	2014
	Nil to HK\$1,000,000	<u>5</u>	<u>5</u>	<u>4</u>	<u>4</u>

During the Relevant Periods, no Directors or highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by the Group to the non-Director and highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

12. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in that jurisdiction.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the Relevant Periods.

The provision for Mainland China current income tax is based on the statutory rate of 25% of the assessable profits of the PRC subsidiaries of the Group as determined in accordance with the PRC Corporate Income Tax Law which was approved and became effective on 1 January 2008 (the "New Corporate Income Tax Law").

The major components of income tax expense are as follows:

Group

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Current tax:					
Income tax in the PRC for the year/period	23,197	28,696	37,552	27,391	28,514
Deferred tax (note 22)	<u>(2,479)</u>	<u>(5,533)</u>	<u>(2,454)</u>	<u>(2,690)</u>	<u>(393)</u>
Total tax charge for the year/period	<u>20,718</u>	<u>23,163</u>	<u>35,098</u>	<u>24,701</u>	<u>28,121</u>

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdiction in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Profit before tax	<u>80,142</u>	<u>94,174</u>	<u>141,590</u>	<u>100,323</u>	<u>112,825</u>
Notional tax on profit before tax, calculated at the statutory tax rate	20,036	23,544	35,398	25,081	28,206
Lower tax rate enacted by local authority	–	–	–	–	(163)
Expenses not deductible for tax	394	795	170	169	13
Tax losses not recognised	–	14	322	258	382
Profits and losses attributable to a joint venture and associates	<u>288</u>	<u>(1,190)</u>	<u>(792)</u>	<u>(807)</u>	<u>(317)</u>
Total tax charge recognised	<u>20,718</u>	<u>23,163</u>	<u>35,098</u>	<u>24,701</u>	<u>28,121</u>

The share of tax attributable to the joint venture was nil for each of the Relevant Periods.

The share of tax attributable to associates for the years ended 31 December 2011, 2012 and 2013 and the nine months ended 30 September 2014 amounted to RMB733,000, RMB1,642,000, RMB1,159,000 and RMB669,000, respectively.

The Group's share of tax attributable to the joint venture and associates is included in "Share of profits and losses of a joint venture and associates" in profit or loss.

13. PROFIT ATTRIBUTABLE TO OWNERS OF THE PARENT

The consolidated profit attributable to owners of the parent for the Relevant Periods includes a loss of RMB109,000 and a profit of RMB653,000 during the year ended 31 December 2013 and the nine months ended 30 September 2014, respectively, which has been dealt with in the financial statements of the Company (note 36(b)).

14. DIVIDENDS

No dividend has been paid or declared by the Company since its date of incorporation.

The dividend declared by the Company's subsidiary to its then shareholders during the Relevant Periods was as follows:

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Special dividend	—	—	210,000	210,000	23,000

As part of the Reorganisation, a special dividend of RMB210,000,000 and RMB23,000,000 proposed by the Board of Directors of Taicang Natural Gas to its then shareholders was approved on 1 July 2013 and 26 May 2014, respectively.

15. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation.

16. RETIREMENT BENEFITS AND ACCOMMODATION BENEFITS**Retirement benefits**

As stipulated by PRC regulations, subsidiaries in Mainland China participate in a defined contribution retirement scheme. All formal employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of their last employment at their retirement date. Subsidiaries in Mainland China are required to make contributions to the local social security bureau at rates of 20% to 22% of the average basic salaries of the employees under the employment of subsidiaries in Mainland China to whom the defined contribution retirement plan is applicable. Subsidiaries in Mainland China have no obligations for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

Accommodation benefits

According to the relevant PRC rules and regulations, subsidiaries in Mainland China are each required to make contributions, which are in proportion to the salaries and wages of the employees, to an accommodation fund administered by the Public Accumulation Funds Administration Centre. There are no further obligations on the part of subsidiaries in Mainland China, except for the contributions to the accommodation fund.

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost:							
At 1 January 2011	48,108	249,206	20,749	518	4,945	28,527	352,053
Additions	–	211	–	51	590	137,610	138,462
Transfers	1,848	62,427	4,105	–	–	(68,380)	–
Disposals	–	(49,178)	(3,796)	–	(325)	–	(53,299)
At 31 December 2011 and 1 January 2012	49,956	262,666	21,058	569	5,210	97,757	437,216
Additions	–	–	277	62	137	112,423	112,899
Transfers	2,049	18,677	1,068	–	–	(21,794)	–
Disposals	(997)	–	–	–	–	–	(997)
At 31 December 2012 and 1 January 2013	51,008	281,343	22,403	631	5,347	188,386	549,118
Additions	2,970	964	867	148	344	98,684	103,977
Transfers	146,298	108,875	14,192	–	–	(269,365)	–
Disposals	–	–	–	–	(590)	–	(590)
At 31 December 2013	200,276	391,182	37,462	779	5,101	17,705	652,505
At 31 December 2013 and 1 January 2014	200,276	391,182	37,462	779	5,101	17,705	652,505
Additions	566	–	–	137	2,190	38,457	41,350
Transfers	1,741	10,598	–	2,092	–	(14,431)	–
Disposals	(27,402)	–	–	–	–	–	(27,402)
At 30 September 2014	175,181	401,780	37,462	3,008	7,291	41,731	666,453

	Buildings RMB'000	Gas pipelines RMB'000	Plant and machinery RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Accumulated depreciation:							
At 1 January 2011	6,033	19,853	3,500	251	540	–	30,177
Charge for the year	2,640	12,088	1,707	88	536	–	17,059
Disposals	–	(2,233)	(520)	–	(42)	–	(2,795)
At 31 December 2011 and 1 January 2012	8,673	29,708	4,687	339	1,034	–	44,441
Charge for the year	2,487	12,872	1,877	89	499	–	17,824
Disposals	(32)	–	–	–	–	–	(32)
At 31 December 2012 and 1 January 2013	11,128	42,580	6,564	428	1,533	–	62,233
Charge for the year	3,064	17,596	2,386	81	500	–	23,627
Disposals	–	–	–	–	(117)	–	(117)
At 31 December 2013	14,192	60,176	8,950	509	1,916	–	85,743
At 31 December 2013 and 1 January 2014	14,192	60,176	8,950	509	1,916	–	85,743
Charge for the period	4,832	15,709	2,386	231	389	–	23,547
Disposals	(4,462)	–	–	–	–	–	(4,462)
At 30 September 2014	14,562	75,885	11,336	740	2,305	–	104,828
Net carrying amount:							
At 31 December 2011	41,283	232,958	16,371	230	4,176	97,757	392,775
At 31 December 2012	39,880	238,763	15,839	203	3,814	188,386	486,885
At 31 December 2013	186,084	331,006	28,512	270	3,185	17,705	566,762
At 30 September 2014	160,619	325,895	26,126	2,268	4,986	41,731	561,625

The Group has not obtained the certificate for the buildings with net carrying amounts of RMB23,162,000, RMB21,693,000, RMB22,539,000 and nil as at 31 December 2011, 2012 and 2013 and 30 September 2014, respectively.

The net book values of property, plant and equipment pledged as security for interest-bearing loans granted to the Group are as follows:

	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Guarantee (note 34)	127,896	122,353	251,257	131,366

18. PREPAID LAND LEASE PAYMENTS

Group

	As at 31 December			As at
	2011 RMB'000	2012 RMB'000	2013 RMB'000	30 September 2014 RMB'000
Cost:				
At beginning of year/period	22,833	26,843	32,582	59,356
Additions during the year/period	4,944	5,739	26,774	–
Disposals during the year/period	(934)	–	–	(2,808)
At end of year/period	26,843	32,582	59,356	56,548
Accumulated amortisation:				
At beginning of year/period	1,752	2,255	2,921	4,205
Amortisation during the year/period	563	666	1,284	1,091
Disposals during the year/period	(60)	–	–	(575)
At end of year/period	2,255	2,921	4,205	4,721
Net carrying amount at end of year/period	24,588	29,661	55,151	51,827
Current portion, included in prepayments, deposits and other receivables	(578)	(716)	(1,474)	(1,418)
Non-current portion	24,010	28,945	53,677	50,409

All of the Group's leasehold lands are held under long-term leases and are situated in Mainland China.

As at 31 December 2011, 2012 and 2013 and 30 September 2014, certain of the Group's prepaid land lease payments with aggregate net carrying amounts of RMB2,373,000, nil, RMB6,968,000 and RMB4,553,000, respectively, were pledged to banks to secure the borrowings granted to the Group (note 34).

The Group was in process of applying for the land certificates with a carrying amount of RMB2,936,000, RMB2,877,000 and RMB2,833,000 as at 31 December 2012 and 2013 and 30 September 2014.

19. INVESTMENT IN A JOINT VENTURE

Group

	As at 31 December			As at
	2011 RMB'000	2012 RMB'000	2013 RMB'000	30 September 2014 RMB'000
Share of net assets	14,945	14,942	–	–

No dividend was received from the joint venture during the Relevant Periods.

(a) Particulars of the joint venture are as follows:

Name of company	Nominal value of paid-up/registered capital	Place of incorporation/registration and operations	Percentage of Voting power	Ownership interest	Principal activities
Taicang Chuangda Gas Co., Ltd.* (太倉創大燃氣有限公司)	RMB30,000,000	Mainland China	50%	50%	Construction and operation of natural gas refuelling stations

* The English translation of the company name is for reference only. The official name of the company is in Chinese.

The investment in the joint venture is indirectly held by the Company.

- (b) The joint venture had no contingent liabilities or commitments as at the end of each of the Relevant Periods.
- (c) The joint venture had no business activity since its establishment. The following table illustrates the aggregate financial information of the Group's joint venture:

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Share of the joint venture's profit for the year/period	(34)	(3)	–	–	–
Share of the joint venture's total comprehensive income	<u>(34)</u>	<u>(3)</u>	<u>–</u>	<u>–</u>	<u>–</u>

- (d) The joint venture was deregistered on 21 June 2013.

20. INVESTMENTS IN ASSOCIATES

Group

	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Share of net assets	<u>73,358</u>	<u>77,283</u>	<u>75,805</u>	<u>75,312</u>

- (a) Particulars of the associates are as follows:

Name of company	Nominal value of paid-up/ registered capital	Place of registration and operations	Percentage of Voting power	Ownership interest	Principal activities
Suzhou PetroChina Kunlun Suchuang Gas Co., Ltd.* ("Kunlun Suchuang Gas") (蘇州中石油昆侖蘇創燃氣有限公司)	RMB117,650,000	Mainland China	49%	49%	Sale of gas products, and pipeline construction and maintenance
Suzhou PetroChina Kunlun Suchuang Natural Gas Usage Co., Ltd.* ("Kunlun Suchuang Usage") (蘇州中石油昆侖蘇創天然氣利用有限公司)	RMB50,000,000	Mainland China	40%	40%	Manufacture and sale of compressed natural gas

* The English translation of the company name is for reference only. The official name of the company is in Chinese.

- (b) The associates had no contingent liabilities as at the end of each of the Relevant Periods.
- (c) The Group's outstanding balances and transactions with the associates during the Relevant Periods are disclosed in note 27 and note 39 respectively.

- (d) The Group's investments in associates are considered to be individually material to the Group. The following table illustrates the summarised financial information of the Group's associates:

Kunlun Suchuang Gas

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Non-current assets	57,211	55,498	52,455	50,415
Current assets	64,179	76,453	71,131	73,349
Current liabilities	(4,876)	(6,586)	(3,751)	(6,935)
Net assets	<u>116,514</u>	<u>125,365</u>	<u>119,835</u>	<u>116,829</u>
Ownership interest (%)	49	49	49	49
	<u>57,092</u>	<u>61,429</u>	<u>58,719</u>	<u>57,246</u>
Impact of adjustments	(2,465)	(2,350)	(2,235)	(2,148)
Share of net assets	<u>54,627</u>	<u>59,079</u>	<u>56,484</u>	<u>55,098</u>

Kunlun Suchuang Gas distributed dividends to its shareholders amounting to RMB1,947,000, RMB9,720,000 and RMB3,770,000 in the years ended 31 December 2012 and 2013 and the nine months ended 30 September 2014, respectively. The Group's share of the dividend distribution was RMB954,000, RMB4,763,000 and RMB1,847,000, respectively.

	Year ended 31 December			Nine months ended	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Revenue	130,969	196,130	156,096	116,619	113,082
Profit for the year/period	<u>6,180</u>	<u>11,033</u>	<u>4,424</u>	<u>5,139</u>	<u>939</u>
Other comprehensive income for the year/period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income for the year/period	<u>6,180</u>	<u>11,033</u>	<u>4,424</u>	<u>5,139</u>	<u>939</u>
Ownership interest (%)	49*	49	49	49	49
Share of results	<u>793</u>	<u>5,406</u>	<u>2,168</u>	<u>2,518</u>	<u>460</u>

* On 12 December 2011, the Group increased its equity interest in Kunlun Suchuang Gas from 14.33% to 49.00%.

Kunlun Suchuang Usage

	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Non-current assets	17,354	20,265	17,272	29,770
Current assets	35,455	31,676	35,396	26,774
Non-current liabilities	(15)	–	–	–
Current liabilities	(5,966)	(6,430)	(4,366)	(6,009)
Net assets	<u>46,828</u>	<u>45,511</u>	<u>48,302</u>	<u>50,535</u>
Ownership interest (%)	40	40	40	40
Share of net assets	<u>18,731</u>	<u>18,204</u>	<u>19,321</u>	<u>20,214</u>

No dividend was received from Kunlun Suchuang Usage during the Relevant Periods.

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Revenue	24,253	58,137	83,215	58,885	68,821
Profit/(loss) for the year/period	<u>(2,687)</u>	<u>(1,317)</u>	<u>2,793</u>	<u>1,995</u>	<u>2,235</u>
Other comprehensive income for the year/period	–	–	–	–	–
Total comprehensive income/(loss) for the year/period	<u>(2,687)</u>	<u>(1,317)</u>	<u>2,793</u>	<u>1,995</u>	<u>2,235</u>
Ownership interest (%)	40	40	40	40	40
Share of results	<u>(1,075)</u>	<u>(527)</u>	<u>1,117</u>	<u>798</u>	<u>894</u>

21. INVESTMENT IN A SUBSIDIARY

Company

	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Unlisted shares, at cost	<u>–</u>	<u>–</u>	<u>8</u>	<u>8</u>

Particulars of the directly-held subsidiary are as disclosed in note 1 to the Financial Information.

22. DEFERRED TAX

Deferred tax assets

The following are the deferred tax assets recognised and the movements therein during the Relevant Periods:

Group

	Deferred income <i>RMB'000</i>	Allowance for doubtful receivables <i>RMB'000</i>	Accruals and provisions <i>RMB'000</i>	Total <i>RMB'000</i>
Deferred tax assets				
At 1 January 2011	11,746	18	1,417	13,181
Deferred tax credited to profit or loss during the year (<i>note 12</i>)	<u>1,428</u>	<u>4</u>	<u>1,047</u>	<u>2,479</u>
Gross deferred tax assets at 31 December 2011 and 1 January 2012	13,174	22	2,464	15,660
Deferred tax credited to profit or loss during the year (<i>note 12</i>)	<u>5,183</u>	<u>103</u>	<u>247</u>	<u>5,533</u>
Gross deferred tax assets at 31 December 2012 and 1 January 2013	18,357	125	2,711	21,193
Deferred tax credited/(charged) to profit or loss during the year (<i>note 12</i>)	<u>3,095</u>	<u>–</u>	<u>(641)</u>	<u>2,454</u>
Gross deferred tax assets at 31 December 2013 and 1 January 2014	21,452	125	2,070	23,647
Deferred tax credited/(charged) to profit or loss during the period (<i>note 12</i>)	<u>593</u>	<u>–</u>	<u>(200)</u>	<u>393</u>
At 30 September 2014	<u><u>22,045</u></u>	<u><u>125</u></u>	<u><u>1,870</u></u>	<u><u>24,040</u></u>

Deferred tax assets have not been recognised in respect of the following:

	<u>As at 31 December</u>			<u>As at 30 September</u>
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Tax losses not recognised	<u><u>–</u></u>	<u><u>57</u></u>	<u><u>1,288</u></u>	<u><u>1,528</u></u>

Deferred tax assets have not been recognised in respect of these losses as they have arisen in newly-established subsidiaries that have been loss-making and they are not considered probable that taxable profits will be available in the foreseeable future against which the tax losses can be utilised.

Deferred tax liabilities

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

As at the end of each of the Relevant Periods, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of a subsidiary of the Group established in Mainland China. In the opinion of the Directors, it is not probable that this subsidiary will distribute earnings arising from 1 January 2008 to 30 September 2014 in the foreseeable future. The aggregate amount of temporary differences associated with the investment in the subsidiary in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB9.4 million and RMB15.6 million, as at 31 December 2013 and 30 September 2014, respectively.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLESGroup

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Prepayments	4,936	12,547	16,951	12,895
Deposits and other receivables	6,846	7,345	9,178	10,029
	<u>11,782</u>	<u>19,892</u>	<u>26,129</u>	<u>22,924</u>
<i>Classified as:</i>				
Current	6,899	6,469	23,643	20,398
Non-current	4,883	13,423	2,486	2,526
	<u>11,782</u>	<u>19,892</u>	<u>26,129</u>	<u>22,924</u>

Prepayments, deposits and other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

None of the above assets is either past due or impaired. The financial assets included in the above balances relate to receivables for which there was no recent history of default.

24. INVENTORIESGroup

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Construction materials	7,924	5,796	6,378	6,253
Natural gas	495	421	313	640
Consumables	30	31	252	30
	<u>8,449</u>	<u>6,248</u>	<u>6,943</u>	<u>6,923</u>

25. AMOUNTS DUE FROM CONSTRUCTION CONTRACT CUSTOMERS

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Arising from construction of natural gas pipelines	36,176	30,586	47,417	47,598

26. TRADE AND BILLS RECEIVABLES

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Trade receivables	11,412	24,148	57,965	49,084
Less: Impairment	(86)	(499)	(499)	(499)
	11,326	23,649	57,466	48,585
Bills receivable	500	15,440	–	4,900
	11,826	39,089	57,466	53,485

The Group's trading terms with its customers are mainly on credit except for certain new customers where payment in advance is required. The average trade credit period ranges from 5 days to 180 days. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk.

Trade and bills receivables are unsecured and non-interest-bearing.

Aging analysis by invoice date

An aged analysis of the trade receivables as at the end of each of the Relevant Periods, based on the invoice date and net of provisions, is as follows:

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Within 90 days	5,105	12,182	37,194	25,783
90 days to 180 days	950	9,147	4,224	3,586
180 days to 360 days	1,461	–	11,990	12,486
Over 360 days	3,810	2,320	4,058	6,730
	11,326	23,649	57,466	48,585

Trade receivables not individually nor collectively impaired

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

Group

	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Neither past due nor impaired	6,055	20,702	35,285	29,369
Past due but not impaired:				
Less than 90 days	1,461	–	17,587	9,289
Over 90 days	3,810	2,947	4,594	9,927
	<u>11,326</u>	<u>23,649</u>	<u>57,466</u>	<u>48,585</u>

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Trade receivables that are impaired

The Group's trade receivables that are impaired at the end of each of the Relevant Periods and the movements in the provision for impairment of trade receivables are as follows:

Group

	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Movement in allowance account:				
At beginning and end of year/period	70	86	499	499
Impairment for trade receivables	16	413	–	–
	<u>86</u>	<u>499</u>	<u>499</u>	<u>499</u>

The impaired trade receivables relate to individual customers that were in financial difficulties or were in default in payments and the receivables are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

27. BALANCES WITH RELATED PARTIES

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
<u>Amounts due from other related parties</u>				
Suzhou City Suchuang Group Co., Ltd. ("Suchuang Group")	–	–	194,126	–
Shanghai Shenxin International Trading Co., Ltd.	203,825	169,071	–	–
Taicang Suchuang LPG Co., Ltd.	90,827	126,627	–	–
Taicang Sunan Petroleum Co., Ltd.	6,953	30,598	–	–
Kunlun Suchuang Gas	–	1,250	1,010	294
Kunlun Suchuang Usage	–	940	950	295
Suzhou Suling Automobile Service	–	–	–	38
Others*	241,831	242,004	–	–
	<u>543,436</u>	<u>570,490</u>	<u>196,086</u>	<u>627</u>
<u>Amounts due to the Controlling</u>				
<u>Shareholders</u>				
Mr. Su Aping	68,330	23,844	–	–
Ms. Zhu Yaying	4,000	4,000	–	–
	<u>72,330</u>	<u>27,844</u>	<u>–</u>	<u>–</u>
<u>Amounts due to the holding company</u>				
Dekai Energy	–	–	33,435	–
<u>Amounts due to other related parties</u>				
Suzhou Shunchuang Pipeline Engineering Co., Ltd.	–	49,091	–	–
Shanghai Pudong Gas Development Co., Ltd.	–	17,670	–	–
Kunlun Suchuang Gas	345	–	–	–
Kunlun Suchuang Usage	436	–	–	–
Others	8,804	14,817	–	946
	<u>9,585</u>	<u>81,578</u>	<u>–</u>	<u>946</u>

Company

	As at 31 December			As at
	2011 RMB'000	2012 RMB'000	2013 RMB'000	30 September 2014 RMB'000
<u>Amount due from a subsidiary</u>				
Suchuang Hong Kong	–	–	33,488	312,188
	<u>–</u>	<u>–</u>	<u>33,488</u>	<u>312,188</u>
<u>Amount due to the holding company</u>				
Dekai Energy	–	–	33,435	–
	<u>–</u>	<u>–</u>	<u>33,435</u>	<u>–</u>

* The ultimate controlling shareholders of other related companies are the Controlling Shareholders.

The amounts due from other related parties and the Controlling Shareholders were non-trade in nature, except for the aggregate amounts of RMB2,190,000, RMB1,960,000 and RMB627,000 as at 31 December 2012 and 2013 and 30 September 2014, respectively.

The amounts due to other related parties and the Controlling Shareholders were non-trade in nature, except for the aggregate amounts of RMB3,510,000 and RMB28,734,000 as at 31 December 2011 and 2012, respectively.

During the Relevant Periods, the aggregate amounts due from/to other related parties and the Controlling Shareholders were unsecured, repayable on demand and interest-free.

28. EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSSGroup

	As at 31 December			As at
	2011 RMB'000	2012 RMB'000	2013 RMB'000	30 September 2014 RMB'000
Equity investments in Mainland China at fair value	1,000	–	–	–
	<u>1,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

The equity investments represent funds issued by financial institutions in Mainland China. The fair value of these funds is determined by reference to published price quotations in an active market.

29. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Cash and bank balances	157,853	144,700	76,271	118,583
Less: Pledged short-term deposits	(88,237)	(80,577)	(6,463)	(4,513)
Cash and cash equivalents	<u>69,616</u>	<u>64,123</u>	<u>69,808</u>	<u>114,070</u>
Denominated in RMB	157,853	144,700	45,786	118,135
Denominated in US\$	–	–	30,485	413
Denominated in HK\$	–	–	–	35
	<u>157,853</u>	<u>144,700</u>	<u>76,271</u>	<u>118,583</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents and pledged deposits approximate to their fair values.

As at 31 December 2011 and 2012, pledged deposits represent deposits:

- (i) pledged to banks to secure bank note facilities granted to the Group;
- (ii) pledged as security for trade payables to suppliers of natural gas; and
- (iii) pledged to banks to secure other borrowing facilities granted to the Group.

As at 31 December 2013 and 30 September 2014, the balances of pledged deposits all pledged as security for trade payables to suppliers of natural gas.

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

30. TRADE AND BILLS PAYABLES

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Trade payables	8,506	13,349	24,913	44,526
Bills payable	36,500	34,700	–	–
	<u>45,006</u>	<u>48,049</u>	<u>24,913</u>	<u>44,526</u>

An aged analysis of the outstanding trade payables as at the end of each of the Relevant Periods based on the invoice date is as follows:

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Within 90 days	5,653	9,635	19,848	25,792
91 to 180 days	997	518	2,410	16,268
181 to 365 days	1,107	2,461	1,556	2,466
1 to 2 years	719	705	1,069	–
Over 2 years	30	30	30	–
	<u>8,506</u>	<u>13,349</u>	<u>24,913</u>	<u>44,526</u>

Trade payables are non-interest-bearing and are normally settled within 180 days. Bills payable were settled within 180 days for the Relevant Periods.

31. OTHER PAYABLES AND ACCRUALS

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Payroll and welfare payables	619	749	1,144	1,774
Accruals	1,799	1,544	1,603	2,171
Other tax payables	11,881	1,684	8,139	6,117
Other payables	46,764	45,802	57,926	45,610
	<u>61,063</u>	<u>49,779</u>	<u>68,812</u>	<u>55,672</u>

Company

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Payroll and welfare payables	–	–	–	947
Accruals	–	–	108	–
	<u>–</u>	<u>–</u>	<u>108</u>	<u>947</u>

Other payables are unsecured, non-interest-bearing and repayable on demand.

32. LOANS FROM A RELATED PARTY

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Loans from a related party	25,833	27,150	–	–

The loans amounting to US\$5,500,000 were obtained in 2009 and 2010 from Kiska International Inc., a related party of the Group, with a fixed interest rate of 2% per annum and were repayable in 2019. The Group made an advance repayment of all principal and interest amounts on 9 September 2013.

33. DEFERRED INCOME

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
At beginning of year/period	46,982	52,694	73,428	85,808
Additions during the year/period	11,552	28,635	23,425	11,921
Released to profit or loss	(5,840)	(7,901)	(11,045)	(9,550)
At end of year/period	52,694	73,428	85,808	88,179
Analysed into:				
Current	6,604	9,338	11,830	13,022
Non-current	46,090	64,090	73,978	75,157
At end of year/period	52,694	73,428	85,808	88,179

Deferred income represents the fees from customers in advance in exchange for the connection of gas pipelines to the urban natural gas pipeline network. These fees are received upfront and revenue is recognised over their expected useful lives of ten years.

34. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Bank loans, secured	554,049	489,970	499,000	170,000
Bank loans, unsecured	–	–	–	–
	554,049	489,970	499,000	170,000
Other borrowings, secured	62,500	124,300	–	–
	616,549	614,270	499,000	170,000
Bank loans bear interest at rates per annum in the range of	5.18% to 9.20%	5.40% to 7.57%	5.20% to 7.20%	7.21%
Other borrowings bear interest at rates per annum in the range of	10.92%	5.77% to 6.34%	N/A	N/A
Repayable within one year	506,549	564,270	499,000	–
Repayable in the second year	60,000	50,000	–	40,000
Repayable in the third to fifth years, inclusive	50,000	–	–	130,000
	616,549	614,270	499,000	170,000
Analysed into:				
Current	506,549	564,270	499,000	–
Non-current	110,000	50,000	–	170,000
	616,549	614,270	499,000	170,000

Other borrowings represent the borrowings obtained from banks by discounting the bank acceptance notes and such borrowings were guaranteed by related parties. The Group's interest-bearing bank loans and other borrowings are all denominated in RMB.

The carrying amounts of the Group's current interest-bearing bank loans and other borrowings approximate to their fair values.

The Group's interest-bearing bank loans and other borrowings are secured by the pledges of the following assets with carrying values at the end of each of the Relevant Periods as follows:

	Notes	As at 31 December			As at
		2011	2012	2013	30 September
		RMB'000	RMB'000	RMB'000	2014
					RMB'000
Pledge of assets:					
Time deposits	(i)	52,500	44,300	–	–
Prepaid land lease payments	(ii)	2,373	–	6,968	4,553
Property, plant and equipment	(iii)	127,896	122,353	251,257	131,366

Notes:

- (i) Other borrowings were secured by the Group's time deposits amounting to RMB12,500,000 and RMB44,300,000 as at 31 December 2011 and 2012, respectively. In addition, a bank loan amounting to RMB39,600,000 was secured by the Group's time deposits amounting to RMB40,000,000 as at 31 December 2011.
- (ii) The interest-bearing bank loans amounting to RMB166,449,000, RMB160,000,000, RMB140,000,000 and RMB170,000,000 as at 31 December 2011, 2012 and 2013 and 30 September 2014 were jointly secured by Group's prepaid land lease payments, property, plant and equipment, related parties and properties of related parties. Details are disclosed in note 39(b) to the Financial Information.
- (iii) The other borrowings amounting to RMB62,500,000 and RMB94,300,000 as at 31 December 2011 and 2012, respectively, were guaranteed by Shanghai Shenxin. The other borrowings amounting to RMB30,000,000 as at 31 December 2012 were guaranteed by Lihe Energy. Details are disclosed in note 39(b) to the Financial Information.
- (iv) The interest-bearing bank loans amounting to RMB328,000,000, RMB329,970,000, and RMB359,000,000 as at 31 December 2011, 2012 and 2013 respectively were guaranteed by related parties and properties of related parties. Details are disclosed in note 39(b) to the Financial Information.
- (v) The interest-bearing bank loan amounting to RMB20,000,000 as at 31 December 2011 was guaranteed by an independent third party of the Group, Suzhou Guofa Guarantee and Investment Co., Ltd. (蘇州國發中小企業擔保投資有限公司) for a consideration of RMB360,000.

35. ISSUED CAPITAL

Shares

	Notes	Number of shares	Nominal value of US\$1 each	Nominal value of HK\$0.01 each	Nominal value RMB
Authorised:					
Upon incorporation, and at 31 December 2013	(i)	50,000	50,000	–	308,775
Authorisation	(ii)	5,000,000,000	–	50,000,000	39,378,500
Repurchase and cancellation	(iii)	(50,000)	(50,000)	–	(308,775)
At 30 September 2014		<u>5,000,000,000</u>	<u>–</u>	<u>50,000,000</u>	<u>39,378,500</u>
	Notes	Number of shares	Nominal value of US\$1 each	Nominal value of HK\$0.01 each	Nominal value RMB
Issued and fully paid:					
Upon incorporation, and at 31 December 2013	(i)	10,000	10,000	–	61,755
Issues of shares	(ii)	7,800,000	–	78,000	61,430
Repurchase	(iii)	(10,000)	(10,000)	–	(61,755)
Issues of shares	(iv)	4,599,256	–	45,993	36,328
At 30 September 2014		<u>12,399,256</u>	<u>–</u>	<u>123,993</u>	<u>97,758</u>

Notes:

- (i) On 4 July 2013, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000.00 divided into 50,000 shares with a par value of US\$1.00 each. In addition 10,000 shares were fully-paid and issued to Dekai Energy Investment Limited ("Dekai Energy"), a company incorporated in the BVI.

- (ii) On 20 January 2014, the authorised share capital of the Company was increased to the aggregate of US\$50,000.00 and HK\$50,000,000.00 by the creation of an additional 5,000,000,000 shares with a par value of HK\$0.01 each. On the same date, 7,800,000 shares with a par value of HK\$0.01 each (the "New Shares") were issued and allotted to Dekai Energy as fully paid shares in consideration of the Repurchase (as defined below) of shares from Dekai Energy by the Company.
- (iii) On 20 January 2014, the Company repurchased 10,000 shares with a par value of US\$1.00 each from Dekai Energy (the "Repurchase"), such repurchase price was made out of the proceeds of the issue of the New Shares which is made for the purpose of the Repurchase. On the same date following the Repurchase, any authorised but unissued shares with a par value of US\$1.00 each were cancelled and the amount of authorised share capital of the Company was diminished by the amount of the shares so cancelled, and that the authorised share capital of the Company became HK\$50,000,000.00 divided into 5,000,000,000 shares with a par value of HK\$0.01 each.
- (iv) On 19 February 2014, the Company capitalised a loan of US\$5,000,000 due to Dekai Energy by issuing and allotting 200,000 shares with a par value of HK\$0.01 to Dekai Energy as fully paid.

On 19 February 2014, Dekai Energy transferred 8,000,000 shares, representing the then entire issued share capital of the Company, to Fung Yu Holdings in consideration of the assignment of the Promissory Notes by Fung Yu Holdings to Dekai Energy. Subsequent to the transfer, the Company became a wholly-owned subsidiary of Fung Yu Holdings.

The Company issued 3,420,955 shares to Fung Yu Holdings. The cash consideration of US\$ equivalent of RMB200,000,000 for the issuance was unconditionally settled on 28 February 2014.

On 10 March 2014, Fung Yu Holdings and Jade Deluxe entered into a share transfer agreement (the "Jade Deluxe Agreement") pursuant to which Fung Yu Holdings agreed to transfer to Jade Deluxe 495,970 shares in consideration of HK\$36,900,000.

The Company issued 978,301 shares to Fung Yu Holdings in consideration of US\$12,937,000 (equivalent to RMB79,160,000) on 24 June 2014.

36. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity of the Financial Information.

Merger reserve

The merger reserve of the Group represents the reserve arose pursuant to the Reorganisation as mentioned in note 2 of Section II to the Financial Information. Details of the movements in the merger reserve are set out in the consolidated statements of changes in equity.

Statutory reserve fund

In accordance with the relevant PRC regulations applicable to wholly-foreign-owned companies, certain entities within the Group are required to allocate a certain portion (not less than 10%), as determined by their Boards of Directors, of their profit after tax in accordance with PRC GAAP to the statutory reserve fund (the "SRF") until such reserve reaches 50% of the registered capital.

The SRF is non-distributable other than in the event of liquidation and, subject to certain restrictions set out in the relevant PRC regulations, can be used to offset accumulated losses or be capitalised as issued capital.

In accordance with relevant regulations and the articles of association, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its net profit (after offsetting accumulated losses from prior years) to the statutory surplus reserve. After the balance of such reserve reaches 50% of the entity's capital, any further appropriation is at the discretion of the company. The statutory surplus reserve can be utilised to offset accumulated losses or increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after such usages.

Capital reserve

Capital reserve pertains to the benefit derived by the Group from receiving related-party loans with interest rates below the market rate.

Distributable reserve

For dividend purposes, the amounts which the PRC companies can legally distribute by way of a dividend are determined by reference to the distributable profits as reflected in their PRC statutory financial statements which are prepared in accordance with PRC GAAP. These profits differ from those that are reflected in this report which is prepared in accordance with IFRSs.

In accordance with the Company Law of the PRC, profits after tax of the PRC companies can be distributed as dividends after the appropriation to the SRF as set out above.

(b) Company

	Capital surplus <i>RMB'000</i>	Retained profits/ (accumulated losses) <i>RMB'000</i>	Total equity <i>RMB'000</i>
At 4 July 2013 (date of incorporation)	–	–	–
Loss for the period	–	(109)	(109)
At 31 December 2013 and 1 January 2014	–	(109)	(109)
Profit for the period	–	653	653
Deemed contribution from the holding company	932	–	932
Capital injection	309,675	–	309,675
At 30 September 2014	<u>310,607</u>	<u>544</u>	<u>311,151</u>

The Company's capital surplus represents the excess of the fair value of the shares of the Company over the nominal value of the Company's shares issued in exchange therefor.

37. OPERATING LEASE ARRANGEMENTS**As lessor**

The Group leases certain sections of its buildings under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The terms of the leases generally also require tenants to pay security deposits.

At the end of each of the Relevant Periods, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

Group

	As at 31 December			As at 30 September
	2011 <i>RMB'000</i>	2012 <i>RMB'000</i>	2013 <i>RMB'000</i>	2014 <i>RMB'000</i>
Within one year	81	322	879	1,222
In the second to fifth years, inclusive	–	403	1,166	1,274
	<u>81</u>	<u>725</u>	<u>2,045</u>	<u>2,496</u>

38. CAPITAL COMMITMENTS

The Group had the following capital commitments at the end of each of the Relevant Periods:

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
<i>Contracted, but not provided for:</i>				
Plant and machinery	1,217	573	7,742	–
Land and buildings	18,830	11,311	–	–
Motor vehicles	–	–	–	220
	<u>20,047</u>	<u>11,884</u>	<u>7,742</u>	<u>220</u>

39. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Group
Kunlun Suchuang Gas	Associated company
Kunlun Suchuang Usage	Associated company
Suzhou City Suchuang Group Co., Ltd. ("Suchuang Group") (蘇州市蘇創集團有限公司)	Company controlled by the Controlling Shareholders
Taicang Port Lihe Energy Development Co., Ltd. ("Lihe Energy") (太倉港力合能源發展有限公司)	Company controlled by the Controlling Shareholders
Shanghai Suchuang International Trading Co., Ltd. ("Suchuang International") (上海蘇創國貿有限公司)	Company controlled by the Controlling Shareholders
Shanghai Shenxin International Trading Co., Ltd. ("Shanghai Shenxin") (上海申鑫國際貿易有限公司)	Company controlled by the Controlling Shareholders
Taicang Suchuang LPG Co., Ltd. ("Suchuang LPG") (太倉蘇創液化氣有限公司)	Company controlled by the Controlling Shareholders
Taicang Suchuang Dangerous Goods Transportation Co., Ltd ("Dangerous Goods Transportation") (太倉蘇創危險品運輸有限公司)	Company controlled by the Controlling Shareholders
Suzhou Shunchuang Pipeline Engineering Co., Ltd. ("Suzhou Shunchuang Pipeline") (蘇州順創管道工程有限公司)	Company controlled by the Controlling Shareholders
Suzhou Suling Automobile Service Co., Ltd. ("Suzhou Suling Automobile Service") (蘇州蘇菱汽車服務有限公司)	Company controlled by the Controlling Shareholders

- (b) Apart from the transactions and balances disclosed elsewhere in the Financial Information, the Group had the following material transactions with related parties during the Relevant Periods:

	Notes	Year ended 31 December			Nine months ended 30 September	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Associates:						
<u>Transmission and sale of natural gas to</u>						
Kunlun Suchuang Gas	(i)(1)	288	10,897	7,427	6,168	4,369
Kunlun Suchuang Usage	(i)(1)	10,450	2,776	2,833	2,023	3,174
		<u>10,738</u>	<u>13,673</u>	<u>10,260</u>	<u>8,191</u>	<u>7,543</u>
<u>Purchase of natural gas from</u>						
Kunlun Suchuang Gas	(i)(1)	3,481	11,866	42,870	30,041	24,609
Kunlun Suchuang Usage	(i)(1)	25	–	1,300	1,090	118
		<u>3,506</u>	<u>11,866</u>	<u>44,170</u>	<u>31,131</u>	<u>24,727</u>
<u>Rental income</u>						
Kunlun Suchuang Gas	(ii)(2)	–	–	130	67	404
Kunlun Suchuang Usage	(ii)(2)	322	572	591	356	295
		<u>322</u>	<u>572</u>	<u>721</u>	<u>423</u>	<u>699</u>
<u>Disposal of fixed assets and prepaid land lease payments</u>						
Kunlun Suchuang Gas	(i)(1)	57,945	–	–	–	–
Suchuang Group	(i)(2)	–	–	–	–	34,074
		<u>57,945</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>34,074</u>
Fellow subsidiaries:						
<u>Rental income</u>						
Suchuang Group	(ii)(1)	–	–	68	–	347
Suchuang LPG	(ii)(2)	–	–	–	–	84
		<u>–</u>	<u>–</u>	<u>68</u>	<u>–</u>	<u>431</u>
<u>Trademark fee</u>						
Suchuang Group	(iv)	–	–	–	–	–
<u>Sale of natural gas to</u>						
Lihe Energy	(i)(1)	–	196	–	–	–
<u>Purchase of construction materials from</u>						
Suchuang International	(i)(2)	9,028	4,813	2,694	2,694	–
Shanghai Shenxin	(i)(2)	39,939	40,220	18,920	18,920	–
		<u>48,967</u>	<u>45,033</u>	<u>21,614</u>	<u>21,614</u>	<u>–</u>

	Notes	Year ended 31 December			Nine months ended 30 September	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
<i>Purchase of goods from</i>						
Suzhou Suling Automobile Service	(i)(3)	–	–	94	72	84
Suchuang LPG	(i)(1)	1,750	1,498	990	747	620
		<u>1,750</u>	<u>1,498</u>	<u>1,084</u>	<u>819</u>	<u>704</u>
<i>Service of transportation provided by</i>						
Dangerous Goods						
Transportation	(i)(2)	–	–	271	255	31
		<u>–</u>	<u>–</u>	<u>271</u>	<u>255</u>	<u>31</u>
<i>Service of gas pipeline connection provided by</i>						
Suzhou Shunchuang Pipeline	(iii)	30,201	37,567	99,234	91,020	12,984
		<u>30,201</u>	<u>37,567</u>	<u>99,234</u>	<u>91,020</u>	<u>12,984</u>

Notes:

- (i) The above transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

On July 2014, the Group entered into an agreement with Suchuang Group to sell certain items of buildings to Suchuang Group at a total consideration of RMB34,074,000. The consideration is determined and agreed by two parties by reference to the market value based on valuations performed by an independent professionally qualified valuer.

- (ii) Represents consideration received for the rental of office premises to the Group's associates and the fellow subsidiaries. The Directors confirmed that the annual rent payable under the relevant rent agreements had been agreed by both parties.
- (iii) The construction and installation fees paid to Suzhou Shunchuang Pipeline were determined with reference to the scale and complexity of work carried out by Suzhou Shunchuang Pipeline, the fixed price relating to construction and installation set by the local government, the market rate and the terms with independent third parties engaged by the Group in similar transactions. Suzhou Shunchuang Pipeline ceased to be the related party of the Group from July 2014 as the equity interest of Suzhou Shunchuang Pipeline held by the Controlling Shareholders was disposed to the independent third parties on 16 July 2014. Accordingly, those transactions starting from July 2014 were no longer treated as related party transactions of the Group.
- (iv) The Group has entered into a trademark licensing agreement with Suchuang Group, on 1 August 2014 (the "Trademark Licensing Agreement"), pursuant to which Suchuang Group agreed to grant to Taicang Natural Gas and Suzhou Zhongyu the right to use its trademarks in the PRC at a nominal consideration of RMB1.00.

- (v) Other transactions with related parties:

The related party transactions listed below are all free of charge.

Guarantees provided for interest-bearing bank loans and other borrowings by related parties

- (1) The Group's other borrowings amounting to RMB62,500,000 and RMB94,300,000 as at 31 December 2011 and 2012, respectively, were guaranteed by Shanghai Shenxin.
- (2) The Group's other borrowings amounting to RMB30,000,000 as at 31 December 2012 were guaranteed by Lihe Energy.

(3) The Group's interest-bearing bank loans were jointly guaranteed as follows:

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Controlling Shareholders	–	110,000	20,000	–
Fellow subsidiaries	60,000	62,970	–	–
Controlling Shareholders and fellow subsidiaries	198,000	120,000	289,000	–
Controlling Shareholders, fellow subsidiaries and shares of a fellow subsidiary	30,000	30,000	30,000	–
Controlling Shareholders, fellow subsidiary and a property of a fellow subsidiary	20,000	7,000	20,000	–
Fellow subsidiaries and properties of fellow subsidiaries	20,000	–	–	–
Fellow subsidiaries and properties of the Group	136,450	160,000	50,000	–
Controlling Shareholders, fellow subsidiaries and properties of the Group	–	–	30,000	170,000
Controlling Shareholders, fellow subsidiaries, properties of the Group and properties of a fellow subsidiary	–	–	60,000	–
	<u>464,450</u>	<u>489,970</u>	<u>499,000</u>	<u>170,000</u>

Guarantees provided for interest-bearing bank loans of other related party

Group

	Year ended 31 December			Nine months ended	
	2011	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Suchuang LPG	<u>62,295</u>	<u>40,000</u>	<u>21,000</u>	<u>21,000</u>	<u>–</u>

On 20 February 2010, the Group guaranteed the interest-bearing bank loans for Suchuang LPG for two years, free of charge, which were renewed on 15 March 2012 and repaid on 15 March 2014.

(c) Outstanding balances with related parties:

Details of the Group's balances with the Controlling Shareholders and other related parties at the end of each of the Relevant Periods are disclosed in note 27 to the Financial Information.

(d) Compensation of key management personnel of the Group

	Year ended 31 December			Nine months ended 30 September	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Basic salaries and other benefits	263	261	209	175	1,427
Pension scheme contributions	11	18	27	23	29
Total compensation paid to key management personnel	<u>274</u>	<u>279</u>	<u>236</u>	<u>198</u>	<u>1,456</u>

Further details of directors' emoluments are included in note 10 to the Financial Information.

The related party transactions in respect of items (b)(ii)(1), (b)(i)(3) and (b)(iv) above also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. As Kunlun Suchuang Gas, Kunlun Suchuang Usage, Lihe Energy, Suchuang LPG and Suzhou Shunchuang Pipeline are not connected person according to the Listing Rules, the related party transactions in respect of items (b)(i)(1), (b)(ii)(2) and (b)(iii) do not constitute continuing connected transactions as defined in chapter 14A of the Listing Rules.

The Directors confirmed that the related party transactions in respect of item (b)(i)(2) above will not be continued in the future after the proposed listing of the shares of the Company on the Main Board of the Stock Exchange.

40. LOANS TO DIRECTORS

Name of related party	Relationship with the Group
Shanghai Shenxin	Company controlled by Mr. Su Aping
Suchuang LPG	Company controlled by Mr. Su Aping
Suzhou Shunchuang Pipeline	Company controlled by Mr. Su Aping
Lihe Energy	Company controlled by Mr. Su Aping
Suchuang International	Company controlled by Mr. Su Aping
Suzhou Suling Automobile Service	Company controlled by Mr. Su Aping
Dangerous Goods Transportation	Company controlled by Mr. Su Aping
Suchuang Group	Company controlled by Mr. Su Aping
Shanghai Putai Trading Industrial Co., Ltd. ("Shanghai Putai") (上海浦太貿易實業有限公司)	Company controlled by Mr. Su Aping
Taicang Suchuang Property Development Co., Ltd. ("Taicang Property") (太倉蘇創房地產開發有限公司)	Company controlled by Mr. Su Aping
Shanghai Suchuang Transportation Co., Ltd. ("Suchuang Transportation") (上海蘇創汽車運輸有限公司)	Company controlled by Mr. Su Aping
Taicang Sunan Petroleum Co., Ltd. ("Taicang Sunan Petroleum") (太倉蘇南石油有限公司)	Company controlled by Mr. Su Aping
Shanghai Chuanping Gas Co., Ltd. ("Chuanping Gas") (上海川平煤氣有限公司)	Company controlled by Mr. Su Aping
Shanghai Suchuang Puxi Gas Appliance Co., Ltd. ("Puxi Gas") (上海蘇創浦西燃氣具有限公司)	Company controlled by Mr. Su Aping

Name of related party	Relationship with the Group
Shanghai Pudong Gas Development Co., Ltd. ("Pudong Gas") (上海浦東燃氣發展有限公司)	Company controlled by Mr. Su Aping
Shanghai Suchuang Industrial Co., Ltd. ("Suchuang Industrial") (上海蘇創實業有限公司)	Company controlled by Mr. Su Aping
Suzhou Suchuang Chemical Petroleum Co., Ltd. ("Suchuang Chemical Petroleum") (蘇州蘇創化工石油有限公司)	Company controlled by Mr. Su Aping

Loans to directors (including directors and companies controlled by the directors), disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance, are as follows:

Group

Name	As at	Maximum amount	As at	Security held
	31 December 2011	outstanding during the year	1 January 2011	
	RMB'000	RMB'000	RMB'000	
Mr. Su Aping	–	14,066	12,452	None
Ms. Zhu Yaying	–	400	400	None
Shanghai Shenxin	203,825	315,146	218,406	None
Suchuang LPG	90,827	217,892	118,493	Note
Suzhou Shunchuang Pipeline	44,888	103,456	28,646	None
Suchuang Group	38,935	39,161	5,111	None
Lihe Energy	38,000	38,500	–	None
Shanghai Putai	21,246	21,246	21,246	None
Taicang Property	17,729	44,929	35,809	None
Suchuang International	12,383	15,448	4,714	None
Suzhou Suling Automobile Service	8,214	8,214	6,908	None
Suchuang Transportation	7,812	7,812	–	None
Taicang Sunan Petroleum	6,953	23,430	19,430	None
Chuanping Gas	3,270	3,270	3,270	None
Pudong Gas	–	28,178	28,178	None
Suchuang Chemical Petroleum	–	50	50	None
Dangerous Goods Transportation	–	37	37	None
Puxi Gas	1,969	1,969	1,969	None
	<u>496,051</u>	<u>883,204</u>	<u>505,119</u>	

APPENDIX I

ACCOUNTANTS' REPORT OF
SUCHUANG GAS CORPORATION LIMITED

Name	As at	Maximum amount	As at	Security held
	31 December 2012	outstanding during the year	1 January 2012	
	RMB'000	RMB'000	RMB'000	
Mr. Su Aping	–	20	–	None
Shanghai Shenxin	169,071	249,174	203,825	None
Suchuang LPG	126,627	142,745	90,827	Note
Suzhou Shunchuang Pipeline	–	85,331	44,888	None
Suchuang Group	45,626	45,626	38,935	None
Lihe Energy	14,400	38,000	38,000	None
Shanghai Putai	21,246	21,246	21,246	None
Taicang Property	25,377	25,377	17,729	None
Suchuang International	22,281	25,893	12,383	None
Suzhou Suling Automobile Service	13,790	13,790	8,214	None
Suchuang Transportation	7,812	7,812	7,812	None
Taicang Sunan Petroleum	30,598	30,598	6,953	None
Chuanping Gas	3,270	3,270	3,270	None
Pudong Gas	–	1,300	–	None
Suchuang Industrial	16,000	16,000	–	None
Suchuang Chemical Petroleum	4,300	10,300	–	None
Dangerous Goods Transportation	1,396	1,396	–	None
Puxi Gas	1,969	1,969	1,969	None
	<u>503,763</u>	<u>719,847</u>	<u>496,051</u>	

Name	As at	Maximum amount	As at	Security held
	31 December 2013	outstanding during the year	1 January 2013	
	RMB'000	RMB'000	RMB'000	
Shanghai Shenxin	–	292,880	169,071	None
Suchuang LPG	–	126,627	126,627	Note
Suzhou Shunchuang Pipeline	–	14,793	–	None
Suchuang Group	194,126	194,126	45,626	None
Lihe Energy	–	14,470	14,400	None
Shanghai Putai	–	21,246	21,246	None
Taicang Property	–	27,749	25,377	None
Suchuang International	–	24,352	22,281	None
Suzhou Suling Automobile Service	–	14,000	13,790	None
Suchuang Transportation	–	7,812	7,812	None
Taicang Sunan Petroleum	–	89,059	30,598	None
Chuanping Gas	–	3,543	3,270	None
Suchuang Industrial	–	26,000	16,000	None
Suchuang Chemical Petroleum	–	12,750	4,300	None
Dangerous Goods Transportation	–	4,952	1,396	None
Puxi Gas	–	1,969	1,969	None
	<u>194,126</u>	<u>876,328</u>	<u>503,763</u>	

Name	As at 30 September 2014 RMB'000	Maximum amount outstanding during the period RMB'000	As at 1 January 2014 RMB'000	Security held
Suchuang Group	–	194,126	194,126	None

Unaudited

Name	As at 30 September 2013 RMB'000	Maximum amount outstanding during the period RMB'000	As at 1 January 2013 RMB'000	Security held
Ms. Zhu Yaying	9,000	18,000	–	None
Shanghai Shenxin	289,605	289,605	169,071	None
Suchuang LPG	10,000	126,627	126,627	Note
Suchuang Group	97,500	97,500	45,626	None
Lihe Energy	–	14,470	14,400	None
Shanghai Putai	21,246	21,246	21,246	None
Taicang Property	18,239	27,339	25,377	None
Suchuang International	–	24,352	22,281	None
Suzhou Suling Automobile service	13,456	14,000	13,790	None
Suchuang Transportation	7,812	7,812	7,812	None
Taicang Sunan Petroleum	66,390	89,059	30,598	None
Chuanping Gas	3,543	3,543	3,270	None
Suchuang Industrial	26,000	26,000	16,000	None
Suchuang Chemical Petroleum	4,050	12,750	4,300	None
Dangerous Goods Transportation	4,952	4,952	1,396	None
Puxi Gas	1,969	1,969	1,969	None
	<u>573,762</u>	<u>779,224</u>	<u>503,763</u>	

The loans granted to directors are interest-free and have no fixed terms of repayment.

Note: Details of security held for Suchuang LPG are disclosed in note 39(b)(iv) to the Financial Information.

41. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at the end of each of the Relevant Periods:

Group

	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
<i>Financial assets</i>				
Loans and receivables				
Trade and bills receivables	11,826	39,089	57,466	53,485
Financial assets included in prepayments, deposits and other receivables	2,687	3,510	5,429	5,001
Amounts due from other related parties	543,436	570,490	196,086	627
Pledged deposits	88,237	80,577	6,463	4,513
Cash and cash equivalents	69,616	64,123	69,808	114,070
	<u>715,802</u>	<u>757,789</u>	<u>335,252</u>	<u>177,696</u>
Financial assets held-for-trading at fair value through profit or loss				
Equity investments at fair value through profit or loss	1,000	–	–	–
	<u>1,000</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Financial liabilities</i>				
Financial liabilities measured at amortised cost				
Trade and bills payables	45,006	48,049	24,913	44,526
Other payables and accruals	48,563	47,346	59,529	47,781
Amounts due to the Controlling Shareholders	72,330	27,844	–	–
Amounts due to other related parties	9,585	81,578	–	946
Amounts due to the holding company	–	–	33,435	–
Loans from a related party	25,833	27,150	–	–
Interest-bearing bank loans and other borrowings	616,549	614,270	499,000	170,000
	<u>817,866</u>	<u>846,237</u>	<u>616,877</u>	<u>263,253</u>

Company

	As at 31 December	As at 30 September
	2013 RMB'000	2014 RMB'000
<i>Financial assets</i>		
Loans and receivables		
Amount due from a subsidiary	33,488	312,188
<i>Financial liabilities</i>		
Financial liabilities measured at amortised cost		
Other payables	108	947
Amounts due to the holding company	33,435	–
	33,543	947

42. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. As at 31 December 2011, 2012 and 2013 and 30 September 2014, the carrying amounts of the Group's financial instruments approximated to their fair values.

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, trade and bills payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to other related parties, amounts due to the holding company, amounts due to the Controlling Shareholders and current portion of interest-bearing bank loans and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments as at 31 December 2011, 2012 and 2013 and 30 September 2014.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of non-current portion of interest-bearing bank loans and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The fair values of non-current portion of interest-bearing bank loans and other borrowings at the end of the reporting period approximated to their corresponding carrying amounts.

The fair values of the loans from a related party are calculated by discounting the expected future cash flows at prevailing interest rates published by the People's Bank of China upon initial recognition and are measured at amortised cost.

Assets measured at fair value:Group

	Fair value measurement using Quoted prices in active markets (Level 1)			
	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Equity investments at fair value through profit or loss	1,000	–	–	–

The Company did not have any financial assets measured at fair value at the end of each of the Relevant Periods.

Liabilities measured at fair value:

The Group and the Company did not have any financial liabilities measured at fair value at the end of each of the Relevant Periods.

Asset for which fair values is disclosed:

The Group and the Company did not have financial asset for which fair values are disclosed at the end of each of the Relevant Periods.

Liabilities for which fair values are disclosed:

Group

	Fair value measurement using Significant observable inputs (Level 2)			
	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Loans from a related party	25,833	27,150	–	–
Interest-bearing bank loans and other borrowings (non-current portion)	110,000	50,000	–	170,000
	<u>135,833</u>	<u>77,150</u>	<u>–</u>	<u>170,000</u>

The Company did not have financial liabilities for which fair values are disclosed at the end of each of the Relevant Periods.

43. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments mainly include cash and cash equivalents, pledged deposits, trade and bills receivables, and trade and bills payables, which arise directly from its operations. The Group has other financial assets and liabilities such as interest-bearing bank borrowings, amounts due from and to the Controlling Shareholders, amounts due from and to related parties, and deposits and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarised below:

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to its interest-bearing bank loan and other borrowings. The Group does not use derivative financial instruments to hedge its interest rate risk. With all other variables held constant, the Group's profit after tax and equity is affected through the impact on floating rate borrowings, as follows:

Group

	Increase/(decrease) on profit after tax and equity			
	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Increase by 25 basis points	(293)	(206)	(497)	(425)
Decrease by 25 basis points	293	206	497	425
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Foreign currency risk

The Group's businesses are located in Mainland China and the majority of transactions are conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group has not hedged its foreign exchange rate risk.

The following table demonstrates the sensitivity at the end of each of the Relevant Periods to a reasonably possible change in the US\$ exchange rate, with all other variables held constant, of the Group's profit after tax and equity.

Group

	Increase/(decrease) on profit after tax and equity			
	As at 31 December			As at
	2011	2012	2013	30 September
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
RMB/US\$				
Strengthened 5%	910	953	1,198	–
Weakened 5%	(955)	(1,001)	(1,297)	–
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis; therefore, the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, the composition of which is disclosed in note 41, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Concentrations of credit risk exist when changes in economic, industrial or geographic factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade and bills receivables) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings. In addition, banking facilities have been put in place for contingency purposes.

The maturity profile of the Group's financial liabilities as at the end of each of the Relevant Periods, based on the contractual undiscounted payments, was as follows:

Group

	On demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
At 31 December 2011					
Trade and bills payables	–	45,006	–	–	45,006
Other payables and accruals	46,764	–	–	–	46,764
Loans from a related party	–	–	–	40,375	40,375
Amounts due to the Controlling Shareholders	72,330	–	–	–	72,330
Amounts due to other related parties	9,585	–	–	–	9,585
Interest-bearing bank loans and other borrowings	–	525,894	114,270	–	640,164
	<u>128,679</u>	<u>570,900</u>	<u>114,270</u>	<u>40,375</u>	<u>854,224</u>
Financial guarantee issued:					
Maximum amount guaranteed (Note 39)	<u>–</u>	<u>64,000</u>	<u>–</u>	<u>–</u>	<u>64,000</u>
At 31 December 2012					
Trade and bills payables	–	48,049	–	–	48,049
Other payables and accruals	45,802	–	–	–	45,802
Loans from a related party	–	–	–	39,429	39,429
Amounts due to the Controlling Shareholders	27,844	–	–	–	27,844
Amounts due to other related parties	81,578	–	–	–	81,578
Interest-bearing bank loans and other borrowings	–	585,417	50,070	–	635,487
	<u>155,224</u>	<u>633,466</u>	<u>50,070</u>	<u>39,429</u>	<u>878,189</u>
Financial guarantee issued:					
Maximum amount guaranteed (Note 39)	<u>–</u>	<u>–</u>	<u>64,000</u>	<u>–</u>	<u>64,000</u>
At 31 December 2013					
Trade and bills payables	–	24,913	–	–	24,913
Other payables and accruals	57,926	–	–	–	57,926
Amounts due to the holding company	33,435	–	–	–	33,435
Interest-bearing bank loans and other borrowings	–	510,478	–	–	510,478
	<u>91,361</u>	<u>535,391</u>	<u>–</u>	<u>–</u>	<u>626,752</u>
Financial guarantee issued:					
Maximum amount guaranteed (Note 39)	<u>–</u>	<u>64,000</u>	<u>–</u>	<u>–</u>	<u>64,000</u>

	On demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
At 30 September 2014					
Trade and bills payables	–	44,526	–	–	44,526
Other payables and accruals	47,061	–	–	–	47,061
Amounts due to other related parties	946	–	–	–	946
Interest-bearing bank loans and other borrowings	–	12,969	195,742	–	208,711
	<u>48,007</u>	<u>57,495</u>	<u>195,742</u>	<u>–</u>	<u>301,244</u>
Financial guarantee issued: Maximum amount guaranteed (Note 39)	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

The amount included above for financial guarantee contracts is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the Relevant Periods, the Group considers that it is more likely than not that no amount will be payable under the arrangement.

Company

	On demand RMB'000	Within 1 year RMB'000	Within 2 to 5 years RMB'000	More than 5 years RMB'000	Total RMB'000
At 31 December 2013					
Amounts due to the holding company	<u>33,435</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>33,435</u>

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a net debt to equity ratio, which is net debt divided by capital. The Group's net debt consists of interest-bearing bank loans and other borrowings and related party loans, less cash and cash equivalents. Capital represents total equity.

At the end of each of the Relevant Periods, the Group's strategy was to maintain the net debt to equity ratio at a healthy capital level in order to support its businesses. The principal strategies adopted by the Group include, but are not limited to, reviewing future cash flow requirements and the ability to meet debt repayment schedules when they fall due, maintaining a reasonable level of available banking facilities and adjusting investment plans and financing plans, if necessary, to ensure that the Group has a reasonable level of capital to support its business. The net debt to equity ratios at the end of each of the Relevant Periods are as follows:

Group

	As at 31 December			As at 30 September
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Loans from a related party	25,833	27,150	–	–
Interest-bearing bank loans and other borrowings	616,549	614,270	499,000	170,000
Less: Cash and cash equivalents	(69,616)	(64,123)	(69,808)	(114,070)
Net debt	572,766	577,297	429,192	55,930
Total equity	310,156	385,850	271,610	429,614
Net debt to equity ratio	185%	150%	158%	13%

44. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed below and elsewhere in the notes to the Financial Information set out above, there is no other material subsequent event undertaken by the Company or by the Group after 30 September 2014:

As disclosed in the sections headed "Business – Our Strategies", "Future Plans and Use of Proceeds" and "Relationship with Controlling Shareholders – Information on other Companies Owned by our Controlling Shareholders – Suzhou Suling Automobile Service" in the Prospectus, the Group has the intention to acquire the CNG and LNG refuelling station business (the "Target Business") from Suzhou Suling Automobile Service and will enter a relevant deed of first offer with the Controlling Shareholders subsequent to 30 September 2014, when its non-compliance matters have been rectified.

The financial information of the Target Business of Suzhou Suling Automobile Service for the period from 18 July 2012 (the date of commencement of the Target Business) to 31 December 2012, the year ended 31 December 2013 and each of the nine months ended 30 September 2013 and 2014 is disclosed in Appendix IA "Accountants' report of the Target Business of Suzhou Suling Automobile Service".

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Group or any of its subsidiaries in respect of any period subsequent to 30 September 2014. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The following is the text of a report, prepared for the purpose of incorporation in this Prospectus, received from our reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong.



22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 February 2015

The Directors
Suchuang Gas Corporation Limited
BNP Paribas Securities (Asia) Limited

Dear Sirs,

We set out below our report on the financial information of CNG and LNG refuelling station business (the "Target Business") of Suzhou Suling Automobile Service Company Limited (蘇州蘇菱汽車服務有限公司, "Suzhou Suling Automobile Service") comprising the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Business for the period from 18 July 2012 (the date of commencement of the Target Business) to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 (the "Relevant Periods"), and the statements of financial position of the Target Business as at 31 December 2012 and 2013 and 30 September 2014, together with the notes thereto (the "Financial Information"), and the comparative statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Target Business for the nine months ended 30 September 2013 (the "Interim Comparative Information"), for inclusion in Appendix IA to the prospectus of Suchuang Gas Corporation Limited dated 27 February 2015 (the "Prospectus") in connection with the listing of the shares of Suchuang Gas Corporation Limited on the Main Board of The Stock Exchange of Hong Kong (the "Stock Exchange").

Suzhou Suling Automobile Service was established on 7 December 1992 in the People's Republic of China (the "PRC") as a limited liability company and commenced the Target Business since 18 July 2012.

As at the end of the Relevant Periods, the statutory financial statements of Suzhou Suling Automobile Service were prepared in accordance with the relevant accounting principles applicable in the PRC. The statutory financial statements of Suzhou Suling Automobile Service for the year ended 31 December 2012 and 2013 were audited by Xin Lian Yi Certified Public Accountants Co., Ltd. (新聯誼會計師事務所有限公司), a certified public accounting firm registered in the PRC.

For the purpose of this report, the directors of the Suzhou Suling Automobile Service (the "Directors") have prepared the financial statements of the Target Business (the "Underlying Financial Statements") in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB"). The Underlying Financial Statements for the period from 18 July 2012 to 31 December 2012, the year ended 31 December 2013 and the nine months ended 30 September 2014 were audited by us in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that give a true and fair view in accordance with IFRSs, and for such internal control as the Directors determine is necessary to enable the preparation of the Underlying Financial Statements, the Financial Information and the Interim Comparative Information that are free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

It is our responsibility to form an independent opinion and a review conclusion on the Financial Information and the Interim Comparative Information, respectively, and to report our opinion and review conclusion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 Prospectuses and the Reporting Accountant issued by the HKICPA.

We have also performed a review of the Interim Comparative Information in accordance with Hong Kong Standard on Review Engagement 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA. A review consists principally of making enquiries of management and applying analytical procedures to the financial information and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets and liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an opinion on the Interim Comparative Information.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report and on the basis of presentation set out in note 2 of section II below, the Financial Information gives a true and fair view of the state of affairs of the Target Business as at 31 December 2012 and 2013 and 30 September 2014 and of the financial results and cash flows of the Target Business for each of the Relevant Periods.

REVIEW CONCLUSION IN RESPECT OF THE INTERIM COMPARATIVE INFORMATION

Based on our review which does not constitute an audit, for the purpose of this report and on the basis of presentation set out in note 2 of section II below, nothing has come to our attention that causes us to believe that the Interim Comparative Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

Statements of Profit or Loss and Other Comprehensive Income

		The period from		Nine months ended	
		18 July to 31 December	Year ended 31 December	30 September	
		2012	2013	2013	2014
	Notes	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
REVENUE	7	1,219	16,093	10,679	17,724
Cost of sales		(1,011)	(14,136)	(9,157)	(15,681)
Gross profit		208	1,957	1,522	2,043
Selling and distribution costs		(64)	(1,236)	(700)	(1,559)
Administrative expenses		(62)	(366)	(276)	(473)
Other expenses		–	(2)	–	–
PROFIT BEFORE TAX	8	82	353	546	11
Income tax expense	11	(21)	(100)	(145)	(4)
PROFIT FOR THE YEAR/PERIOD		<u>61</u>	<u>253</u>	<u>401</u>	<u>7</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD		<u>61</u>	<u>253</u>	<u>401</u>	<u>7</u>

Statements of Financial Position

		As at 31 December		As at 30 September
		2012	2013	2014
	Notes	RMB'000	RMB'000	RMB'000
NON-CURRENT ASSETS				
Property, plant and equipment	13	2,432	8,824	16,238
Prepaid land lease payments	14	8,853	8,940	8,799
Deferred tax assets	15	–	14	49
Prepayments, deposits and other receivables	16	–	220	–
		<u>11,285</u>	<u>17,998</u>	<u>25,086</u>
CURRENT ASSETS				
Inventories	17	10	140	68
Trade receivables	18	–	437	592
Prepayments, deposits and other receivables	16	386	1,076	1,536
Cash and cash equivalents	20	1,167	292	1,536
		<u>1,563</u>	<u>1,945</u>	<u>3,732</u>
CURRENT LIABILITIES				
Trade payables	21	–	234	144
Other payables and accruals	22	1,149	729	9,258
Advances from customers		110	565	1,147
Amounts due to related parties	19	8,788	17,384	10,699
Tax payable		21	114	53
		<u>10,068</u>	<u>19,026</u>	<u>21,301</u>
NET CURRENT LIABILITIES		<u>(8,505)</u>	<u>(17,081)</u>	<u>(17,569)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2,780</u>	<u>917</u>	<u>7,517</u>
Net assets		<u>2,780</u>	<u>917</u>	<u>7,517</u>
EQUITY				
Reserves	23	<u>2,780</u>	<u>917</u>	<u>7,517</u>
Total equity		<u>2,780</u>	<u>917</u>	<u>7,517</u>

Statements of Changes in Equity

	Special reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total reserve <i>RMB'000</i>
At 18 July 2012	–	–	–
Deemed contribution from the Controlling Shareholders	2,719	–	2,719
Profit and total comprehensive income for the period	–	61	61
At 31 December 2012 and 1 January 2013	2,719	61	2,780
Deemed distribution to the Controlling Shareholders	(2,116)	–	(2,116)
Profit and total comprehensive income for the year	–	253	253
At 31 December 2013 and 1 January 2014	603	314	917
Deemed contribution from the Controlling Shareholders	6,593	–	6,593
Profit and total comprehensive income for the period	–	7	7
At 30 September 2014	<u>7,196</u>	<u>321</u>	<u>7,517</u>
	Special reserve <i>RMB'000</i>	Retained profits <i>RMB'000</i>	Total Reserve <i>RMB'000</i>
Unaudited:			
At 1 January 2013	2,719	61	2,780
Deemed distribution to the Controlling Shareholders	(1,534)	–	(1,534)
Profit and total comprehensive income for the period	–	401	401
At 30 September 2013	<u>1,185</u>	<u>462</u>	<u>1,647</u>

Statements of Cash Flows

	Notes	The period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
		2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		82	353	546	11
Adjustments for:					
Depreciation	8	33	394	209	557
Amortisation of prepaid land lease payments	8	61	186	139	141
		176	933	894	709
Increase in trade receivables		–	(437)	(653)	(155)
Increase in prepayments, deposits and other receivables		(200)	(690)	(950)	(460)
(Increase)/decrease in inventories		(10)	(130)	(70)	72
Increase/(decrease) in trade payables		–	234	138	(90)
Increase in other payables and accruals		24	75	145	156
Increase in advances from customers		110	455	714	582
Increase/(decrease) in amounts due to related parties		669	2,328	830	(1,051)
		769	2,768	1,048	(237)
NET CASH FLOWS FROM GENERATED FROM/(USED IN) OPERATING ACTIVITIES					
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of items of property, plant and equipment		(525)	(2,096)	(55)	(5,598)
Purchase of prepaid land lease payments		(9,100)	(273)	(273)	–
		(9,625)	(2,369)	(328)	(5,598)
NET CASH FLOWS USED IN INVESTING ACTIVITIES					
CASH FLOWS FROM FINANCING ACTIVITIES					
Deemed capital contribution from/(distribution to) the Controlling Shareholders		2,719	(2,137)	(1,555)	6,493
Increase in amounts due to related parties		7,304	863	559	586
		10,023	(1,274)	(996)	7,079
NET CASH FLOWS GENERATED FROM/(USED IN) FINANCING ACTIVITIES					
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS					
Cash and cash equivalents at beginning of year/period		–	1,167	1,167	292
		1,167	292	891	1,536
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD					

II. NOTES TO FINANCIAL INFORMATION**1. GENERAL INFORMATION**

Suzhou Suling Automobile Service was established in the People's Republic of China (the "PRC") on 7 December 1992 as a limited liability company. During the Relevant Periods, Shanghai Shenxin International Trading Co., Ltd. (上海申鑫國際貿易有限公司) and Taicang Suchuang Property Development Co., Ltd. (太倉蘇創房地產開發有限公司) had 16% and 84% interests in Suzhou Suling Automobile Service, respectively. The address of Suzhou Suling Automobile Service's registered office is 116 Loujiang South Road, Taicang, the PRC.

Suzhou Suling Automobile Service commenced CNG and LNG refuelling stations business in Taicang, the PRC on 18 July 2012.

In the opinion of the directors of Suzhou Suling Automobile Service, the ultimate controlling shareholders of Suzhou Suling Automobile Service are Mr. Su Aping and Ms. Zhu Yaying (together known as the "Controlling Shareholders").

As disclosed in the sections headed "Business – Our Strategies", "Future Plans and Use of Proceeds" and "Relationship with Controlling Shareholders – Information on Other Companies Owned by Our Controlling Shareholders – Suzhou Suling Automobile Service" in the Prospectus, Suchuang Gas Corporation Limited has the intention to acquire the CNG and LNG refuelling station business (the "Target Business") from Suzhou Suling Automobile Service and will enter a relevant deed of first offer with the Controlling Shareholders subsequent to 30 September 2014, when its non-compliance matters have been rectified. Suzhou Suling Automobile Service is in the process of rectifying the Non-Compliances and expects that the rectification will be completed by the end of 2015. Pursuant to a deed of first offer entered into in favour of Suchuang Gas Corporation Limited on 23 February 2015, the Controlling Shareholders will make, within six months from the date when the Non-Compliances are rectified, an irrevocable offer to Suchuang Gas Corporation Limited to acquire all or part of the Target Business. The acquisition of the Target Business by Suchuang Gas Corporation Limited in future will also be subject to the board approval and shareholders' approval of Suchuang Gas Corporation Limited (as may be required under the Listing Rules).

2. BASIS OF PREPARATION AND PRESENTATION

The Financial Information of the Target Business was prepared as if the Target business had been operated autonomously because the Target business and the other business historically operated by Suzhou Suling Automobile Service are in dissimilar nature and have no more than incidental common facilities and costs.

The Financial Information of the Target Business has been prepared in accordance with IFRSs, which comprise all standards and interpretations approved by the IASB, and International Accounting Standards ("IASs") and Standing Interpretations Committee interpretations approved by the International Accounting Standards Committee that remain in effect. All IFRSs effective for the accounting period commencing from 1 January 2014, have been early adopted in the preparation of the Financial Information of the Target Business throughout the Relevant Periods.

The Financial Information of the Target Business has been prepared under the historical cost convention. In addition, the Financial Information of the Target Business is presented in Renminbi ("RMB") and all values are rounded to the nearest thousands, except when otherwise indicated.

The Target Business had net current liabilities of approximately RMB8,505,000, RMB17,081,000 and RMB17,569,000 as at 31 December 2012 and 2013 and 30 September 2014, respectively. Having taken the financial support from the Controlling Shareholders into account, the Directors consider that it is appropriate to prepare the Financial Information of the Target Business on a going concern basis.

3. ISSUED BUT NOT YET EFFECTIVE IFRSs

The Target Business has not applied the following new and revised IFRSs that have been issued but are not yet effective, in the Financial Information:

IFRS 9 (2013)	<i>Financial Instruments</i> ³
IFRS 9, IFRS 7 and IAS 39 Amendments	<i>Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39</i> ³
IFRS 10 and IAS 28 Amendments	<i>Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> ¹
IFRS 11 Amendments	<i>Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations</i> ¹
IFRS 14	<i>Regulatory Deferral Account</i> ¹
IFRS 15	<i>Revenue from Contracts with Customers</i> ²
IAS 16 and IAS 41 Amendments	<i>Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants</i> ¹
IAS 16 and IAS 38 Amendments	<i>Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation</i> ¹

IAS 27 Amendments	Amendments to IAS 27 <i>Equity Method in Separate Financial Statements</i> ¹
Annual Improvements 2012-2014 Cycle	Amendments to a number of IFRSs ¹
IAS 1 Amendments	Amendments to IAS 1 <i>Disclosure Initiative</i> ¹
IFRS 10, IFRS 12 and IAS 28 Amendments	Amendments to IFRS 10, IFRS 12 and IAS 28 <i>Investment Entities: Applying the Consolidation Exception</i> ¹

¹ Effective for annual periods beginning on or after 1 January 2016

² Effective for annual periods beginning on or after 1 January 2017

³ Effective for annual periods beginning on or after 1 January 2018

The Target Business is in the process of making an assessment of the impact of the new and revised IFRSs upon initial application but is not yet in a position to state whether these new and revised IFRSs will have a significant impact on its results of operations and its financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets, inventories, financial assets and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises (only if there are revalued assets in the financial statements), unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Target Business if:

- (a) the party is a person or close member of that person's family and that person:
 - (i) has control or joint control over the Target Business;
 - (ii) has significant influence over the Target Business; or
 - (iii) is a member of the key management personnel of the Target Business or of a parent of the Target Business.

or:

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Target Business are members of the same group;

- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Business or an entity related to the Target Business;
- (vi) the entity is controlled or jointly controlled by a person identified in (a); and
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Business recognised such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Machinery	9.50% to 31.67%
-----------	-----------------

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss and other comprehensive income in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents gas station structures, machinery and other property, plant and equipment under construction which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date. The arrangement is assessed for whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an arrangement.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Target Business is the lessor, assets leased by the Target Business under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. Where Target Business is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as loans and receivables. When all financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Target Business commits to purchase or sell the asset.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Business commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included other income and gains in the statement of profit or loss and other comprehensive income. The loss arising from impairment is recognised in the profit or loss in other expenses.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Business's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Business has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Business has transferred substantially all the risks and rewards of the asset, or (b) the Target Business has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Business has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Business continues to recognise the transferred asset to the extent of the Target Business's continuing involvement. In that case, the Target Business also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Business to has retained.

Impairment of financial assets

The Target Business assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Target Business first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Target Business determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified 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 yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the impairment loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Target Business.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Financial liabilities***Initial recognition and measurement***

Financial liabilities are classified, at initial recognition, as loans and borrowings, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Target Business's financial liabilities include trade payables, other payables and accruals and amounts due to related parties.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, loans and borrowings are subsequently measured at amortised cost, using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method. The cost of inventories comprises the purchase cost and transportation cost of natural gas. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Income taxes

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Business operates.

Deferred tax is provided, using the liability method on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Target Business and the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Target Business maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- (b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Pension schemes

The employees of the Target Business are required to participate in a central pension scheme operated by the local municipal government. The Target Business is required to contribute 20% to 22% of its payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

This Financial Information is presented in Renminbi ("RMB"), which is the Target Business's presentation and functional currency. Foreign currency transactions are initially recorded using the functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on retranslation of a non-monetary item is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

5. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Target Business's Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities, at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in future periods.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next period, are described below.

(i) Useful lives of property, plant and equipment

The Target Business determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of

technical innovations, or competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The useful lives of property, plant and equipment are as disclosed in note 4 to the Financial Information.

(ii) Impairment of trade receivables

The provision policy for impairment of trade receivables is based on ongoing evaluation of the collectability and ageing analysis of the outstanding receivables and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of those receivables, including the creditworthiness and the past collection history of each customer. If the financial conditions of the customers of the Target Business were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances might be required. The carrying amount of trade receivables as at 31 December 2012 and 2013, and 30 September 2014 was nil, RMB437,000 and RMB592,000 respectively. Further details are contained in Note 18 to the Financial Information.

(iii) Deferred tax

Deferred tax assets relating to certain temporary differences are recognised as management considers that it is probable that future taxable profit will be available against which the temporary tax differences or tax losses can be utilised. Where the expectations are different from the original estimates, such differences will impact the recognition of deferred tax assets and deferred tax in the periods in which such estimates have been changed. The carrying amount of deferred tax assets carried in the statement of financial position as at 31 December 2012 and 2013, and 30 September 2014 was nil, RMB14,000, and RMB49,000 respectively, details of which are set out in Note 15 to the Financial Information.

6. SEGMENT INFORMATION

For management purposes, the Target Business has only one reportable operating segment which is CNG and LNG refuelling station business. Since this is the only reportable operating segment of the Target Business, no further operating segment analysis thereof is presented.

7. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Target Business's turnover, represents the net invoiced value of goods sold after allowances for returns, trade discounts and various types of government surcharges, where applicable.

An analysis of the Target Business's revenue, other income and gains is as follows:

	The period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012	2013	2013	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
			(Unaudited)	
Revenue				
Sale of natural gas	1,219	16,093	10,679	17,724

8. PROFIT BEFORE TAX

The Target Business's profit before tax for the Relevant Periods is arrived at after charging:

	The period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Cost of inventories sold	1,011	14,136	9,157	15,681
Employee benefit expense (excluding Directors' remuneration as set out in note 9):				
Wages and salaries	12	213	114	422
Pension scheme contributions	3	66	21	80
Social security contributions and accommodation benefits	3	60	19	68
Minimum lease payments under operating leases:				
Land	—	180	83	323
Depreciation (note 13)	33	394	209	557
Amortisation of prepaid land lease payments (note 14)	61	186	139	141
	<u>61</u>	<u>186</u>	<u>139</u>	<u>141</u>

9. DIRECTORS' REMUNERATION

During the Relevant Periods, Mr. Su Aping, Mr. Huang Zixiu and Ms. Su Wen were directors of Suzhou Suling Automobile Service without receiving any remuneration.

Suzhou Suling Automobile Service did not have any chief executive, non-executive directors and independent non-executive directors.

There was no arrangement under which a Director waived or agreed to waive any remuneration during the Relevant Periods.

10. FIVE HIGHEST PAID EMPLOYEES

An analysis of the five highest paid employees within Suzhou Suling Automobile Service during the Relevant Periods is as follows:

	Number of employees			
	The period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012	2013	2013	2014
Non-Directors	<u>2</u>	<u>5</u>	<u>5</u>	<u>5</u>

Details of the remuneration of the above non-Director, highest paid employees are as follows:

	The period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Salaries, allowances and benefits in kind	15	119	74	116
Pension scheme contributions	3	15	9	38
	<u>18</u>	<u>134</u>	<u>83</u>	<u>154</u>

The number of non-Director, highest paid employees whose remuneration fell within the following band is as follows:

	The period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Nil to HK\$1,000,000	2	5	5	5

During for the Relevant Periods, no Directors or highest paid individuals waived or agreed to waive any emoluments and no emoluments were paid by Suzhou Suling Automobile Service to the non-Director and highest paid individuals as an inducement to join or upon joining Suzhou Suling Automobile Service, or as compensation for loss of office.

11. INCOME TAX

The provision for the PRC current income tax is based on the statutory tax rate of 25% of the assessable profits of the Target Business as determined in accordance with the relevant rules and regulations of the PRC Corporate Income Tax Law, which came into effect on 1 January 2008.

The major components of income tax expense are as follows:

	The period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Current tax:				
Income tax in the PRC for the year/period	21	114	156	39
Deferred tax (note 15)	–	(14)	(11)	(35)
Total tax charge for the year/period	21	100	145	4

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdiction in which the Target Business are domiciled to the tax expense at the effective tax rates is as follows:

	The period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Profit before tax	82	353	546	11
Notional tax on profit before tax, calculated at the statutory tax rate	21	88	137	3
Expenses not deductible for tax	–	12	8	1
Total tax charge recognised	21	100	145	4

12. RETIREMENT BENEFITS AND ACCOMMODATION BENEFITS

Retirement benefits

As stipulated by PRC regulations, subsidiaries in Mainland China participate in a defined contribution retirement scheme. All formal employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount of their last employment at their retirement date. The Target Business in Mainland China is required to make contributions to the local social security bureau at rates of 20% to 22% of the average basic salaries of the employees under the employment of the Target Business in Mainland China to whom the defined contribution retirement plan is applicable. The Target Business in Mainland China has no obligations for the payment of pension benefits beyond the annual contributions to the local social security bureau as set out above.

Accommodation benefits

According to the relevant PRC rules and regulations, the Target Business in Mainland China is required to make contributions, which are in proportion to the salaries and wages of the employees, to an accommodation fund administered by the Public Accumulation Funds Administration Centre. There are no further obligations on the part of the Target Business in Mainland China, except for the contributions to the accommodation fund.

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
Cost:			
At 18 July 2012	–	–	–
Additions	2,434	31	2,465
At 31 December 2012 And 1 January 2013	2,434	31	2,465
Additions	4,853	1,933	6,786
At 31 December 2013 And 1 January 2014	7,287	1,964	9,251
Additions	7	7,964	7,971
At 30 September 2014	7,294	9,928	17,222
Accumulated depreciation:			
At 17 July 2012	–	–	–
Charged for the period (<i>note 8</i>)	33	–	33
At 31 December 2013 And 1 January 2014	33	–	33
Charged for the year (<i>note 8</i>)	394	–	394
At 31 December 2013 And 1 January 2014	427	–	427
Charged for the period (<i>note 8</i>)	557	–	557
At 30 September 2014	984	–	984
Net carrying amount:			
At 31 December 2012	2,401	31	2,432
At 31 December 2013	6,860	1,964	8,824
At 30 September 2014	6,310	9,928	16,238

14. PREPAID LAND LEASE PAYMENTS

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
			RMB'000
Cost:			
At beginning of year/period	–	9,100	9,373
Additions during the year/period	9,100	273	–
At end of year/period	9,100	9,373	9,373
Accumulated amortisation:			
At beginning of year/period	–	61	247
Amortisation during the year/period (note 8)	61	186	141
At end of year/period	61	247	388
Net carrying amount at end of year/period	9,039	9,126	8,985
Current portion, included in prepayments, deposits and other receivables	(186)	(186)	(186)
Non-current portion	8,853	8,940	8,799

15. DEFERRED TAX

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
			RMB'000
Deferred tax assets:			
Accruals	–	14	49

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
			RMB'000
Prepayments	41	273	310
Deposits and other receivables	345	1,023	1,226
	386	1,296	1,536
Classified as:			
Current	386	1,076	1,536
Non-current	–	220	–
	386	1,296	1,536

17. INVENTORIES

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
Natural gas	10	140	68

18. TRADE RECEIVABLES

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
Trade receivables	–	437	592

The Target Business's trading terms with its customers are mainly on credit except for certain new customers where payment in advance is required. The trade credit period ranges from 0 to 30 days. The Target Business seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly and actively monitored by senior management to minimise credit risk.

Trade receivables are unsecured and non-interest-bearing. The carrying amounts of trade receivables approximate to their fair values.

Aging analysis by invoice date

An aged analysis of the trade receivables as at 31 December 2012 and 2013 and 30 September 2014, based on the invoice date and net of provisions, is as follows:

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
Within 30 days	–	437	592

Trade receivables not individually nor collectively impaired

An aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
Neither past due nor impaired	–	437	592

Receivables that were neither past due nor impaired relate to some customers for whom there was no recent history of default.

19. BALANCES WITH RELATED PARTIES

	Note	As at 31 December		As at
		2012	2013	30 September
		RMB'000	RMB'000	2014
				RMB'000
<u>Amounts due to related parties</u>				
Taicang Natural Gas		7,301	–	–
Suzhou Shunchuang Pipeline Engineering Co., Ltd.	(i)	815	6,220	–
Shanghai Pudong Gas Development Co., Ltd.		489	2,742	1,710
Taicang Suchuang Dangerous Goods Transportation Co., Ltd.		180	255	236
Taicang Suchuang LPG Co., Ltd.		3	7,478	7,992
Suzhou City Suchuang Group Co., Ltd.		–	677	749
Taicang Sunan Petroleum Co., Ltd.		–	12	12
		<u>8,788</u>	<u>17,384</u>	<u>10,699</u>

The amounts due to related parties were non-trade in nature, except for the aggregate amounts of RMB1,484,000, RMB9,217,000 and RMB1,946,000, as at 31 December 2012 and 2013 and 30 September 2014, respectively.

- (i) Suzhou Shunchuang Pipeline ceased to be the related party of the Target Business from 16 July 2014 as the equity interest of Suzhou Shunchuang Pipeline held by the Controlling Shareholders was disposed to the independent third parties on 16 July 2014.

20. CASH AND CASH EQUIVALENTS

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
			RMB'000
Cash and bank balances	<u>1,167</u>	<u>292</u>	<u>1,536</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amounts of the cash and cash equivalents approximate to their fair values.

The Target Business's cash and cash equivalents are wholly denominated in RMB. RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Business is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21. TRADE PAYABLES

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
			RMB'000
Trade payables	–	234	144

An aged analysis of the outstanding trade payables as at 31 December 2012 and 2013 and 30 September 2014 based on the invoice date is as follows:

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
			RMB'000
Within 30 days	–	234	144

Trade payables are non-interest-bearing and are normally settled within 30 days. The carrying amounts of the trade payables approximate to their fair values.

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
			RMB'000
Payroll and welfare payable	–	57	198
Other payables	1,149	672	9,060
	<u>1,149</u>	<u>729</u>	<u>9,258</u>

Other payables are unsecured, non-interest-bearing and repayable on demand. The carrying amounts of the other payables and accruals approximate to their fair values.

23. RESERVES

The amounts of the Target Business's reserves and the movements therein for the Relevant Periods are presented in the statements of changes in equity of the Financial Information of the Target Business.

24. CAPITAL COMMITMENTS

The Target Business had the following capital commitments as at 31 December 2012 and 2013 and 30 September 2014:

	As at 31 December		As at
	2012	2013	30 September
	RMB'000	RMB'000	2014
			RMB'000
<i>Contracted, but not provided for:</i>			
Plant and machinery	–	4,280	–

25. RELATED PARTY TRANSACTIONS

(a) Name and relationship

Name of related party	Relationship with the Target Business
Shanghai Pudong Gas Development Co., Ltd. (上海浦東燃氣發展有限公司)	Company controlled by the Controlling Shareholders
Shanghai Suchuang Transportation Co., Ltd. (上海蘇創汽車運輸有限公司)	Company controlled by the Controlling Shareholders
Suzhou Shunchuang Pipeline Engineering Co., Ltd. (蘇州順創管道工程有限公司)	Company controlled by the Controlling Shareholders
Taicang Suchuang LPG Co., Ltd. (太倉蘇創液化氣有限公司)	Company controlled by the Controlling Shareholders
Suzhou City Suchuang Group Co., Ltd. (蘇州市蘇創集團有限公司)	Company controlled by the Controlling Shareholders
Taicang Natural Gas	Company controlled by the Controlling Shareholders
Taicang Sunan Petroleum Co., Ltd. (太倉蘇南石油有限公司)	Company controlled by the Controlling Shareholders

- (b) Apart from the transactions and balances disclosed elsewhere in the Financial Information, the Target Business had the following material transactions with related parties during the Relevant Periods:

	Notes	The period from	Year ended	Nine months ended	
		18 July to 31 December	31 December	30 September	
		2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
<u>Sales of natural gas to</u>					
Taicang Natural Gas	(i)	–	94	72	84
<u>Purchase of natural gas from</u>					
Shanghai Pudong Gas Development Co., Ltd.	(i)	960	11,476	6,918	10,933
<u>Service charges of transportation provided by</u>					
Shanghai Suchuang Transportation Co., Ltd.	(i)	180	2,229	1,678	562
<u>Purchase of machinery from</u>					
Suzhou Shunchuang Pipeline Engineering Co., Ltd.	(i)	815	2,339	2,339	2,231
<u>Loans received from</u>					
Taicang Natural Gas	(ii)	7,301	–	–	–
Taicang Suchuang LPG Co., Ltd.		3	7,475	88	514
Taicang Sunan Petroleum Co., Ltd.	(ii)	–	12	12	12
Suzhou City Suchuang Group Co., Ltd.	(ii)	–	35	–	35
		7,304	7,522	100	561

Notes:

- (i) The above transactions were conducted in accordance with the terms and conditions mutually agreed by both parties.

As disclosed in note 19, Suzhou Shunchuang Pipeline ceased to be the related party of the Target Business from 16 July 2014. Accordingly, those transactions starting from 16 July 2014 were no longer treated as related party transactions of the Target Business.

- (ii) During the Relevant Periods, the loans received from related parties were unsecured, repayable on demand and interest-free.

- (c) Outstanding balances with related parties:

Details of the Target Business's balances with related parties as at 31 December 2012 and 2013 and 30 September 2014 are disclosed in Note 19 to the financial statements.

(d) Compensation of key management personnel of Suzhou Suling Automobile Service

	The Period from 18 July to 31 December	Year ended 31 December	Nine months ended 30 September	
	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Basic salaries and other benefits	–	33	19	26
Pension scheme contributions	–	6	4	8
Total compensation paid to key management personnel	–	39	23	34

Further details of directors' emoluments are included in Note 9 to the financial information.

26. FINANCIAL INSTRUMENTS BY CATEGORY

The table below is an analysis of the carrying amounts of financial instruments by category as at 31 December 2012 and 2013 and 30 September 2014:

	As at 31 December		As at 30 September
	2012 RMB'000	2013 RMB'000	2014 RMB'000
Financial assets			
Loans and receivables			
Trade receivables	–	437	592
Financial assets included in prepayments, deposits and other receivables	–	500	500
Cash and cash equivalents	1,167	292	1,536
	<u>1,167</u>	<u>1,229</u>	<u>2,628</u>
Financial liabilities			
Financial liabilities measured at amortised cost			
Trade payables	–	234	144
Financial liabilities included in other payables and accruals	1,137	639	9,003
Amounts due to related parties	8,788	17,384	10,699
	<u>9,925</u>	<u>18,257</u>	<u>19,846</u>

27. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Fair value hierarchy

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique. As at 31 December 2012 and 2013 and 30 September 2014, the carrying amounts of the Target Business's financial instruments approximated to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, trade payables, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, and amounts due to related parties approximate to their carrying amounts largely due to the short term maturities of these instruments as at 31 December 2012 and 2013 and 30 September 2014.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Business's principal financial instruments mainly include cash and cash equivalents, trade receivables, and trade payables, which arise directly from its operations. The Target Business has other financial assets and liabilities such as amounts due to related parties, and deposits and other receivables, and other payables and accruals. The main purpose of these financial instruments is to raise finance for the Target Business's operations.

The main risks arising from the Target Business's financial instruments are credit risk and liquidity risk. The Target Business does not hold or issue derivative financial instruments either for hedging or for trading purposes. The board reviews and agrees policies for managing each of the risks which are summarised below:

Credit risk

The Target Business trades only with recognised and creditworthy third parties. It is the Target Business's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis; therefore, the Target Business's exposure to bad debts is not significant.

The Target Business's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Liquidity risk

The Target Business monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., trade receivables) and projected cash flows from operations.

The Target Business's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans and other borrowings and obtain finance from related parties.

The maturity profile of the Target Business's financial liabilities as at 31 December 2012 and 2013 and 30 September 2014, based on the contractual undiscounted payments, was as follows:

	On demand <i>RMB'000</i>	Total <i>RMB'000</i>
At 31 December 2012		
Other payables and accruals	1,137	1,137
Amounts due to related parties	8,788	8,788
	<u>9,925</u>	<u>9,925</u>
At 31 December 2013		
Trade payables	234	234
Other payables and accruals	639	639
Amounts due to related parties	17,384	17,384
	<u>18,257</u>	<u>18,257</u>
At 30 September 2014		
Trade payables	144	144
Other payables and accruals	9,003	9,003
Amounts due to related parties	10,699	10,699
	<u>19,846</u>	<u>19,846</u>

Capital management

The primary objective of the Target Business's capital management is to ensure that it maintains a strong credit rating and a healthy capital ratio in order to support its business and maximise shareholders' value.

The Target Business manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Target Business may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Business monitors capital using a net debt to equity ratio, which is net debt divided by capital. The Target Business's net debt consists of interest-bearing bank and related party loans, less cash and cash equivalents. Capital represents total equity.

As the Target Business has no interest-bearing bank and related party loans as of 31 December 2012 and 2013 and 30 September 2014, the management considers that it is not meaningful to disclose the net debt to equity ratio.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Business or Suzhou Suling Automobile Service in respect of any period subsequent to 30 September 2014. Save as disclosed in this report, no dividend or distribution has been declared or made by Suzhou Suling Automobile Service in respect of any period subsequent to 30 September 2014.

Yours faithfully,
Ernst & Young
Certified Public Accountants
Hong Kong

The information set forth in this Appendix does not form part of the accountants' reports prepared by the reporting accountants of our Company, Ernst & Young, Certified Public Accountants, Hong Kong, as set forth in Appendix I and IA to this prospectus.

The following unaudited pro forma financial information prepared in accordance with paragraph 29 of Chapter 4 of the Listing Rules is for illustrative purpose only, and is set out herein to provide the prospective investors with further financial information about how the proposed listing might have affected the consolidated net tangible assets of the Group after the completion of the Global Offering.

The accompanying unaudited pro forma financial information of the Group is based on currently available information along with a number of assumptions, estimates and uncertainties. As a result of these assumptions, estimates and uncertainties, the accompanying unaudited pro forma financial information of the Group does not purport to predict the Group's future financial position and results.

Although reasonable care has been exercised in preparing the said information, prospective investors who read the information should bear in mind that these figures are inherently subject to adjustments and may not give a true picture of the Group's financial position.

A. UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared, on the basis of the notes set forth below, for the purpose of illustrating the effect of the Global Offering as if it had taken place on 30 September 2014. It has been prepared for illustrative purpose only and, because of its hypothetical nature, may not give a true and fair picture of our financial position.

	Consolidated net tangible assets attributable to owners of the Company as at 30 September 2014 RMB'000 (Note 1)	Estimated net proceeds from the Global Offering RMB'000 (Note 2)	Unaudited pro forma adjusted consolidated net tangible assets RMB'000 (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share RMB (Note 3)	Unaudited pro forma adjusted consolidated net tangible assets per Share (HK\$ equivalent)
Based on an Offer Price of HK\$2.08 per Share	429,614	293,031	722,645	0.90	1.14
Based on an Offer Price of HK\$2.92 per Share	429,614	419,656	849,270	1.06	1.34

Notes:

- The consolidated net tangible assets attributable to owners of the Company as of 30 September 2014 is arrived at after deducting nil intangible assets from the audited consolidated equity attributable to owners of the Company of RMB429,614,000 as at 30 September 2014, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- The estimated net proceeds from the Global Offering are based on estimated offer prices of HK\$2.08 or HK\$2.92 per Share after deduction of the underwriting fees and other related expenses payable by our Company and take no account of any Shares which may be issued upon the exercise of the Over-allotment Option. The estimated net proceeds are converted into RMB at the rate of HK\$1=RMB0.7893, which is set forth on page 54 of Prospectus. No representation is made that the RMB amounts have been, could have been or could be converted to HK\$, or vice versa, at the rate or at any other rates or at all.
- The unaudited pro forma adjusted consolidated net tangible assets per Share is arrived at after adjustments referred to in the preceding paragraphs and on the basis that 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 30 September 2014 and an Offer Price of HK\$2.08 per Share, being the low end of the Offer Price range, and 800,000,000 Shares are in issue assuming that the Global Offering has been completed on 30 September 2014 and an Offer Price of HK\$2.92 per Share, being the high end of the Offer Price range, excluding Shares which may be issued upon the exercise of the Over-allotment Option.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 February 2015

To the Directors of Suchuang Gas Corporation Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of Suchuang Gas Corporation Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The pro forma financial information consists of the pro forma consolidated net tangible assets as at 30 September 2014, and related notes as set out on pages II-1 of the Prospectus issued by the Company (the “Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in note A.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the global offering of shares of the Company on the Group’s financial position as at 30 September 2014 as if the transaction had taken place at 30 September 2014. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the nine months ended 30 September 2014, on which an accountant’s report has been published.

Directors’ responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the 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 with reference to 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”).

Reporting Accountant’s responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information, in accordance with paragraph 4.29 of the Listing Rules and with reference to AG7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in the Prospectus is solely to illustrate the impact of the global offering of shares of the Company on unadjusted financial information of the Group as if the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the transaction would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purpose of the Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Yours faithfully,
ERNST & YOUNG
Certified Public Accountants
Hong Kong

The estimate of our consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2014 is set out in the section entitled “Financial Information – Profit Estimate”.

BASES

The estimate of the consolidated profit attributable to equity shareholders of the Company for the year ended 31 December 2014 has been prepared by the Directors on the basis of the accounting policies consistent in all material respects with those currently adopted by the Group as summarised in Appendix I to this prospectus, and has been prepared based on the audited consolidated results of the Group for the nine months ended 30 September 2014 as set out in Appendix I to this prospectus and the unaudited consolidated results shown in the management accounts of the Group for the three months ended 31 December 2014.

(1) LETTER FROM THE REPORTING ACCOUNTANTS ON THE PROFIT ESTIMATE

22/F, CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

27 February 2015

The Board of Directors
Suchuang Gas Corporation Limited
BNP Paribas Securities (Asia) Limited

Dear Sirs,

Suchuang Gas Corporation Limited (“the Company”)**Profit estimate for year ended 31 December 2014**

We refer to the estimate of the consolidated profit attributable to equity holders of the Company for the year ended 31 December 2014 (“the Profit Estimate”) set forth in the section headed “Financial Information” in the prospectus of the Company dated 27 February 2015 (“the Prospectus”).

Responsibilities

The Profit Estimate has been prepared by the directors of the Company based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as “the Group”) for the nine months ended 30 September 2014 and the unaudited consolidated results based on the management accounts of the Group for the three months ended 31 December 2014.

The Company’s directors are solely responsible for the Profit Estimate. It is our responsibility to form an opinion on the accounting policies and calculations of the Profit Estimate based on our procedures.

Basis of opinion

We carried out our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 500 “Reporting on Profit Forecasts, Statements of Sufficiency of Working Capital and Statements of Indebtedness” and with reference to Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). Those standards require that we plan and perform our work to obtain reasonable assurance as to whether, so far as the accounting policies and calculations are concerned, the Company’s directors have properly compiled the Profit Estimate in accordance with the bases made by the directors and as to whether the Profit Estimate is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

Opinion

In our opinion, so far as the accounting policies and calculations are concerned, the Profit Estimate has been properly compiled in accordance with the bases adopted by the directors as set out in Section A of Appendix III of the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report dated 27 February 2015, the text of which is set out in Appendix I of the Prospectus.

Yours faithfully,

Ernst & Young

Certified Public Accountants

Hong Kong

(2) LETTER FROM THE SOLE SPONSOR ON THE PROFIT ESTIMATE

**BNP PARIBAS****BNP Paribas Securities (Asia) Limited**

59/F-63/F, Two International Finance Centre
8 Finance Street, Central, Hong Kong

27 February 2015

The Directors
Suchuang Gas Corporation Limited

Dear Sirs,

We refer to the estimate of the consolidated profit attributable to equity shareholders of Suchuang Gas Corporation Limited (the “**Company**”) for the year ended December 31, 2014 (the “**Profit Estimate**”), for which the directors of the Company (the “**Directors**”) are solely responsible, as set out in the section headed “Financial Information” in the prospectus of the Company dated 27 February 2015 (the “**Prospectus**”).

The Profit Estimate has been prepared by the Directors based on the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the nine months ended September 30, 2014 as set out in the Accountants’ Report of the Company in Appendix I to the Prospectus and the unaudited consolidated results shown in the management accounts of the Group for the three months ended December 31, 2014.

We have discussed with you the bases made by the Directors as set out in Appendix III to the Prospectus, upon which the Profit Estimate has been made. We have also considered the letter dated 27 February 2015 addressed to yourselves and ourselves from Ernst & Young regarding the accounting policies and calculations upon which the Profit Estimate has been made.

On the basis of the information comprising the Profit Estimate and on the basis of the accounting policies and calculations adopted by you and reviewed by Ernst & Young, we are of the opinion that the Profit Estimate, for which you as the Directors are solely responsible, has been made after due and careful enquiry.

Yours faithfully,
For and on behalf of
BNP Paribas Securities (Asia) Limited

Lee Sung Kan
Managing Director

The following is the text of a letter, summary of values and valuation certificates, prepared for the purpose of incorporation in this prospectus received from Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent valuer and consultant, in connection with its valuation as at 31 December 2014 of the property interests of the Group.



仲量聯行

Jones Lang LaSalle Corporate Appraisal and Advisory Limited
6/F Three Pacific Place 1 Queen's Road East Hong Kong
tel +852 2846 5000 fax +852 2169 6001
Licence No: C-030171

27 February 2015

The Board of Directors
Suchuang Gas Corporation Limited
116 Loujiang South Road
Taicang
Suzhou, Jiangsu Province
PRC, 215400

Dear Sirs,

In accordance with your instructions to value the properties in which Suchuang Gas Corporation Limited (the "Company") and its subsidiaries (hereinafter together referred to as the "Group") have interests in the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 December 2014 (the "valuation date").

Our valuation is carried out on a market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

We have valued the property interests Nos. 7, 8 and 11 to 15 in Group I by direct comparison approach assuming sale of the property interests in their existing state and by making reference to comparable sales transactions as available in the relevant market. In arriving at the valuation, the existing tenancies are also taken into account. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject properties.

Due to the nature of the buildings of the property interests nos. 1 to 6, 9 and 10 in Group I and the particular location in which they are situated, there are unlikely to be relevant market comparable sales readily available. The property interest has therefore been valued by Cost Approach with reference to its depreciated replacement cost.

Depreciated replacement cost is defined as “the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation.” It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacement (reproduction) of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. In arriving at the value of land portion, reference has been made to the sales evidence as available in the locality. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have attributed no commercial value to the property interest in Group II, which is leased by the Group, due either to the short-term nature of the lease or the prohibition against assignment or sub-letting or otherwise due to the lack of substantial profit rent.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any neither of the property interests valued nor for any expense 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 an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation – Professional Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, and particulars of occupancy, lettings, and all other relevant matters.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company’s PRC legal advisers – Grandall Law Firm (Shanghai), concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

Inspection of the properties was carried out in September 2013. Subsequent re-inspection of the properties was carried out in January 2015 by Ms. Winnie Xu. She is a China Public Valuer and has 3 years' experience in the valuation of properties in the PRC.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Group. We have also sought confirmation from the Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB).

Our valuation is summarised below and the valuation certificates are attached.

Yours faithfully,
For and on behalf of
Jones Lang LaSalle Corporate Appraisal and Advisory Limited
Eddie T.W. Yiu
MRICS MHKIS RPS (GP)
Director

Notes: Eddie T.W. Yiu is a Chartered Surveyor who has 21 years' experience in the valuation of properties in Hong Kong and the PRC as well as relevant experience in the Asia-Pacific region.

SUMMARY OF VALUES

Group I – Property interests held by the Group in the PRC

No.	Property	Capital value in existing state as at 31 December 2014 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2014 RMB
1.	A parcel of land and a building located at No. 238 Huangpu River North Road Zhoushi Town Kunshan City Jiangsu Province The PRC	2,860,000	100%	2,860,000
2.	A parcel of land and 5 buildings located at the eastern side of Hufuhuang Road Liuhe Town Taicang City Jiangsu Province The PRC	3,360,000	100%	3,360,000
3.	A parcel of land and a building located at Group 18 of Mingxing Village Development District Chengxiang Town Taicang City Jiangsu Province The PRC	17,334,000	100%	17,334,000
4.	A parcel of land and a building located at the eastern side of Hufuhuang Road and the southern side of Fuzhai Road Taicang Harbour Development District Taicang City Jiangsu Province The PRC	2,546,000	100%	2,546,000

APPENDIX IV**PROPERTY VALUATION**

No.	Property	Capital value in existing state as at 31 December 2014 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2014 RMB
5.	A parcel of land and a building located at Group 36 Liunan Village Liuhe Town Taicang City Jiangsu Province The PRC	17,892,000	100%	17,892,000
6.	A parcel of land and a building located at Group 21 Xinlian Village Huangjing Town Taicang City Jiangsu Province The PRC	5,937,000	100%	5,937,000
7.	Rooms 202 and 203 of Building No. 15, Room 1703 of Building No. 12 Phase II of Shanghai Garden Chengxiang Town Taicang City Jiangsu Province The PRC	2,841,000	100%	2,841,000
8.	The main building of Energy Tower No. 305 Middle Zhenghe Road Loudong Street Taicang City Jiangsu Province The PRC	199,853,000	100%	199,853,000
9.	A parcel of land and a building No. 1628 Dong Huan South Road Wuzhong Economic Development District Suzhou City Jiangsu Province The PRC	2,240,000	100%	2,240,000

No.	Property	Capital value in existing state as at 31 December 2014 RMB	Interest attributable to the Group	Capital value attributable to the Group as at 31 December 2014 RMB
10.	The ancillary composite buildings of Energy Tower located at the southern side of Zhenghe Road and the eastern side of Loujiang Road Taicang City Jiangsu Province The PRC	15,056,000	100%	15,056,000
11.	A parcel of land located at No. 1 Guoyuan Village Chengxiang Town Taicang City Jiangsu Province The PRC	161,000	100%	161,000
12.	A parcel of land located at No. 2 Huayuan Village Chengxiang Town Taicang City Jiangsu Province The PRC	146,000	100%	146,000
13.	A parcel of land located at the eastern side of Hufuhuang Road and the northern side of Huasu Road Taicang Harbour Development District Taicang City Jiangsu Province The PRC	394,000	100%	394,000
14.	A parcel of land located at the eastern side of Zhendong Road and the northern side of Yinxi Road Shaxi Town Taicang City Jiangsu Province The PRC	3,193,000	100%	3,193,000

VALUATION CERTIFICATE

Group I – Property interests held by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
1.	A parcel of land and a building located at No. 238 Huangpu River North Road Zhoushi Town Kunshan City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 7,349.2 sq.m. and a 2-storey composite building erected thereon which was completed in 2010.</p> <p>The building has a gross floor area of approximately 509.88 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 11 February 2055 for industrial use.</p>	As at the valuation date, the property was occupied by the Group for ancillary office and customer service purposes.	2,860,000 100% interest attributable to the Group: RMB2,860,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Kun Guo Yong (2005) Di No. 12005107171, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 11 February 2055 for industrial use.
2. Pursuant to a Building Ownership Certificate – Kun Fang Quan Zheng Zhoushi Zi Di No. 271031508, issued by Kunshan Housing and Urban-Rural Construction Bureau, a building with a gross floor area of approximately 509.88 sq.m. is owned by Taicang Natural Gas.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas legally owns the land use rights and building ownership rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
2.	A parcel of land and 5 buildings located at the eastern side of Hufuhuang Road Liuhe Town Taicang City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 2,777.8 sq.m. and 5 office and ancillary buildings erected thereon which were completed in 2011.</p> <p>The 5 buildings have a total gross floor area of approximately 1,042.1 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 18 November 2047 for commercial use.</p>	As at the valuation date, apart from portions of the property which were occupied by the Group for ancillary office use, the remaining portion of the property was vacant.	<p>3,360,000</p> <p>100% interest attributable to the Group: RMB3,360,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2008) Di No. 024014027, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 18 November 2047 for commercial use.
2. Pursuant to 5 Building Ownership Certificates – Tai Fang Quan Zheng Liu He Zi Di Nos. 0300018918, 0300018919, 0300018920, 0300018921 and 0300018922, issued by Taicang Housing and Urban-Rural Construction Bureau, 5 buildings with a total gross floor area of approximately 1,042.1 sq.m. are owned by Taicang Natural Gas.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas legally owns the land use rights and building ownership rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
3.	A parcel of land and a building located at Group 18 of Mingxing Village Development District Chengxiang Town Taicang City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 44,427.8 sq.m. and a 3-storey office and ancillary building erected thereon which was completed in 2005.</p> <p>The building has a gross floor area of approximately 1,393.5 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 10 October 2056 for public ancillary use.</p>	As at the valuation date, apart from portions of the property which were occupied by the Group for ancillary office use, the remaining property was vacant.	<p>17,334,000</p> <p>100% interest attributable to the Group: RMB17,334,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2010) Di No. 002001752, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 10 October 2056 for public ancillary use.
2. Pursuant to a Building Ownership Certificate – Tai Fang Quan Zheng Cheng Xiang Zi Di No. 00045652, issued by Taicang Housing and Urban-Rural Construction Bureau, a building with a gross floor area of approximately 1,393.5 sq.m. is owned by Taicang Natural Gas.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas legally owns the land use rights and building ownership rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
4.	A parcel of land and a building located at the eastern side of Hufuhuang Road and the southern side of Fuzhai Road Taicang Harbour Development District Taicang City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 2,925 sq.m. and a 3-storey office and ancillary building erected thereon which was completed in 2011.</p> <p>The building has a gross floor area of approximately 1,222.97 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 1 June 2058 for public ancillary use.</p>	As at the valuation date, apart from portions of the property which were occupied by the Group for ancillary office use, the remaining property was vacant.	2,546,000 100% interest attributable to the Group: RMB2,546,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2010) Di No. 008005989, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 1 June 2058 for public ancillary use.
2. Pursuant to a Building Ownership Certificate – Tai Fang Quan Zheng Fu Qiao Zi Di No. 0600009995, issued by Taicang Housing and Urban-Rural Construction Bureau, a building with a gross floor area of approximately 1,222.97 sq.m. is owned by Taicang Natural Gas.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas legally owns the land use rights and building ownership rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
5.	A parcel of land and a building located at Group 36 Liunan Village Liuhe Town Taicang City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 11,561.6 sq.m. and a 3-storey composite building erected thereon which was completed in 2011.</p> <p>The building has a gross floor area of approximately 361.24 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 27 June 2050 for commercial use.</p>	As at the valuation date, the property was occupied by the Group for ancillary office and customer service purposes.	<p>17,892,000</p> <p>100% interest attributable to the Group: RMB17,892,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2010) Di No. 024009490, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 27 June 2050 for commercial use.
2. Pursuant to a Building Ownership Certificate – Tai Fang Quan Zheng Liu He Zi Di No. 0300018917, issued by Taicang Housing and Urban-Rural Construction Bureau, a building with a gross floor area of approximately 361.24 sq.m. is owned by Taicang Natural Gas.
3. Pursuant to an Asset Transfer Agreement dated 26 December 2014 entered into between Taicang Natural Gas and PetroChina Eastern Pipeline Company Limited (中石油東部管道有限公司, “PetroChina Eastern Pipeline”), a portion of the land of the property with a site area of approximately 9,530.8 sq.m. was contracted to be transferred to PetroChina Eastern Pipeline at a consideration of RMB14,343,900. Meanwhile, according to an Asset Transfer and Handover Letter dated 30 December 2014, PetroChina Eastern Pipeline can actually occupy, receive benefit from and dispose of the property and all the relevant rights were attributed to PetroChina Eastern Pipeline since 30 December 2014. Since the transfer of this portion of land has not been legally completed, this portion of land is included in our scope of valuation.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas legally owns the land use rights and building ownership rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property;
 - b. The relevant rights, obligations and risks of a portion of land of the property mentioned in note 3 will not have material adverse effect on Taicang Natural Gas before accomplishing the relevant procedure of changing the title registration of the property; and
 - c. The transfer of a portion of land of the property mentioned in note 3 will be legally completed upon the completion of the relevant ownership registration procedures.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
6.	A parcel of land and a building located at Group 21 Xinlian Village Huangjing Town Taicang City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 5,220 sq.m. and a 3-storey composite building erected thereon which was completed in 2013.</p> <p>The building has a gross floor area of approximately 421.59 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 29 November 2051 for commercial use.</p>	As at the valuation date, the property was occupied by the Group for ancillary office and customer service purposes.	<p>5,937,000</p> <p>100% interest attributable to the Group: RMB5,937,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2012) Di No. 010005721, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 29 November 2051 for commercial use.
2. Pursuant to a Building Ownership Certificate – Tai Fang Quan Zheng Huang Jing Zi Di No. 0500003147, issued by Taicang Housing and Urban-Rural Construction Bureau, a building with a gross floor area of approximately 421.59 sq.m. is owned by Taicang Natural Gas.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas legally owns the land use rights and building ownership rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
7.	Rooms 202 and 203 of Building No. 15, Room 1703 of Building No. 12 Phase II of Shanghai Garden Chengxiang Town Taicang City Jiangsu Province The PRC	<p>The property comprises 2 units on Levels 2 of a 27-storey residential building and a unit on Level 17 of an 18-storey residential building which were completed in 2013.</p> <p>The 3 units have a total gross floor area of approximately 353.77 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 6 December 2073 for residential use.</p>	As at the valuation date, the property was occupied by the Group for residential purpose.	<p>2,841,000</p> <p>100% interest attributable to the Group: RMB2,841,000</p>

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Tai Guo Yong (2013) Di No. 522020324, 522020325 and 522020326, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 6 December 2073 for residential use.
2. Pursuant to 3 Building Ownership Certificates – Tai Fang Quan Zheng Taicang Zi Di No. 0100164009, 0100164014 and 0100164018, issued by Taicang Housing and Urban-Rural Construction Bureau, the property with a total gross floor area of approximately 353.77 sq.m. are owned by Taicang Natural Gas.
3. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB7,700/sq.m. to RMB9,000/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of RMB8,030/sq.m. for the subject property.
4. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas owns the land use rights and building ownership rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
8.	The main building of Energy Tower No. 305 Middle Zhenghe Road Loudong Street Taicang City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 3,020.20 sq.m. and a 21-storey office building erected thereon which was completed in 2014.</p> <p>The property has a gross floor area of approximately 25,754.22 sq.m.</p> <p>The land use rights of the property have been granted for a term of 40 years expiring on 29 July 2051 for commercial use.</p>	As at the valuation date, the property was occupied by the Group for office use, except for portions of the property which were rented to a connected party for office use. (see note 4)	199,853,000 100% interest attributable to the Group: RMB199,853,000

Notes:

- Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2011) Di No. 022008536, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 29 July 2051 for commercial use.
- Pursuant to 22 Building Ownership Certificates – Tai Fang Quan Zheng Taicang Zi Di Nos. 0100169448, 0100169452, 0100169455, 0100169456, 0100169458, 0100169470, 0100169471, 0100169472, 0100169477, 0100169480, 0100169481, 0100169482, 0100169486, 0100169487, 0100169490, 0100169491, 0100169493, 0100169496, 0100169500, 0100169503, 0100169504 and 0100169506, issued by Taicang Housing and Urban-Rural Construction Bureau, the property with a gross floor area of approximately 25,754.22 sq.m. is owned by Taicang Natural Gas.
- Pursuant to a Mortgage Contract of Maximum Amount dated 10 January 2014, the parcel of land of the property with a site area of approximately 3,020.2 sq.m. and the construction works (currently refer to the 21-storey office building) thereon are subject to a mortgage in favour of Bank of China Limited, Taicang Sub-branch (the “Bank”), as a security to guarantee the principal obligation under a loan contract entered into between the Bank and Taicang Natural Gas for a maximum amount of RMB220,000,000 with the security term from 2 January 2014 to 2 January 2020.
- Pursuant to a Tenancy Agreement and a Supplementary Agreement between Taicang Natural Gas and Suzhou City Suchuang Group Company Limited (“Suchuang Group”) dated 20 October 2013 and 13 September 2014, a portion of the property on Level 5 with a lettable area of approximately 795 sq.m. was rented to Suchuang Group for a term of 3 years commencing from 21 October 2013 and 20 October 2016 at an annual rent of RMB346,500, exclusive of management fee and tax.
- In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The unit price of these comparables range from RMB7,500/sq.m. to RMB8,500/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of RMB7,760/sq.m. for the subject property.
- We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - Taicang Natural Gas legally owns the land use rights and building ownership rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - Save as the mortgage mentioned in note 3, the property is not subject to any other third party encumbrance.
- As the property is the major asset held by the Group, we are of the view that the property is a material property.

Details of the material property

- a) General description of location of the property : The property is located at the southern side of Zhenghe Road and the eastern side of Loujian Road. The site of the property is in irregular shape and there are various office buildings and industrial buildings in the neighbourhood.
- The property is located in southeast of Taicang City, which is close to Taicang City People's Government. Highway G15 which connects the subject area to Shanghai is located nearby.
- b) Details of encumbrances, liens, pledges, mortgages against the property : A parcel of land (under State-owned Land Use Rights Certificate – Tai Guo Yong (2011) Di No. 022008536) and a 21-storey office building erected thereon (Building Ownership Certificates – Tai Fang Quan Zheng Taicang Zi Di Nos. 0100169448, 0100169452, 0100169455, 0100169456, 0100169458, 0100169470, 0100169471, 0100169472, 0100169477, 0100169480, 0100169481, 0100169482, 0100169486, 0100169487, 0100169490, 0100169491, 0100169493, 0100169496, 0100169500, 0100169503, 0100169504 and 0100169506) are subject to mortgages as securities in favor of Bank of China Limited, Taicang Sub-branch for bank loan at the maximum amount of RMB220,000,000 with the security term from 2 January 2014 to 2 January 2020.
- c) Environmental Issue : No environmental impact assessment was carried out.
- d) Details of investigations, notices, pending litigation, breaches of law or title defects : Nil.
- e) Future plans for construction, renovation, improvement or development of the property and estimated associated costs : Nil.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
9.	A parcel of land and a building No. 1628 Dong Huan South Road Wuzhong Economic Development District Suzhou City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 4,666.7 sq.m. and a single-storey office and ancillary building erected thereon which was completed in 2012. The building has a gross floor area of approximately 391.61 sq.m. The land use rights of the property have been granted for a term expiring on 2 August 2048 for commercial use.	As at the valuation date, the property was vacant.	2,240,000 100% interest attributable to the Group: RMB2,240,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Wu Guo Yong (2013) Di No. 0607825, the land use rights of the property were granted to Suzhou Zhongyu Energy Development Company Limited (“Suzhou Zhongyu”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 2 August 2048 for commercial use.
2. Pursuant to 5 Building Ownership Certificates – Su Fang Quan Zheng Wu Zong Zi Di No. 00295345, 00295348, 00295349, 00295350 and 00295351, issued by the Suzhou Housing and Urban-Rural Construction Bureau, 5 buildings (including the subject building) with a total gross floor area of approximately 1,714.90 sq.m. are owned by Suzhou Zhongyu. As advised by Suzhou Zhongyu, 4 buildings with a total gross floor area of approximately 1,323.29 sq.m. were demolished.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Suzhou Zhongyu legally owns the land use rights and building ownership rights of the remaining undemolished building of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
10.	The ancillary composite buildings of Energy Tower located at the southern side of Zhenghe Road and the eastern side of Loujiang Road Taicang City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 11,808.4 sq.m. and five 2 to 5-storey composite buildings erected thereon which were completed in 2014.</p> <p>The buildings have a total gross floor area of approximately 12,870 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 13 April 2054 for composite use.</p>	As at the valuation date, the property was vacant.	<p>15,056,000</p> <p>100% interest attributable to the Group: RMB15,056,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 14 April 2004 entered into between Taicang Municipal Bureau of Land and Resources and Taicang Natural Gas Company Limited ("Taicang Natural Gas"), an indirect wholly-owned subsidiary of the Company, the land use rights of a parcel of land with a site area of approximately 11,808.4 sq.m. were contracted to be granted to Taicang Natural Gas for a term for 50 years for composite use. The land premium was RMB2,700,000.
2. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2004) Di No. 501000133, the land use rights of the property were granted to Taicang Natural Gas for a term commencing from 1 July 2004 and expiring on 13 April 2054 for composite use.
3. Pursuant to a Construction Work Commencement Permit – No. 320522200508030101 in favour of Taicang Natural Gas, permission by the relevant local authority was given to commence the construction work of the property.
4. In the valuation of this property, we have attributed no commercial value to the buildings of the property which have not obtained building ownership certificates. We only attributed commercial value to the land parcel which obtained land title certificate.
5. Pursuant to an Asset Transfer Agreement dated 18 July 2014 entered into between Taicang Natural Gas and Suzhou City Suchuang Group Company Limited ("Suchuang Group"), the property was contracted to be transferred to Suchuang Group at a total consideration of RMB34,074,200. Meanwhile, according to an Asset Transfer and Handover Letter dated 18 July 2014, Suchuang Group can actually occupy, receive benefit from and dispose of the property and all the relevant rights were attributed to Suchuang Group since 18 July 2014. Since the transfer of the property has not been legally completed, the property is included in our scope of valuation.
6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The relevant rights, obligations and risks of the property will not have material adverse effect on Taicang Natural Gas before accomplishing the relevant procedure of changing the title registration of the property; and
 - b. The transfer of the property will be legally completed upon the completion of the relevant ownership registration procedures.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
11.	A parcel of land located at No. 1 Guoyuan Village Chengxiang Town Taicang City Jiangsu Province The PRC	<p>The property comprises a parcel of land with a site area of approximately 148.8 sq.m.</p> <p>The land use rights of the property have been granted for a term expiring on 4 December 2067 for residential use.</p>	As at the valuation date, there was an obsolescent building erected on the property.	<p>161,000</p> <p>100% interest attributable to the Group: RMB161,000</p>

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2004) Di No. 522000002, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 4 December 2067 for residential use.
2. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The land price of these comparables range from RMB1,000/sq.m. to RMB1,800/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of RMB1,080/sq.m. for the subject property.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas owns the land use rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
12.	A parcel of land located at No. 2 Huayuan Village Chengxiang Town Taicang City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 136.8 sq.m. The land use rights of the property have been granted for a term expiring on 19 September 2063 for residential use.	As at the valuation date, there was an obsolescent building erected on the property.	146,000 100% interest attributable to the Group: RMB146,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2004) Di No. 522000003, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 19 September 2063 for residential use.
2. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The land price of these comparables range from RMB1,000/sq.m. to RMB1,800/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of RMB1,070/sq.m. for the subject property.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas owns the land use rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
13.	A parcel of land located at the eastern side of Hufuhuang Road and the northern side of Huasu Road Taicang Harbour Development District Taicang City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 1,075.4 sq.m. The land use rights of the property have been granted for a term expiring on 1 June 2058 for public ancillary use.	As at the valuation date, the property was vacant.	394,000 100% interest attributable to the Group: RMB394,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2010) Di No. 005005988, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 1 June 2058 for public ancillary use.
2. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The land price of these comparables range from RMB300/sq.m. to RMB400/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of RMB366/sq.m. for the subject property.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas owns the land use rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
14.	A parcel of land located at the eastern side of Zhendong Road and the northern side of Yinxi Road Shaxi Town Taicang City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 3,747.6 sq.m. The land use rights of the property have been granted for a term expiring on 29 July 2049 for commercial use.	As at the valuation date, the property was vacant.	3,193,000 100% interest attributable to the Group: RMB3,193,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2011) Di No. 023012538, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 29 July 2049 for commercial use.
2. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The land price of these comparables range from RMB800/sq.m. to RMB1,200/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of RMB852/sq.m. for the subject property.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas owns the land use rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
15.	A parcel of land located at the northern side of Dalian West Road and the eastern side of Dongting Road Taicang City Jiangsu Province The PRC	The property comprises a parcel of land with a site area of approximately 9,948.7 sq.m. The land use rights of the property have been granted for a term expiring on 29 August 2062 for industrial use.	As at the valuation date, the property was vacant.	2,547,000 100% interest attributable to the Group: RMB2,547,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tai Guo Yong (2014) Di No. 002017770, the land use rights of the property were granted to Taicang Natural Gas Company Limited (“Taicang Natural Gas”), an indirect wholly-owned subsidiary of the Company, for a term expiring on 29 August 2062 for industrial use.
2. In our valuation, we have identified and analysed various relevant sales evidence in the locality which have similar characteristic as the subject property. The land price of these comparables range from RMB252/sq.m. to RMB257/sq.m. Appropriate adjustments and analysis are considered to the differences in location, size and other characters between the comparable properties and the subject property to arrive at an assumed unit rate of RMB256/sq.m. for the subject property.
3. We have been provided with a legal opinion regarding the property interest by the Company’s PRC legal advisers, which contains, *inter alia*, the following:
 - a. Taicang Natural Gas owns the land use rights of the property and is entitled to transfer, lease or mortgage or otherwise dispose of the property; and
 - b. The property is not subject to any third party encumbrance.

VALUATION CERTIFICATE

Group II – Property interest rented and occupied by the Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 December 2014 RMB
16.	Portions of Levels 1 to 4 of a building No. 148, Hongxi Road New Hi-tech Industrial Development Zone Suzhou City Jiangsu Province The PRC	<p>The property comprises portions of Levels 1 to 4 of a 6-storey office building which was completed in 2010.</p> <p>The property has a total lettable area of approximately 185.2 sq.m.</p> <p>The property is leased to Suzhou Zhongyu Energy Development Company Limited from an independent third party for a term commencing from 1 April 2012 and expiring on 30 June 2016, at a total rent of RMB770,400 inclusive of property tax.</p>	As at the valuation date, the property was occupied by the Group for office purpose.	No commercial value

Notes:

1. Pursuant to a Tenancy Agreement, the property is leased to Suzhou Zhongyu Energy Development Company Limited ("Suzhou Zhongyu"), an indirect wholly-owned subsidiary of the Company, from Suzhou Hushuguan Economic Development District Asset Operation Company (蘇州滄墅關經濟開發區資產經營總公司, the "Lessor", an independent third party), for a term commencing from 1 April 2012 and expiring on 30 June 2016, at a total rent of RMB770,400 inclusive of property tax.
2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:
 - a. The Lessor owns the building ownership rights of the property and has rights to lease the property;
 - b. The Tenancy Agreement is legally binding on both parties. Within the lease term, Suzhou Zhongyu has the rights to occupy and use the property according to the Tenancy Agreement; and
 - c. The non-registration of the Tenancy Agreement will not affect the validity of the Tenancy Agreement.

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 4 July 2013 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 16 February 2015 and will become effective on the Listing Date. 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 to receive a certificate for his shares. No shares shall be issued to bearer.

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 2 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

or may be printed thereon 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 4 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 close 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 close 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 close 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 therefor (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 favour 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 realised 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 close 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 close 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 close 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 close 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 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 close associate(s) and employees of the Company or of any of its subsidiaries and does not provide in respect of any Director, or his close associate(s), as such any privilege or advantage not generally accorded to the employees to which such scheme or fund relates; or
- (ee) any contract or arrangement in which the Director or his close 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 travelling, 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 appointed by the Board to fill a casual vacancy shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

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 despatch of the notice of the meeting appointed for such election and end no later than 7 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 7 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. 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 summarised 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, alternate 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, including a change of the name of such directors or officers.

(x) Proceedings of the Board

Subject to the Articles, the Board may meet anywhere in the world for the despatch 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 authorised 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; (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 authorised 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 authorised 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 authorised 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 authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 14 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 authorised 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 authorised 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 instalments 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 authorised 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 authorised 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 authorised 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 authorised 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 authorised, the authorisation shall specify the number and class

of shares in respect of which each such person is so authorised. A person authorised in accordance with this provision shall be deemed to have been duly authorised without further evidence of the facts and 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 authorised 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 authorised 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 summarised 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 summarised financial statements instead

of the full financial statements. The summarised 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 21 days before the general meeting to those shareholders that have consented and elected to receive the summarised 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 authorised 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 recognise 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 register of members may, subject to the Listing Rules (as defined in the Articles), be closed at such time or for such period not exceeding in the whole 30 days in each year as the Board may determine.

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 the Articles, 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, instalments 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 monies 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 instalments payable upon any shares held by him, and in respect of all or any of the monies 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 authorised representative) or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised. 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 favour 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 instalments. If the sum payable in respect of any call or instalment 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 instalments 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 instalment 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 instalment remains unpaid, serve not less than 14 days' notice on him requiring payment of so much of the call or instalment 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 monies 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 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 authorised 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 summarised 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 12 years and 3 months period (being the 3 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 4 July 2013 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 authorised 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) any manner provided in section 37 of the Cayman Companies Law;
- (iv) writing-off the preliminary expenses of the company; and

- (v) writing-off the expenses of, or the commission paid or discount allowed on, any issue of 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 authorised 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 authorised 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 and, for the avoidance of doubt, it shall be lawful for the rights attaching to any shares to be varied, subject to the provisions of the company's articles of association, so as to provide that such shares are to be or are liable to be so redeemed. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. Nonetheless, if the articles of association do not authorise the manner and terms of purchase, a company cannot purchase any of its own shares without the manner and terms of purchase first being authorised 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 issued shares of the company other than shares held as treasury 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.

Under Section 37A(1) the Cayman Companies Law, shares that have been purchased or redeemed by a company or surrendered to the company shall not be treated as cancelled but shall be classified as treasury shares if (a) the memorandum and articles of association of the company do not prohibit it from holding treasury shares; (b) the relevant provisions of the memorandum and articles of association (if any) are complied with; and (c) the company is authorised in accordance with the company's articles of association or by a resolution of the directors to hold such shares in the name of the company as treasury shares prior to the purchase, redemption or surrender of such shares. Shares held by a company pursuant to section 37A(1) of the Cayman Companies Law shall continue to be classified as treasury shares until such shares are either cancelled or transferred pursuant to the Cayman Companies Law.

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 sections 34 and 37A(7) 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 subparagraph 2(n) of this Appendix for further details). Section 37A(7)(c) of the Cayman Companies Law provides that for so long as a company holds treasury shares, no dividend may be declared or paid, and no other distribution (whether in cash or otherwise) of the company's assets (including any distribution of assets to members on a winding up) may be made to the company, in respect of a treasury share.

(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.

If the Company keeps its books of account at any place other than at its registered office or at any other place within the Cayman Islands, it shall, upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands, make available, in electronic form or any other medium, at its registered office copies of its books of account, or any part or parts thereof, as are specified in such order or notice.

(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 (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor-in-Cabinet:

- (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 (2011 Revision).

The undertaking, if obtained, will be valid for a period of twenty years from the date of the certificate.

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.

(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 maintain its principal register of members and any branch registers in any country or territory, whether within or outside the Cayman Islands, as the company may determine from time to time. 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. However, an exempted company shall make available at its registered office, in electronic form or any other medium, such register of members, including any branch register of member, as may be required of it upon service of an order or notice by the Tax Information Authority pursuant to the Tax Information Authority Law (2009 Revision) of the Cayman Islands.

(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 Company so resolves by special resolution that it be wound up voluntarily, or, where the company in general meeting resolves that it be wound up voluntarily because it 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 wound up. 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 of, 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 authorised 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 adviser on Cayman Islands law, has sent to the Company a letter of advice which summarises 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 to this prospectus. 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 GROUP**1. Incorporation of Our Company**

We are incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on 4 July 2013. We have established a principal place of business in Hong Kong at Suite 2703, 27th Floor, 100QRC, 100 Queen's Road Central, Hong Kong and have been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part XI of the Predecessor Companies Ordinance on 15 November 2013. Mr. Ng Chi Kit, our company secretary, has been appointed as the authorised representative of our Company for the acceptance of service of process and notices on behalf of our Company in Hong Kong.

As we were incorporated in the Cayman Islands, our corporate structure and Memorandum and Articles of Association are subject to the relevant laws and regulations of the Cayman Islands. A summary of the relevant laws and regulations of the Cayman Islands and of the Memorandum and Articles of Association of our Company is set out in the section headed "Summary of the Constitution of the Company and Cayman Islands Companies Law" in Appendix V to this prospectus.

2. Changes in the Share Capital of Our Company

As at the date of incorporation of our Company, our Company had an authorised share capital of US\$50,000.00, divided into 50,000 shares of a par value of US\$1.00 each, of which one fully-paid share of US\$1.00 was issued and allotted to Nominee Services Ltd., the initial subscriber, on 4 July 2013 and was transferred to Dekai Energy on the same day. A further issuance and allotment of 9,999 fully-paid shares of US\$1.00 was made on 4 July 2013 to Dekai Energy at par.

The following changes in the share capital of our Company have taken place since the date of incorporation of our Company up to the date of this prospectus:

- (a) On 20 January 2014, the authorised share capital of our Company was increased to the aggregate of US\$50,000.00 and HK\$50,000,000.00 by the creation of an additional 5,000,000,000 shares with a par value of HK\$0.01 each.
- (b) On 20 January 2014, 7,800,000 shares with a par value of HK\$0.01 each were issued and allotted to Dekai Energy as fully paid shares.
- (c) On 20 January 2014, our Company repurchased 10,000 shares with a par value of US\$1.00 each from Dekai Energy.
- (d) On 20 January 2014, any authorised but unissued shares with a par value of US\$1.00 each was cancelled and the amount of authorised share capital of our Company was diminished by the amount of the shares so cancelled, and that the authorised share capital of our Company became HK\$50,000,000.00 divided into 5,000,000,000 shares with a par value of HK\$0.01 each.
- (e) On 19 February 2014, 200,000 shares with a par value of HK\$0.01 each were issued and allotted to Dekai Energy as fully paid shares.

- (f) On 19 February 2014, Dekai Energy transferred 8,000,000 Shares, representing the then entire issued share capital of our Company, to Fung Yu Holdings.
- (g) On 26 February 2014, 3,420,955 Shares were issued to Fung Yu Holdings as fully paid.
- (h) On 10 March 2014, Fung Yu Holdings transferred 495,970 Shares to Jade Deluxe.
- (i) On 24 June 2014, 978,301 Shares were issued to Fung Yu Holdings as fully paid.

Immediately following the completion of the Global Offering and the Capitalisation Issue but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option and options that may be granted under the Share Option Scheme, the issued share capital of our Company will be HK\$8,000,000, divided into 800,000,000 shares of HK\$0.01 each, all fully paid or credited as fully paid and 4,200,000,000 Shares of HK\$0.01 each will remain unissued.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company since its incorporation.

3. Written Resolutions of our Shareholders passed on 16 February 2015

Pursuant to the written resolutions of our Shareholders passed on 16 February 2015, resolutions were passed under which, among other things:

- (a) conditional upon the listing of the Shares on the Stock Exchange, the amended and restated Memorandum and Articles of Association were adopted in substitution for and to the exclusion of the existing Memorandum and Articles of Association of our Company;
- (b) conditional on (1) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus, (2) the Offer Price being duly determined among our Company and the Sole Global Coordinator (on behalf of the Underwriters), (3) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date and (4) 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 such dates as may be specified in the Underwriting Agreements:
 - (i) the Global Offering and the Over-allotment Option were approved and our Directors were authorised to approve the allotment and issue of the Offer Shares and any Shares which are required to be issued if the Over-allotment Option is exercised;
 - (ii) the Share Option Scheme was approved and adopted, and our Directors were authorised to approve any amendments to the same as may be acceptable or not objected by the Stock Exchange and to grant options to subscribe for Shares thereunder and to allot and issue Shares pursuant to the exercise of subscription rights attaching to any options which may be 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) conditional upon our share premium account being credited as a result of the Global Offering, we capitalised and applied HK\$5,876,007.44 of such amount so credited in paying up in full at par 587,600,744 Shares for allotment and issue to holders of the Shares on the register of members at the close of business on 15 February 2015 (or as our Directors may direct) in the same proportion as their then shareholdings;
- (iv) a general unconditional mandate was granted to our Directors to allot, issue and deal with, otherwise than by way of rights or pursuant to the exercise of any options which may be granted under any share option scheme or by virtue of scrip dividend schemes or similar arrangements in accordance with our Articles, Shares with an aggregate nominal value not exceeding:
 - (1) 20% of the aggregate nominal value of our share capital in issue immediately following completion of the Global Offering and Capitalisation Issue and before the exercise of the Over-allotment Option; and
 - (2) the aggregate nominal amount of our share capital repurchased under the authority referred to in sub-paragraph (v) below; and
- (v) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase on the Stock Exchange, or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange, such number of Shares that will represent up to 10% of the aggregate nominal value of our issued share capital immediately following completion of the Global Offering and the Capitalisation Issue but excluding any Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options which may be granted pursuant to the Share Option Scheme, and the said approval shall be limited accordingly.

Each of the general mandates referred to in paragraphs (b)(iv) and (v) above will remain in effect until the earliest of:

- (i) the conclusion of our next annual general meeting;
 - (ii) the expiration of the period within which our next annual meeting is required to be held; or
 - (iii) the time when such mandate is revoked, varied or renewed by an ordinary resolution of our Shareholders in a general meeting.
- (c) the form and substance of each of the service agreements made between our executive Directors and us, and the form and substance of each of the appointment letters made between each of our non-executive Directors and independent non-executive Directors with us were approved.

4. Reorganisation

The companies comprising our Group underwent the Reorganisation in preparation for the Listing. Please refer to the section headed "History and Reorganisation" in this prospectus for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are referred to in the accountants' report set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the accountants' report, we do not have any other subsidiaries.

The following alterations in the share capital of our subsidiaries have taken place within the two years immediately preceding the date of this prospectus:

- (a) On 21 June 2013, Taicang Chuangda Gas was deregistered;
- (b) On 31 December 2013, Suchuang Hong Kong acquired 25.53% equity interest in Taicang Natural Gas by means of capital injection of RMB48 million. Taicang Natural Gas increased its registered capital from RMB140,000,000 to RMB188,000,000 and has been fully paid up;
- (c) On 30 July 2013, Taicang Natural Gas acquired 39% equity interest in Suzhou Zhongyu from Taicang Sunan Petroleum at a consideration of RMB3.9 million;
- (d) On 30 July 2013, Mr. Su acquired 10% equity interest in Suzhou Zhongyu from Taicang Sunan Petroleum at a consideration of RMB1 million;
- (e) On 16 August 2013, Taicang Natural Gas acquired 10% equity interest in Suzhou Zhongyu from Mr. Su at a consideration of RMB1 million;
- (f) On 15 April, 2014, Suchuang Hong Kong acquired 58.25% equity interest in Taicang Natural Gas from Suchuang Group at a consideration of RMB167,636,878.20;
- (g) On 15 April, 2014, Suchuang Hong Kong acquired 12.23% equity interest in Taicang Natural Gas from Ms. Zhu at a consideration of RMB35,216,390.60; and
- (h) On 15 April, 2014, Suchuang Hong Kong acquired 3.99% equity interest in Taicang Natural Gas from Suzhou Suling Automobile Service at a consideration of RMB11,488,731.20.

Save as disclosed in this prospectus, there has been no alteration in the share capital or registered capital of our subsidiaries within the two years immediately preceding the date of this prospectus.

6. Repurchase by our Company of our Own Securities

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of our own securities.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to repurchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

All proposed repurchases of securities by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval of a specific transaction.

Pursuant to the written resolutions of our Shareholders passed on 16 February 2015, our Directors were granted a general unconditional mandate (the “**repurchase mandate**”) to repurchase on the Stock Exchange, or any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Stock Exchange, such number of Shares with an aggregate nominal value not exceeding 10% of our share capital in issue and to be issued as mentioned in this prospectus (including, without limitation, any issue of Shares pursuant to the Capitalisation Issue).

The repurchase mandate will remain in effect until the earliest of:

- (a) the conclusion of our next annual general meeting;
- (b) the expiration of the period within which our next annual general meeting is required to be held; or
- (c) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in a general meeting.

(ii) Source of funds

Repurchases of Shares must only be funded out of funds legally permitted to be utilised in this connection (namely profits of our Company or the proceeds from a new issue of shares made for the purpose of the repurchase, or, if so authorised by its articles of association and subject to the Cayman Companies Law, out of capital) in accordance with the Memorandum and Articles of Association of our Company, the Listing Rules and the applicable laws of the Cayman Islands. Any premium on a repurchase may be made out of profits of our Company or from sums standing to the credit of our Company’s share premium account or, if so authorised by its articles of association and subject to the Cayman Companies Law, out of capital. A company may not repurchase its own securities 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 from time to time.

(iii) Trading restrictions

The total number of shares which we are authorised to repurchase on the Stock Exchange is such number of shares which represents up to a maximum of 10% of our existing issued share capital as at the date of the resolution approving the repurchase. A company may not issue or announce an issue of securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange.

(iv) Shares to be purchased

The Listing Rules provide that the shares which are proposed to be purchased by a company must be fully paid up. A company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average closing market price for the five preceding trading days on which its shares were traded on the Stock Exchange.

(v) *Status of repurchased securities*

The listing of all repurchased securities (whether on the Stock Exchange or otherwise) is automatically cancelled and the relevant certificates for those securities must be cancelled and destroyed. Under the laws of the Cayman Islands, a company's repurchased shares which are not held as treasury shares by our Company are to be treated as cancelled, and the amount of our Company's issued share capital shall be diminished by the nominal value of those shares accordingly.

(vi) *Suspension of repurchases*

A company shall not purchase its shares on the Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (i) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the Listing Rules) for the approval of the listed issuer's results for any year, half-year, quarterly or any other interim period (whether or not required under the Listing Rules); and (ii) the deadline for the listed issuer to announce its results for any year or half year under the Listing Rules, or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement, the company may not purchase its shares on the Stock Exchange, unless the circumstances are exceptional. In addition, the Stock Exchange reserves the right to prohibit repurchases of securities on the Stock Exchange if a company has breached the Listing Rules.

(vii) *Reporting requirements*

Repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session (Hong Kong time) on the following Business Day. In addition, our Company's annual report is required to disclose details regarding repurchases of securities made during the year, including the monthly breakdown of the number of securities repurchased, purchase price per share and the aggregate price paid. The directors' report shall contain reference to the purchases made during the year and the reasons for making such purchases.

(viii) *Connected persons*

A company is prohibited from knowingly repurchasing securities on the Stock Exchange from a "core connected person", which includes a director, chief executive or Substantial Shareholder of the company or any of its subsidiaries or their close associates and a core connected person is prohibited from knowingly selling his securities to the company.

(b) Share capital

Exercise in full of the repurchase mandate, on the basis of 800,000,000 Shares in issue immediately after the listing of the Shares, could accordingly result in up to 80,000,000 Shares being repurchased by us during the course of the period prior to the date on which such repurchase mandate expires or terminates (as referred to in paragraph (a)(i) above).

(c) General information relevant to the repurchase mandate

- (i) Our Directors believe that it is in the best interests of us and our Shareholders to have a general authority from the Shareholders to enable our Directors to repurchase Shares in the market. Repurchases of shares will only be made when our Directors believe that such repurchases will benefit us and our Shareholders. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net value and our assets and/or our earnings per Share.
- (ii) There might be a material adverse impact on our working capital or gearing position (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate is exercised in full. However, our Directors do not propose to exercise the repurchase mandate to such extent as would, in the circumstances, have a material adverse effect on our working capital requirements or the gearing levels, which in the opinion of our Directors are from time to time appropriate for us.
- (iii) None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates has any present intention to sell any Shares to us or our subsidiaries if the repurchase mandate is exercised.
- (iv) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate only in accordance with the Listing Rules and the applicable laws of the Cayman Islands. We shall procure the broker who affects the repurchase of securities to disclose to the Stock Exchange such information in relation to the purchase as the Stock Exchange may request.
- (v) If as a result of a repurchase of securities, 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 Code on Takeovers and Mergers (the "**Takeovers Code**"). Accordingly, a Shareholder (or a group of shareholders acting in concert, as defined in the Takeovers Code) could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as disclosed in this prospectus, our Directors are not aware of any consequences that would arise under the Takeovers Code as a result of a repurchase pursuant to the repurchase mandate.
- (vi) No core connected person has notified us that he has a present intention to sell Shares to us, or has undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT OUR BUSINESS**1. Summary of Material Contracts**

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an equity transfer agreement dated 12 July 2013 entered into between Taicang Natural Gas and Taicang Sunan Petroleum, pursuant to which Taicang Natural Gas agreed to acquire 39% equity interest in Suzhou Zhongyu held by Taicang Sunan Petroleum for a consideration of RMB3,900,000;
- (b) an equity transfer agreement dated 3 August 2013 entered into between Taicang Natural Gas and Mr. Su, pursuant to which Taicang Natural Gas agreed to acquire 10% equity interest in Suzhou Zhongyu held by Mr. Su for a consideration of RMB1,000,000;
- (c) the Notes Subscription Agreement;
- (d) the Shareholders and Noteholders Agreement;
- (e) the Hong Kong Share Charge;
- (f) a deed of adherence dated 10 March 2014 entered into among our Company, Fung Yu Holdings, Mr. Su, Ms. Zhu, Action East (together, the “**Continuing Parties**”) and Jade Deluxe, pursuant to which Jade Deluxe covenanted with the Continuing Parties that Jade Deluxe shall comply with and be bound by all the terms, covenants, obligations and provisions in the Shareholders and Noteholders Agreement (as may be amended from time to time) in all respects as a party to the Shareholders and Noteholders Agreement;
- (g) a letter dated 14 March 2014 entered into among Fung Yu Holdings, Action East, our Company, Suchuang Hong Kong, Taicang Natural Gas, Suzhou Zhongyu, Mr. Su and Ms. Zhu pursuant to which the parties agreed to an extension of time to satisfy the drawdown conditions stipulated in the Notes Subscription Agreement from 15 March 2014 to 30 April 2014 without any consideration;
- (h) a letter dated 29 April 2014 entered into among Fung Yu Holdings, Action East, our Company, Suchuang Hong Kong, Taicang Natural Gas, Suzhou Zhongyu, Mr. Su and Ms. Zhu pursuant to which the parties agreed to increase the amount of further capital injection by Mr. Su and Ms. Zhu in Fung Yu Holdings from RMB57,213,561.39 (or US\$ equivalent) (as referred to in the Notes Subscription Agreement) to RMB80,213,561.39 without any consideration;
- (i) the Deed of First Offer;

- (j) a deed of non-competition dated 23 February 2015 entered into between our Company and the Controlling Shareholders regarding certain non-competition undertakings given by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of the other members of our Group), the particulars of which are further set out in the section headed “Relationship with Controlling Shareholders – Information on Other Companies Owned by Our Controlling Shareholders – Deed of Non-competition” in this prospectus;
- (k) a deed of indemnity dated 23 February 2015 entered into between our Company and the Controlling Shareholders regarding indemnities given by the Controlling Shareholders in favour of our Company (for itself and as trustee for each of the other members of our Group) in respect of, among other things, taxation and non-compliance incidents, particulars of which are set out in the paragraph headed “E. Other Information – 1. Tax and other indemnities” below in this section;
- (l) a cornerstone investment agreement dated 23 February 2015 entered into among Yangpu Zhongyou HuaYuan Shipping Co., Ltd., BNP Paribas Securities (Asia) Limited, Haitong International Securities Company Limited and our Company, pursuant to which Yangpu Zhongyou HuaYuan Shipping Co., Ltd. agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US\$10 million at the Offer Price;
- (m) a cornerstone investment agreement dated 23 February 2015 entered into among Greenland Financial Overseas Investment Group Co., Ltd., BNP Paribas Securities (Asia) Limited, Haitong International Securities Company Limited and our Company, pursuant to which Greenland Financial Overseas Investment Group Co., Ltd. agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 2,000 Shares) which may be purchased with an aggregate amount of US\$10 million at the Offer Price; and
- (n) the Hong Kong Underwriting Agreement.

2. Intellectual Property Rights of our Group

As of the Latest Practicable Date, we have registered or have applied for the registration of the following intellectual property rights which are material in relation to our business.

(a) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:




Domain Name	Registrant	Expiry Date
www.tcgas.cn	Taicang Natural Gas	29 January 2020
www.taicanggas.com	Taicang Natural Gas	23 May 2020
www.suchuanggas.com	our Company	4 August 2015

(b) Trademarks





As of the Latest Practicable Date, Suchuang Group was the registered user of the following trademarks in the PRC and our Group was licensed to use the following trademarks which we believe are or may be material to our business:

Trademark	Registered owner (in application)	Trade mark no.	Place of application	Class	Term
苏创	Suchuang Group	3547605	PRC	4	28 March 2005 to 27 March 2015
	Suchuang Group	880398	PRC	4	13 October 2006 to 12 October 2016

As of the Latest Practicable Date, our Company was the registered user of the following trademarks in Hong Kong:

Trademark	Trade mark no.	Place of application	Class	Term
苏创	302756593	Hong Kong	4	14 July 2014 to 13 July 2024
蘇創	302756593	Hong Kong	4	14 July 2014 to 13 July 2024
	302756584	Hong Kong	4	4 October 2013 to 3 October 2023
 苏创燃气	303077262	Hong Kong	4	23 July 2014 to 22 July 2024
 蘇創燃氣	303077262	Hong Kong	4	23 July 2014 to 22 July 2024

As of the Latest Practicable Date, our Company has filed the following trademark applications in Hong Kong:

Trademark	Application number	Place of Application	Class	Date of Application/Filing
 苏创燃气 SUCHUANG GAS	303155670	Hong Kong	4	3 October 2014
 苏创燃气 SUCHUANG GAS	303155670	Hong Kong	4	3 October 2014
 蘇創燃氣 SUCHUANG GAS	303155670	Hong Kong	4	3 October 2014
 蘇創燃氣 SUCHUANG GAS	303155670	Hong Kong	4	3 October 2014

Save as aforesaid, there are no other trade or service marks, patents, other intellectual or industrial property rights, which are or may be material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of our Directors*

Immediately following completion of the Global Offering and the Capitalisation Issue, and taking no account of any Shares which may be issued and allotted pursuant to the Share Option Scheme and assuming the Over-allotment Option is not exercised, the interests and short positions of each of our Directors and chief executive of our Company in the 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 the 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 interests and short positions which have been taken or deemed to have been 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 to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules (all of the aforesaid being “**Discloseable Interests**”), will be as follows:

Name of Director	Nature of interest	Number of securities held (Note 1)	Approximate shareholding percentage in our Company (%)
Mr. Su (Notes 2 and 3)	Interest in a controlled corporation, interest of spouse	410,460,000 (L)	51.3075
Ms. Zhu (Notes 2 and 4)	Interest in a controlled corporation, interest of spouse	410,460,000 (L)	51.3075

Notes:

- (1) The letter “L” denotes a person’s “long position” (as defined under Part XV of the SFO) in such Shares.
- (2) Our Company is held as to 51.3075% by Fung Yu Holdings immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be allotted and issued upon any exercise of the Over-allotment Option and the options which may be granted under the Share Option Scheme). Fung Yu Holdings is held as to 70% by Mr. Su and 30% by Ms. Zhu.
- (3) Mr. Su is the spouse of Ms. Zhu. Under the SFO, Mr. Su is deemed to be interested in the same number of Shares in which Ms. Zhu is interested.
- (4) Ms. Zhu is the spouse of Mr. Su. Under the SFO, Ms. Zhu is deemed to be interested in the same number of Shares in which Mr. Su is interested.

(b) *Interests of the Substantial Shareholders*

Information on the persons (not being a Director or chief executive of our Company) who will, immediately following the completion of the Global Offering and the Capitalisation Issue (without taking into account any Shares which may be issued pursuant to the exercise of the Over-allotment Option and any Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme), have or be deemed to have an interest or short position in the Shares and underlying shares of our Company 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 is, 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 is set out in the section headed “Substantial Shareholders” in this prospectus.

2. Directors’ Service Contracts

(a) Particulars of Directors’ service contracts

Each of our executive Directors, Mr. Su, Ms. Zhu and Mr. Du Shaozhou, has entered into a service contract with us for an initial term of three years commencing from the Listing Date and shall continue thereafter unless terminated by not less than six months’ written notice.

The annual fees payable by our Company to our executive Directors according to their respective service contracts will be RMB3,500,000. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

Each of our non-executive Director, Mr. Xu Lei, and our independent non-executive Directors, Mr. Zhou Qingzu, Mr. He Junjie and Mr. Luk Wai Keung, has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date unless terminated by three months’ written notice or in certain circumstances in accordance with the terms of the relevant letter of appointment. The basic annual remuneration payable by our Company to our non-executive Director and our independent non-executive Directors according to their respective letters of appointment will be RMB480,000. The appointments are subject to the provisions of retirement and rotation of Directors under the Articles.

(b) Directors’ remuneration

For the three years ended 31 December 2013 and the nine months ended 30 September 2014, the aggregate of the remuneration (including fees, salaries, contributions to pension schemes, housing allowances, other allowances and benefits in kind and discretionary bonuses) paid to Directors by our Group was nil, nil, RMB50,000 and RMB271,000, respectively.

Under the arrangements currently in place, the aggregate amount that our Directors will be entitled to receive in the form of remuneration and benefits in kind for the year ended 31 December 2014 is RMB485,000 (including any discretionary bonuses payable to our Directors).

3. Directors' Competing Interests

Save as disclosed in this prospectus, none of our Directors are interested in any business apart from our Group's business which competes or is likely to compete, directly or indirectly, with the business of our Group.

4. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests or short positions in the shares, underlying shares and debentures of our Company or our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he is taken or deemed to have taken 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 in that section, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to our Company and the Stock Exchange, once the Shares are listed on the Stock Exchange;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and 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 is, 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;
- (c) none of our Directors nor any of the persons listed in the paragraph headed "E. Other Information – 5. Qualification of Experts" below in this section is interested in the promotion of, or in any assets which have been, within the two years immediately preceding the issue 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;
- (d) none of our Directors nor any of the persons listed in the paragraph headed "E. Other Information – 5. Qualification of Experts" below in this section is materially interested in any contract or arrangement with our Group subsisting at the date of this prospectus which is unusual in its nature or conditions or which is significant in relation to the business of our Group as a whole;
- (e) save in connection with Underwriting Agreements, none of the persons listed in the paragraph headed "E. Other Information – 5. Qualification of Experts" below in this section has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and

- (f) save as disclosed in the section headed “Business – Our Suppliers, Raw Materials and Inventories – Major Suppliers” in this prospectus, none of our Directors, their respective close associates, or Shareholders who are interested in more than 5% of the issued share capital of our Company, has any interest in our Company’s five largest customer and five largest suppliers.

D. SHARE OPTION SCHEME

1. Summary of terms

The following is a summary of all the principal terms of the Share Option Scheme conditionally adopted by a resolution in writing passed by all Shareholders on 16 February 2015:

(a) *Purpose of the Share Option Scheme*

The purposes of the Share Option Scheme are to attract and retain the best available personnel, to provide additional incentive to employees, directors, consultants and advisers of our Group and to promote the success of the business of our Group.

The Share Option Scheme provides that our Company may specify a minimum holding period and performance conditions which must be achieved before options can be exercised by the option holders. In addition, the basis for the determination of the exercise price of the options has been set out in the Share Option Scheme. The Board considers that the aforesaid criteria and the terms of the Share Option Scheme will serve to preserve the value of our Company and encourage option holders to acquire proprietary interests in our Company.

(b) *Who may join*

The Board may offer any employee (whether full-time or part-time), Director, consultant or adviser of our Group (the “**Eligible Person**”) options to subscribe for Shares at a price calculated in accordance with paragraph (c) below and subject to the other terms of the Share Option Scheme summarised below. Upon acceptance of the option, the grantee shall pay HK\$1.00 to our Company as consideration for the grant.

(c) *Maximum number of Shares*

- (i) The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes of our Company shall not exceed such number of Shares as shall represent 30% of the issued share capital of our Company from time to time.
- (ii) Subject always to the overall limit specified in paragraph (c)(i) above:
- the Board may grant options under the Share Option Scheme, generally and without further authority, in respect of such number of Shares which may be issued upon exercise of all options to be granted under the Share Option

Scheme and any other schemes in aggregate not exceeding 10% of the issued share capital of our Company as at the date on which dealings in the Shares commence on the Main Board of the Stock Exchange (the “**Scheme Mandate Limit**”) (being 80,000,000 Shares). For the avoidance of doubt, options lapsed in accordance with the Share Option Scheme shall not be counted for the purpose of calculating the Scheme Mandate Limit;

- the Scheme Mandate Limit may be renewed by obtaining approval of the Shareholders in a general meeting, provided that such renewed limit shall not exceed 10% of the Shares in issue as at the date of approval of such limit (the “**Refreshed Limit**”). Options previously granted under the Share Option Scheme (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or exercised options) shall not be counted for the purpose of calculating the Refreshed Limit. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rule 17.02(2) of the Listing Rules; and
 - the Board may grant options in excess of the 10% limit to specifically identified Eligible Persons by first obtaining approval of the Shareholders in a general meeting to grant the options in the amounts and to the Eligible Persons specified in the resolution. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rule 17.02(2) of the Listing Rules.
- (iii) Unless approved by the Shareholders in a general meeting in the manner as set out in paragraph (c)(iv) below (with such Eligible Person and his close associates (or his associates if the Eligible Person is a connected person) abstaining from voting), the total number of Shares issued and to be issued upon the exercise of the options granted to each Eligible Person (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the relevant class of securities of our Company in issue.
- (iv) Further options may be granted to an Eligible Person, which, if exercised, would result in such Eligible Person becoming entitled to subscribe for Shares in excess of the limit stated in paragraph (c)(iii) above, by obtaining approval of the Shareholders in general meeting with such Eligible Person and his close associate(s) abstaining from voting provided that the terms and number of Shares subject to the options to be granted to such Eligible Person are fixed before the relevant approval of the Shareholders is obtained, and the date of the meeting of the Board proposing such further grant shall be deemed to be the date, which must be a Business Day, of the written notice from our Company granting option to Eligible Persons (the “**Date of Grant**”) for the purpose of determining the exercise price of such options. Our Company shall send a circular to the Shareholders in accordance with and containing such information as required under Rules 17.02(2) and 17.03(4) of the Listing Rules.

(d) Performance target

The Share Option Scheme does not set out performance targets which must be achieved before the options may be exercised. However, on the grant of options by the Board, the Board may specify, as part of the terms and conditions of such option, the performance condition which must be satisfied before the option can be exercised.

(e) Exercise price

The amount payable for each Share to be subscribed for under an option in the event of the option being exercised shall be determined by the Board and shall be not less than the greater of:

- (i) the closing price of the Shares on the Stock Exchange as stated in the Stock Exchange's daily quotations sheet on Date of Grant;
- (ii) the average closing price of the Shares on the Main Board of the Stock Exchange as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the Date of Grant; and
- (iii) the nominal value of the Shares.

(f) Rights are personal to grantee

An option which has been duly granted and remains outstanding and exercisable in accordance with the Share Option Scheme and has neither lapsed nor been cancelled or exercised in full and, has been exercised in part as permitted by the terms of such option, includes that part of the option that has not been exercised and which has neither lapsed nor been cancelled (the "**Subsisting Option**") and an offer to grant an option shall be personal to the Eligible Person to whom it is granted or made and shall not be assignable.

(g) Options granted to Directors or Substantial Shareholders

- (i) Any options granted to an Eligible Person who is a Director, chief executive or Substantial Shareholder of our Company or any of their respective associates shall be approved by the independent non-executive Directors and, in any event, if the proposed grantee is an independent non-executive Director, the vote of such grantee shall not be counted for the purpose of approving such grant.
- (ii) Any options granted to an Eligible Person who is a Substantial Shareholder, or independent non-executive Director, or their respective associates, which will result in the total number of Shares issued and to be issued upon exercise of all the options granted and to be granted (including options whether exercised, cancelled or still outstanding) to such person in the period of 12 months up to and including the date of such grant:
 - representing in aggregate over 0.1% (or such other percentage as may from time to time be specified by the Stock Exchange) of the issued share capital of our Company; and

- having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000 (or such other amount as may from time to time be specified by the Stock Exchange).

Such further grant of options must be approved by our Shareholders in a general meeting by poll convened and held in accordance with the Articles and the Listing Rules. Our Company must dispatch a circular to the Shareholders containing such information as required under Rule 17.04(3) of the Listing Rules. The Eligible Person, his associates and all core connected persons of our Company shall abstain from voting in favor at such general meeting.

(h) Grant of option

- (i) Each grantee of options will receive an option certificate sealed by our Company specifying the number of options granted, the exercise period, the exercise price and the number of Shares that may be granted under such options and specifying the applicable terms and conditions relating to such options. These terms and conditions may include provisions as to the performance conditions which must be satisfied before the option can be exercised, the minimum period for which an option must be held before it can be exercised, vesting conditions (if any), lapse conditions and such other provisions as the Board may determine provided such provisions are not inconsistent with the relevant requirements of the Share Option Scheme or the Listing Rules.
- (ii) The Board shall not grant any option under the Share Option Scheme after inside information has come to its knowledge until it has announced the information. In particular, it may not grant any option during the period of one month immediately before the earlier of (1) the date of the Board meeting for the approval of our Company's interim or annual results, quarterly or any other interim period (whether or not required under the Listing Rules); and (2) the deadline for our Company to publish its interim or annual results announcement under the Listing Rules or quarterly or any other interim period (whether or not required under the Listing Rules), and ending on the date of the results announcement.

(i) Time of exercise of an option

An option may be exercised in whole or in part by the option holder in accordance with the terms of the Share Option Scheme at any time during the "Exercise Period", that is, the period to be notified by the Board to each option holder upon the grant of options, such period not to exceed ten years from the Date of Grant of the relevant option.

(j) Cancellation of options

Any cancellation of any Subsisting Option shall be conditional on the approval by the Board (including the approval of independent non-executive Directors) and the option holder(s) concerned.

In the event that the Board elects to cancel Subsisting Options and issue new options to the same option holder, the issue of such new options shall be made with available unissued options (excluding the cancelled options) within the Scheme Mandate Limit or the Refreshed Limit, as the case may be.

(k) Voting and dividend rights

No voting rights shall be exercisable and no dividends shall be payable in relation to options that have not been exercised. A share issued upon the exercise of an option shall not carry voting rights until the registration of the grantee (or any other person) as the holder thereof.

(l) Effects of alterations in the capital structure of our Company

In the event of Capitalisation Issue, rights issue, consolidation, sub-division or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements, such corresponding alterations (if any) shall be made in relation to any Subsisting Option to (i) the number of Shares subject to the unexercised option; and/or (ii) the exercise price; and/or (iii) in the event of a consolidation and subdivision of the share capital of our Company, the maximum number of Shares referred to in paragraph (c) above. Any such corresponding alterations to the Subsisting Option shall be certified by our Company's auditors as being fair and reasonable, and shall give an option holder the same proportion of the issued share capital of our Company as that to which he was previously entitled but so that no such alteration shall have the effect of enabling any Share to be issued at less than its nominal value or which would result in the aggregate amount payable on the exercise of any option in full being increased.

(m) Rights on a takeover

If, during the Exercise Period, an offer is made to acquire all or part of the issued Shares (other than those held by the offeror and persons acting in concert with it) and such offer becomes or is declared unconditional, our Company shall give written notice to all persons then holding Subsisting Options and each such option holder may, by notice in writing to our Company, within 14 days of the date of such notice, exercise his option in full or to the extent specified in such notice.

(n) Rights on schemes of compromise or arrangement

If, during the Exercise Period, an application is made to the court (otherwise than where our Company is being voluntarily wound up) in connection with a proposed compromise or arrangement between our Company and our creditors (or any class of them) or between our Company and our members (or any class of them), an option holder may by notice in writing to our Company, within a period of 21 days of the date of such application, exercise his option in full or to the extent specified in such notice.

(o) Rights on a voluntary winding up

In the event of a notice of a meeting being convened to consider a resolution for the voluntary winding-up of our Company during the Exercise Period, our Company shall forthwith upon notice of such meeting being given, give written notice to option holders of the convening of such meeting and an option holder may thereupon by notice in writing to our Company exercise any Subsisting Option at any time not later than five Business Days prior to the proposed general meeting of our Company to its full extent or to the extent specified in such notice.

(p) Ranking of Shares

Shares issued or transferred on the exercise of an option shall rank equally in all respects with the other Shares of the same class in issue at the date of allotment (including, without limitation, as to voting, dividend and transfer rights and rights arising on the liquidation of our Company) and will be subject to all the provisions of the Articles. They shall not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(q) Present status of the Share Option Scheme

The Share Option Scheme shall take effect subject to and is conditional on (i) the passing of an ordinary resolution to adopt the Share Option Scheme by the Shareholders in a general meeting (with any persons required to abstain from voting under the Listing Rules so abstaining); (ii) the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme; and (iii) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated.

The Board considers that it is not appropriate to state the value of all options that can be granted under the Share Option Scheme as if they had been granted on the Latest Practicable Date, as a number of variables which are crucial for the calculation of the option value have not been determined. Such variables include the exercise price, exercise period, lock-up period (if any), performance targets set (if any) and other relevant variables. The Board believes that any calculation of the value of the options as at the Latest Practicable Date would be based on a great number of speculative assumptions and would henceforth not be meaningful and could be misleading to Shareholders.

(r) Duration of the Share Option Scheme

The Share Option Scheme will remain in force for a period to be notified by the Board, such period shall not exceed the period of ten years from the date on which it is adopted by resolution of the Shareholders in general meeting.

(s) Amendment of the Share Option Scheme

- (i) Subject to paragraph (ii) below, the Board may amend any of the provisions of the Share Option Scheme or withdraw or otherwise terminate the Share Option Scheme at any time but no alterations shall be made to the advantage of any option holder unless approved by the Shareholders in a general meeting. In addition, no alteration shall operate to affect adversely any rights which have accrued to any option holder at that date.
- (ii) Our Company in a general meeting must approve in advance by ordinary resolution any proposed change which relates to the following:
 - the persons to or for whom Shares may be provided under the Share Option Scheme;

- the authority of the Board in relation to any alteration to the terms of the Share Option Scheme;
 - the limitations on the number of Shares which may be issued under the Share Option Scheme;
 - the individual limit for each option holder under the Share Option Scheme;
 - the determination of the exercise price of the option;
 - any rights attaching to the options and the Shares;
 - the terms of granted options;
 - the rights of option holders in the event of a capitalisation issue, rights issue, sub-division or consolidation of shares or reduction or any other variation of share capital of our Company;
 - the provisions under the Share Option Scheme regarding the amendment of the Share Option Scheme;
 - any matters set out in Rule 17.03 of the Listing Rules as amended from time to time; and
 - any alterations to the Share Option Scheme which are of a material nature.
- (iii) Except as described in paragraph (ii) above, the Board need not obtain the approval of the Shareholders in a general meeting for any minor changes:
- to benefit the administration of the Share Option Scheme;
 - to comply with or take account of the provisions of any proposed or existing legislation or the Listing Rules;
 - to take account of any changes to the legislation or the Listing Rules; or
 - to obtain or maintain favorable tax, exchange control or regulatory treatment of our Company or any of our subsidiaries or any present or future option holder.
- (iv) Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature shall be subject to the approval of the Shareholders in a general meeting save where the alterations take effect automatically under the existing terms of the Share Option Scheme.
- (v) Unless otherwise approved by the Stock Exchange, the amended terms of the Share Option Scheme or the Subsisting Options shall comply with the relevant requirements of the Listing Rules.

(t) Lapse of options

An option shall lapse forthwith (to the extent not already exercised) on the earliest of expiry of the Exercise Period and:

- (i) the first anniversary of the death of the option holder;
- (ii) in the case of an option holder who is an employee of our Group or a Director, upon the option holder ceasing to be an employee of our Group or our Director by reason of dismissal from employment or termination of office; in the case of an option holder who is a consultant or adviser of our Group, by reason of termination by our Company or any of our subsidiaries of the contract for provision of such services, in each case on the ground of:
 - the option holder's misconduct;
 - the option holder committing an act of bankruptcy;
 - the option holder becoming insolvent or making any arrangements or composition with his creditors generally; or
 - the option holder being convicted of any criminal offense involving his or her integrity or honesty;
- (iii) three months after the option holder ceases to be an employee of our Group by reason of:
 - his retirement on or after attaining normal retirement age;
 - his resignation;
 - ill health or disability;
 - the company by which he is employed ceasing to be a subsidiary of our Company;
 - the expiry of his contract of employment with our Group; or
 - termination of his employment with our Group for reasons other than the reasons specified in paragraphs (i) and (ii) above;
- (iv) three months after the option holder ceases to be a Director for reasons other than the reasons specified in paragraphs (ii) and (iii) above;
- (v) in the case of any takeovers, schemes of compromise or arrangement and liquidation, upon the expiry of the periods of notice as specified in the Share Option Scheme; provided that in the scheme of compromise or arrangement, such proposed compromise or arrangement becomes effective;

- (vi) save as otherwise provided, in the case of a voluntary winding-up of our Company during the Exercise Period, upon the earlier of the close of business on the fifth Business Day prior to the general meeting convened to consider such voluntary winding-up or the date of the commencement of the winding-up of our Company;
- (vii) upon any breach of the provision described in paragraph (f) above; or
- (viii) in the case of an option holder who is a consultant or adviser of our Group, on the date which is the earlier of (1) the date which falls three months from the date on which the option holder is notified of the resolution by the Board where the Board has resolved in its reasonable opinion that the option holder no longer provides the consultancy or advisory (as appropriate) services to the Group; and (2) three months from the date on which the consultancy or advisory (as appropriate) services provided by the consultant or adviser is terminated.

(u) Termination

In the event that the Board elects to terminate the operation of the Share Option Scheme, no further option shall be offered but the provisions of the Share Option Scheme shall remain in force in all other respects. All options granted prior to such termination and not then exercised shall continue to be valid and exercisable subject to and in accordance with the terms of the Share Option Scheme.

(v) Disclosure of the Share Option Scheme

Our Company shall disclose all information as required by the Listing Rules or any other applicable rules and regulations in our annual and interim reports.

2. Present status of 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. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may be issued pursuant to the exercise of any options granted under the Share Option Scheme.

E. OTHER INFORMATION

1. Tax and other indemnities

The Controlling Shareholders (the “**Indemnifiers**”) entered into the deed of indemnity dated 23 February 2015 with and in favour of our Company (for itself and as trustee for each of the other members of our Group) to provide (being the material contract (k) referred to in the paragraph headed “B. Further information about our business – 1. Summary of material contracts” above in this section) joint and several indemnities in connection with, among other things:

- (a) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits or gains earned, accrued or received before Listing;

- (b) all damages, settlements, liabilities, losses, claims, fines, penalties, costs, fees and expenses suffered or incurred by any members of our Group as a result of or in connection with the non-compliance with the terms of the Master Supply Agreements as described in the section headed “Business – Our Piped Natural Gas Sale and Transmission Business – Supply of Natural Gas – Natural gas purchased from PetroChina during the Track Record Period” in this prospectus or in connection with any other non-compliance with the terms of the Master Supply Agreements by our Group which has occurred at any time before Listing; and
- (c) all damages, settlements, liabilities, losses, claims, fines, penalties, costs, fees and expenses suffered or incurred by any members of our Group as a result of or in connection with the non-compliance incidents by any members of our Group as described in the section headed “Business – Non-compliance and Remedial Measures” in this prospectus or in connection with any other non-compliance by any members of our Group which has occurred at any time before Listing.

The Indemnifiers will, however, not be liable for taxation under the deed of indemnity to the extent that:

- (i) provision has been made for such taxation in the audited accounts of any member of our Group for the three years ended 31 December 2013 and the nine months ended 30 September 2014; or
- (ii) such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 30 September 2014 unless liability for such taxation would not have arisen but for some other act or omission of, or transaction entered into by, the Indemnifiers, or any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring), otherwise than in the ordinary course of business, or in the ordinary course of acquiring or disposing of capital assets, on or before the date on which the Global Offering becomes unconditional; or
- (iii) such taxation or liability is discharged by another person and that no member of our Group is required to reimburse such person in respect of the discharge of the taxation or liability; or
- (iv) such taxation arises or is incurred as a consequence of any change in the law, rules or regulations, or the interpretation or practice thereof of the Inland Revenue Department or any other statutory or governmental authority (in Hong Kong or elsewhere) having retrospective effect and coming into force after the date of the deed of indemnity, or to the extent that such taxation arises or is increased by an increase in rates of taxation after the date of the deed of indemnity with retrospective effect.

Our Directors have been advised that no material liability for estate duty is likely to fall in our Company or any of its subsidiaries under the laws of the Cayman Islands, Hong Kong or the PRC, being jurisdictions in which one or more of the companies comprising our Group are incorporated.

2. Litigation

As of the Latest Practicable Date, save as disclosed in the section headed “Business – Legal Proceedings” in this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, finance condition or results of operations.

3. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares in issue, the Shares to be issued pursuant to the Global Offering (including the additional Shares which may be issued pursuant to the exercise of the Over-allotment Option) and Shares which may be issued pursuant to the exercise of options that may be granted under the Share Option Scheme. All necessary arrangements have been made to enable such Shares to be admitted into CCASS.

The Sole Sponsor is independent from our Company pursuant to Rule 3A.07 of the Listing Rules. The Sole Sponsor’s fee is estimated to amount to US\$400,000.

4. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since 30 September 2014 (being the date to which the latest audited combined financial statements of our Group were prepared).

5. Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
BNP Paribas Securities (Asia) Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) regulated activities under the SFO, acting as the Sole Sponsor of the Global Offering
Grandall Law Firm (Shanghai)	Legal advisers to our Company as to PRC law
Appleby	Legal advisers to our Company as to Cayman Islands law
Ernst & Young	Certified Public Accountants
Jones Lang LaSalle Corporate Appraisal and Advisory Limited	Property valuer
BDO Financial Services Limited	Internal Control Consultant

6. Consents of Experts

Each of BNP Paribas, Grandall Law Firm (Shanghai), Appleby, Ernst & Young, JLL and BDO Financial Services Limited has given and has not withdrawn its consent to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or valuation certificates and/or legal opinion (as the case may be) and references to its name included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interest in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

7. Promoter

Our Company has no promoter for the purpose of the Listing Rules. Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given nor are any proposed to be paid, allotted or given to any promoters in connection with the Global Offering and the related transactions described in this prospectus.

8. Preliminary Expenses

The preliminary expenses incurred by our Company in relation to our incorporation were approximately HK\$31,500 and were paid by us.

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

- (a) Save as disclosed in this prospectus, within the two years immediately preceding the date of this prospectus:
 - (i) neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) 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;

- (iii) no commission, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued.
- (b) Our Directors confirm that:
- (i) there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 12 months immediately preceding the date of this prospectus; and
 - (ii) our Company has no outstanding convertible debt securities or debentures.
- (c) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (d) All necessary arrangements have been made enabling our Shares to be admitted into CCASS for clearing and settlement.

1. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to a copy of this prospectus and delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;
- (b) a copy of each of the material contracts referred to in the section headed “Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts” in Appendix VI to this prospectus; and
- (c) the written consents referred to in the section headed “Statutory and General Information – E. Other Information – 6. Consents of Experts” in Appendix VI to this prospectus.

2. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the offices of Joseph P.C. Lee & Associates in association with Cadwalader, Wickersham & Taft LLP, 27th Floor, 100QRC, 100 Queen’s Road Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association;
- (b) the accountants’ report and the report on the unaudited pro forma financial information prepared by Ernst & Young, the texts of which are set out in Appendices I and II to this prospectus;
- (c) the accountants’ report of Target Business of Suzhou Suling Automobile Service prepared by Ernst & Young, the texts of which are set out in Appendix IA to this prospectus;
- (d) the audited consolidated financial statements of our Group for the three years ended 31 December 2013 and the nine months ended 30 September 2014;
- (e) the letters relating to the profit estimate, the text of which is set out in Appendix III to this prospectus;
- (f) the letter, the summary of values and the valuation certificates relating to the property interests of our Group prepared by JLL, the text of which is set out in Appendix IV to this prospectus;
- (g) the PRC legal opinions issued by Grandall Law Firm (Shanghai), our legal adviser as to PRC law, in respect of our general matters and property interests of our Group, and defects of the First CNG Refuelling Station and the First LNG Refuelling Station;
- (h) the letter of advice prepared by Appleby, our legal adviser as to Cayman Islands law, summarising certain aspects of the Cayman Companies Law referred to in Appendix V to this prospectus;
- (i) the report prepared by BDO Financial Services Limited, our internal control consultant, in relation to Bill Financing arrangement;

- (j) the material contracts referred to in the section headed “Statutory and General Information – B. Further Information About Our Business – 1. Summary of Material Contracts” in Appendix VI to this prospectus;
- (k) the written consent referred to in the section headed “Statutory and General Information – E. Other Information – 6. Consents of Experts” in Appendix VI to this prospectus;
- (l) the service contracts and letters of appointment referred to in the section headed “Statutory and General Information – C. Further Information About Our Directors and Substantial Shareholders – 2. Directors’ Service Contracts” in Appendix VI to this prospectus;
- (m) the Cayman Companies Law; and
- (n) the rules of our Share Option Scheme.



蘇創燃氣
SUCHUANG GAS

