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## HISTORY AND CORPORATE STRUCTURE

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### INTRODUCTION

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

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

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

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

#### *Upsky Holdings*

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

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### *Hebi Tian Lun*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### *Xuchang Tian Lun*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### *Shangjie Tian Lun*

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

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

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

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

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



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

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

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

### *Hebi Tian Lun Vehicle*

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

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

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

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

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### *Xuchang Tian Lun Vehicle*

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

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

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

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

### *Hebi New Energy*

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

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

### *Our Major Corporate Shareholder before the Corporate Reorganization*

#### **Henan Tian Lun Engineering Investment**

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



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

### *Corporate Reorganization*

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

### *Incorporation of Tian Lun New Energy by Upsky Holdings*

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

### *Acquisition of Equity Interests in Subsidiaries in the PRC*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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## HISTORY AND CORPORATE STRUCTURE

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

### *Allotment and Issue of Shares to Pleasant New*

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

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

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

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

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

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## HISTORY AND CORPORATE STRUCTURE

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

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

### PRC REGULATORY ISSUES

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

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

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

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



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## HISTORY AND CORPORATE STRUCTURE

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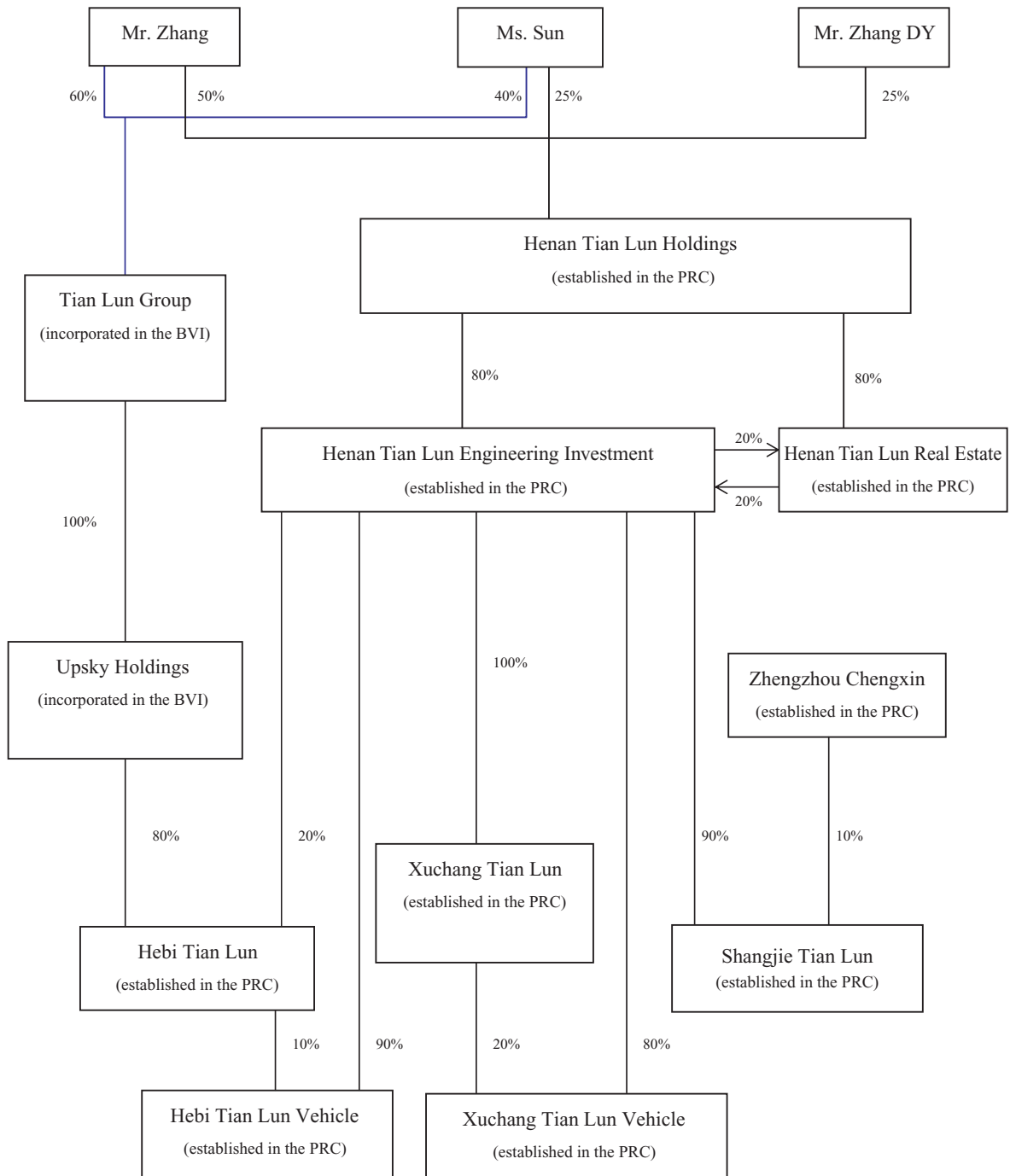
enterprises receive round-trip investments from funds raised by such overseas special purpose company.

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



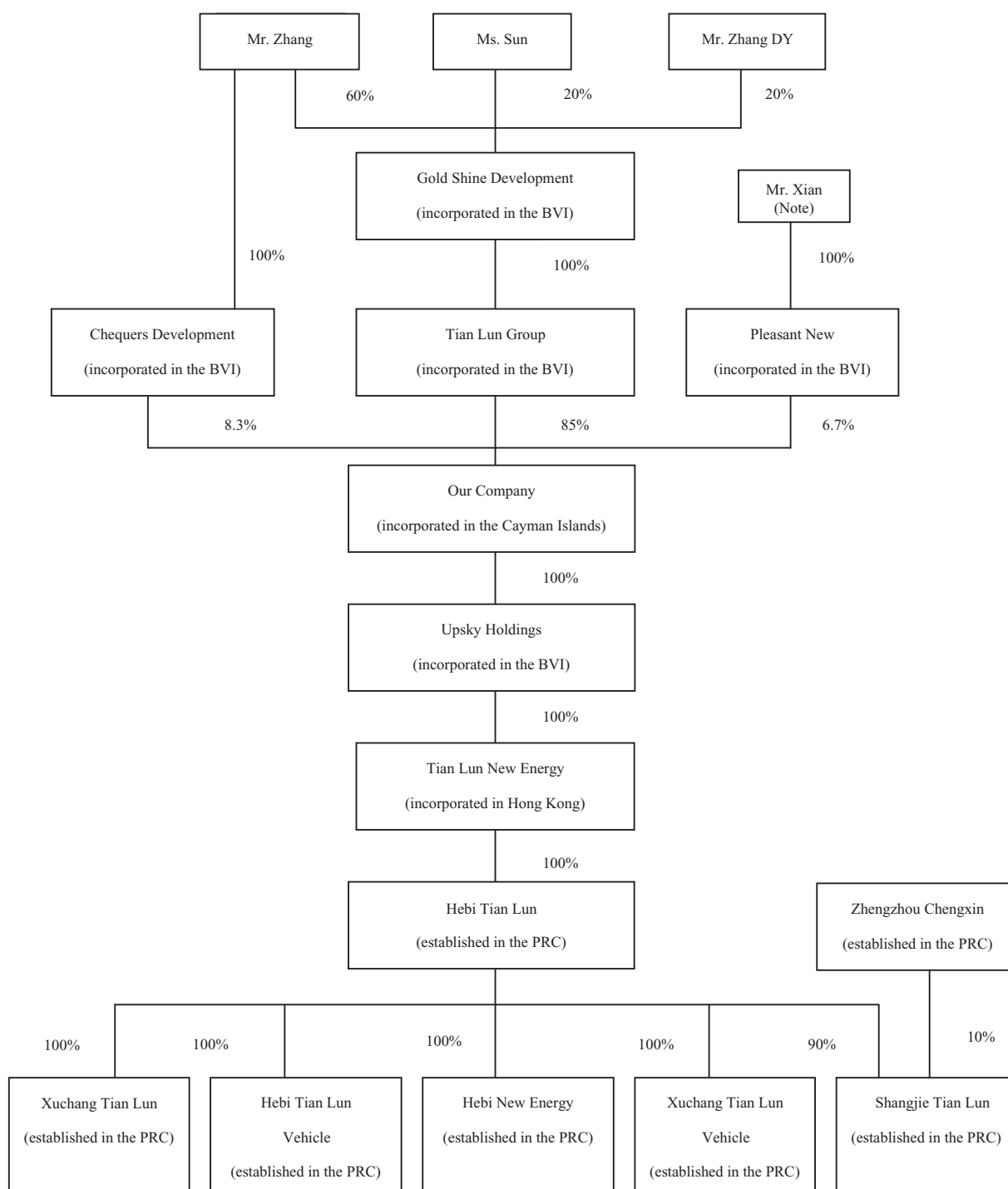
## HISTORY AND CORPORATE STRUCTURE

### CORPORATE CHART OF OUR GROUP IMMEDIATELY BEFORE THE CORPORATE REORGANIZATION



## HISTORY AND CORPORATE STRUCTURE

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



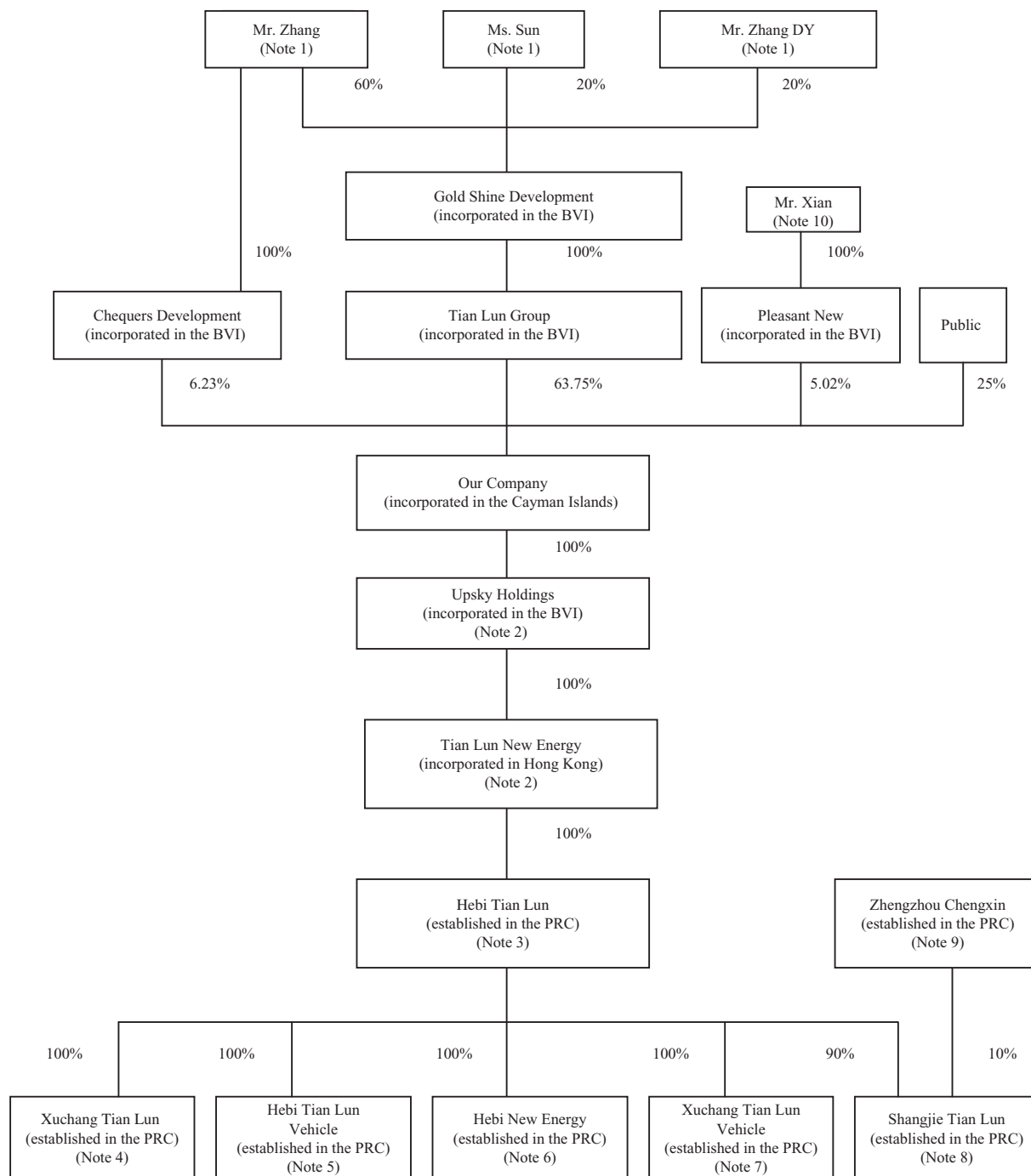
**Note:**

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

## HISTORY AND CORPORATE STRUCTURE

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

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



Notes:

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

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## HISTORY AND CORPORATE STRUCTURE

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