
RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS AND THEIR ASSOCIATES

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Our Controlling Shareholder — Mr. Zhang

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

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

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

Notes:

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

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

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

Henan Tian Lun Engineering Investment and Henan Tian Lun Holdings

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

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

Puyang Tian Lun

Puyang Tian Lun was established in the PRC on 9 November 2009. Since its establishment, the equity interests in Puyang Tian Lun have been owned by Henan Tian Lun Engineering Investment and Mr. Zhang as to 90% and 10%, respectively. Puyang Tian Lun was established for the purpose of acquiring the gas-related assets previously operated and owned by the Water, Electricity, Gas and Communication Company of Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區水電氣訊公司), a Stated-owned enterprise, pursuant to an asset rights transfer agreement entered into between Henan Tian Lun Engineering Investment and the *Management Committee of Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區管理委員會) dated 5 February 2010. The consideration under the asset rights transfer agreement was RMB15 million which was determined with reference to the net asset value of the Water, Electricity, Gas and Communication Company of Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區水電氣訊公司) of RMB15,762,500 as at 18 November 2009 based on the audit report issued by a PRC accounting firm on 23 November 2009. It is estimated that approximately RMB90,000, mainly comprising the service fees charged by the relevant asset transfer organization and taxes, will be incurred as additional cost in connection with the acquisition of the gas-related assets by Puyang Tian Lun. The major assets to be transferred to Puyang Tian Lun include approximately 11 kilometers of constructed gas pipelines and a building with a total floor area of approximately 1,646 sq m for commercial and office use. All the pipelines and the building are located in Puyang Hi-tech Industry Development Zone in Puyang, Henan (河南省濮陽高新技術產業開發區). In order to secure the continuous supply of gas in Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區), the aforesaid assets have been under the operation by Henan Tian Lun Engineering Investment which supplied gas to approximately 8,000 end-users in Puyang Hi-tech Industry Development Zone in Puyang, Henan (河南省濮陽高新技術產業開發區) since August 2010. The local government had given written approval to Henan Tian Lun Engineering Investment, despite its lacking of the required Gas Operation Permit (燃氣經營許可證), for operation of the gas-related assets in Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區) until completion of the assets transfer to Puyang Tian Lun and Puyang Tian Lun has obtained the Gas Operation Permit (燃氣經營許可證) for its commencement of operation. Taking into account: (i) the operation of the gas-related assets by Henan Tian Lun Engineering Investment in Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區) is geographically different from our operation in our Operating Cities; (ii) such operation of Henan Tian Lun Engineering Investment is transitional in nature; and (iii) Henan Tian Lun Engineering Investment had entered into the Deed of Non-competition in favor of our Company, our Directors consider that the gas-related business of Henan Tian Lun Engineering Investment in Puyang Hi-tech Industry Development Zone in Puyang, Henan* (河南省濮陽高新技術產業開發區) does not and will not have any direct competition with our business.

Puyang Tian Lun has obtained the transfer confirmation (產權轉讓成交確認書) issued by the relevant asset transfer organization and is in the process of completing relevant registration procedures for such transfer. Upon completion of the transfer, Puyang Tian Lun intends to (i) conduct a thorough check and valuation on the assets being transferred to ascertain the value of the assets; and (ii) carry out the necessary repair and maintenance to, or replacement of, the assets to

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eliminate any potential safety threat or defect, and to bring the level of transporting loss to the desired standard; and (iii) to evaluate the scale and extent of maintenance and repair required to be done on the pipelines in question. Upon completion of the above procedures, Puyang Tian Lun has to apply to the *Bureau of Housing and Urban-Rural Development of Puyang* (濮陽市住房和城鄉建設局) for the Gas Operation Permit (燃氣經營許可證) before Puyang Tian Lun can commence operation. As advised by Grandall Legal Group, whether the *Bureau of Housing and Urban-Rural Development of Puyang* (濮陽市住房和城鄉建設局) will grant the Gas Operation Permit (燃氣經營許可證) to Puyang Tian Lun and the time required to complete the application procedures is uncertain.

Given that the abovementioned permit is necessary for the operation of Puyang Tian Lun and there is no certainty that such permit can be obtained, Puyang Tian Lun has not been included in our Group. Upon Puyang Tian Lun's obtaining of the necessary permit and certificate to commence its operation, our Company intends to exercise the option under the Deed of Non-competition to acquire Puyang Tian Lun, subject to the approval of our Board, our independent non-executive Directors and the independent Shareholders, if applicable. Further details of the Deed of Non-competition are set out in the paragraph headed "Deed of Non-competition" below.

As Puyang Tian Lun was not in operation as at the Latest Practicable Date, there does not exist any competition between our Group and Puyang Tian Lun.

On 20 October 2010, Mr. Zhang, Mr. Zhang DY, Ms. Sun, Chequers Development, Gold Shine Development, Tian Lun Group and Henan Tian Lun Engineering Investment entered into the Deed of Non-competition in favor of our Company (for itself and for the benefit of its subsidiaries), pursuant to which, among others, Mr. Zhang, Mr. Zhang DY, Ms. Sun and Henan Tian Lun Engineering Investment have granted our Company an option to acquire the entire equity interests in Puyang Tian Lun. Further details of the Deed of Non-competition are set out below.

DEED OF NON-COMPETITION

Mr. Zhang, Mr. Zhang DY, Ms. Sun, Chequers Development, Gold Shine Development, Tian Lun Group (collectively the "Covenantors") and Henan Tian Lun Engineering Investment, have entered into the Deed of Non-competition in favor of our Company. Pursuant to the Deed of Non-competition, each of the Covenantors has undertaken to our Company (for itself and for the benefit of its subsidiaries) that, save and except that disclosed in this Prospectus, he/she/it will not, and would procure that his/her/its associates (except any member of our Group) would not, during the restricted periods set out below, directly or indirectly, either on his/her/its own or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or hold interests in or engaged in or acquire or hold (in each case whether as a shareholder, partner, agent or otherwise) any gas, gas filling stations and gas pipeline connections operation related business in the PRC (the "Restricted Business"). Each of the Covenantors further undertakes that if he/she/it or his/her/its associates other than any member of our Group is offered or becomes aware of any investment or business opportunity which is in competition, directly or indirectly, or may lead to direct or indirect competition, with our Group in connection with any of the Restricted Business ("Business Opportunity"), he/she/it will and he/she/it shall procure that his/her/its associates will notify us of the Business Opportunity and use his/her/its best endeavors to procure that the Business Opportunity is first offered to our Group on terms and conditions no less favorable than those offered to the Covenantors or their associates. Within 30 days after receipt of written notice concerning offer of any Business Opportunity from the Covenantors, our Company shall notify the Covenantors whether we intend to accept the offer. If our Group declines any such offer, the

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Covenantor or their associates who offered the Business Opportunity shall then be allowed to acquire the interests offered on terms no more favorable than those offered to our Group.

Whether we shall accept or decline the offer of Business Opportunity shall be decided by our Board and upon the approval of all our independent non-executive Directors (who do not have any interest in such proposed transactions). The relevant Covenantor(s) and the other conflicting Directors or potential conflicting Directors (if any, including our independent non-executive Directors) shall abstain from participating in all meetings of our Board where there is a conflict of interest or potential conflict of interest including but not limited to the relevant meeting of our Board for considering whether or not to accept the offer of Business Opportunity. Upon request by our Directors, our Company will engage independent financial advisors at our own expense for advising on the proposed offer of Business Opportunity.

The non-competition undertakings under the Deed of Non-competition shall not restrict each of the Covenantors (or any of their respective associates), either by itself or any other person, from holding interests in the shares of a company which is listed on a recognized stock exchange provided that:

- (a) any Restricted Business conducted or engaged in by such company (and assets relating thereto) accounts for less than 5% of that company's consolidated turnover or consolidated assets, as shown in that company's latest audited accounts; or
- (b) the total number of the shares held by any of the Covenantors and/or their respective associates in aggregate does not exceed 5% of the issued shares of that class of the company in question and such Covenantors and/or their respective associates are not entitled to appoint a majority of the directors of that company and/or at any time, there should exist at least another shareholder of the company who holds more shares in the company than such Covenantors and/or their respective associates in aggregate.

Mr. Zhang, Ms. Sun, Mr. Zhang DY and Henan Tian Lun Engineering Investment (collectively the "Grantors") have granted to our Company (i) an option (the "Option") under which our Company has the right to acquire the entire equity interests in Puyang Tian Lun, at or not more than the fair market value of Puyang Tian Lun with reference to the independent valuation to be determined by a valuer agreed by our Company and the Covenantors subject to the terms of the Deed of Non-competition and (ii) a right of first refusal if the Grantors intend to sell any of the equity interest in Puyang Tian Lun to a third party.

The Option and the right of first refusal shall cease to have effect when the obligations of the Covenantors cease under the Deed of Non-competition. The Option for our Company to acquire Puyang Tian Lun shall be exercisable when our Directors, including all our independent non-executive Directors, decide that, for the future development of our Group, it is in the best interest of our Company for the Option or the first right of refusal to be exercised. Once the aforementioned obstacle is removed, in other words, when Puyang Tian Lun obtains the necessary permit and certificate to commence its operation, our Company intends to exercise the Option under the Deed of Non-competition to acquire Puyang Tian Lun, subject to the approval of our independent non-executive Directors and the independent Shareholders, if applicable. In the event that our Company decides to exercise or not to exercise the Option or the right of refusal, our Company will where necessary under the Listing Rules disclose such decision by way of announcement.

The obligations of the Covenantors under the Deed of Non-competition will cease (i) upon the cessation of trading of our Shares on the Stock Exchange (except suspension of trading of our Shares

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pursuant to the Listing Rules); or (ii) when such Covenantor(s) and/or its/his/her associate(s) cease to exercise or control the exercise of 30% or more (or such other percentage of shareholdings as stipulated in the Listing Rules to constitute a controlling shareholder) of the voting power at general meetings of our Company; or (iii) when the Covenantors in aggregate cease to exercise or control the exercise of 30% or more (or such other percentage of shareholdings as stipulated in the Listing Rules to constitute a controlling shareholder) of the voting power at general meetings of our Company.

The Company will adopt the following procedure to monitor that the Deed of Non-competition are being observed:

- (a) our independent non-executive Directors shall annually review and decide whether our Company shall exercise the Option and/or right of first refusal and provide the opinion, basis and reason in exercising the judgment relating to the exercise of the Option and right of first refusal in our Company's annual report;
- (b) each of the Covenantors undertakes to provide, upon our Company's request, any information to our Company or the committee comprising our independent non-executive Directors in relation to Puyang Tian Lun, as a basis to decide whether to exercise the Option and the right of first refusal by our Company from time to time; and
- (c) Each of the Covenantors undertakes to provide, upon the Independent Board Committee's request, all information necessary for the execution of the Deed of Non-competition, and to provide an annual confirmation in relation to the compliance of the non-competition undertaking in the annual report of our Company, such disclosure shall correspond with the voluntary disclosure principle set out in the corporate governance report in Appendix 23 of the Listing Rules.

The undertakings contained in the Deed of Non-competition are conditional upon, amongst other things, the Stock Exchange granting approval for the listing of and permission to deal in our Shares.

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Our Directors are satisfied that our Group can carry on our business independently of our Controlling Shareholders and their respective associates.

Management Independence

The Board comprises four executive Directors, one non-executive Director and four independent non-executive Directors. Mr. Zhang, a Controlling Shareholder, is an executive Director. He is also a director of Tian Lun Group, Gold Shine Development and Chequers Development, all being our corporate Shareholders or holding companies of our corporate Shareholders in which he has an interest. Save as disclosed above, none of our executive Directors or senior management serves any executive or management role in our Controlling Shareholders or any of their respective associates.

Each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interests of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interest. In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall

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abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum. In particular, Mr. Zhang will not attend any board meetings in respect of those matters or transactions relating to Hexiang Engineering or which may otherwise give rise to potential conflicts of interest and would not be counted as quorum in the relevant meetings so far as required by the Listing Rules or other applicable laws and regulations. Furthermore, Mr. Zhang and his associates will not attend, or be counted as quorum of, any meeting of our Shareholders for consideration and approval of matters which may give rise to potential conflicts of interest so far as required by the Listing Rules or other applicable laws and regulations. In addition, our Group has an independent senior management team, none of whom has any managerial role or beneficial interest in our Controlling Shareholders or any of their respective associates, to carry out the business decisions of our Group independently.

Four of the members of the Board are independent non-executive Directors who are either well-educated, having extensive experience in different areas or professionals and they have been appointed pursuant to the requirements under the Listing Rules to ensure that the decisions of the Board are made only after due consideration of independent and impartial opinions. Our Directors believe that the presence of Directors from different backgrounds provides a balance of views and opinions. Furthermore, the Board acts collectively by majority decisions in accordance with the Articles and applicable laws, and no single Director is supposed to have any decision-making power unless otherwise authorized by the Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that our Group is capable of managing its business independently from our Controlling Shareholders and their respective associates after the Listing.

Operational Independence

We have established our own organizational structure comprising of individual departments, each with specific areas of responsibilities. Our Group has not shared our operational resources, such as suppliers, customers, marketing, sales and general administration resources with the Controlling Shareholders and/or their associates. Other than the transactions entered into with Hexiang Engineering as set out in the paragraphs headed “Non-exempt continuing connected transactions” under the section headed “Connected Transactions” in this Prospectus, no services and facilities are intended to be provided by our Controlling Shareholders and/or their associates to our Group. For the three years ended 31 December 2009 and the six months ended 30 June 2010, the construction and installation fees paid to Hexiang Engineering amounted to approximately RMB344,000, RMB4,493,000, RMB5,237,000 and RMB3,409,000, representing approximately 6.6%, 45.8%, 43.6% and 59.0% of our total fees paid to our subcontractors for the same period, respectively. As we have independent contractors capable of carrying out construction and installation work with comparable quality and price to those offered by Hexiang Engineering, our Group is able to operate independently from our Controlling Shareholders after the Listing.

Our Group has established a bidding process for selecting our subcontractors. We will invite candidates to bid for our projects based on the candidates’ qualification and reputation. There will be at least two bidders for each bidding. We will not have access to the tender bids submitted by the bidders before the submission deadline. We will proceed the bidding process only if at least two bidders, all having competent qualifications and the ability to undertake our projects, have submitted tender bids. Should there be fewer than two tender bids submitted, such tender shall not be proceeded and shall be withdrawn and the bidding process for that project shall be re-started all over

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again. The background and the proposals submitted by the bidders will be reviewed by our designated committee (the “Committee”). Although the members of the Committee may vary according to the nature of the projects, its members will normally include Mr. Feng, Mr. Sun, Mr. Du Qin (杜欽先生), Mr. Xie Chaoyang (謝朝陽先生), Mr. Wang Jun (王軍先生) and two other staff from our audit department. Mr. Feng and Mr. Sun are our executive Directors. Mr. Du Qin (杜欽先生), the general manager of Xuchang Tian Lun and Mr. Xie Chaoyang (謝朝陽先生), the general manager of Shangjie Tian Lun and Xuchang Tian Lun Vehicle, have more than 10 years’ experience in corporate management or gas operation. Mr. Wang Jun (王軍先生) is the chief engineering of our Group who has over 20 years’ experience in technical support and engineering for gas corporations. The designated staff from our audit department are qualified PRC accountants.

Taking into account the selection process and qualification of the members of the Committee as set out above, our Directors consider that a minimum of two bidders is sufficient to ensure a fair bidding process for selecting our subcontractors. The decision making will be conducted by a vote of majority, for which any member of the Committee who has a conflict of interest or potential conflict of interest will have to abstain from such voting. We will select our subcontractors based on their qualification, experience and bidding prices.

To better safeguard our Company’s interest and for better corporate governance practice, we will implement the following major measures to ensure a fair disclosure of information to Hexiang Engineering and other bidders:

- (1) a designated team of our procurement department will be responsible to ensure all information which is reasonably necessary to enable a bidder for our construction project to appraise the position of making a tender will be released simultaneously to other bidders and Hexiang Engineering; and
- (2) all members of the Committee undertake that they will not disclose any information not available to all the bidders, for example, the estimated financial returns of the project (the “Restricted Information”) to the management and staff of some bidder(s) (including but not limited to Hexiang Engineering) whether or not the bidding process for that particular project has completed or withdrawn.

Mr. Zhang is not a director or member of the senior management of Hexiang Engineering. Mr. Zhang is not a member of the Committee. As confirmed by Mr. Zhang, save as being the ultimate controlling shareholder of Hexiang Engineering, he has not involved and will not involve in the daily management and operation of Hexiang Engineering. In any event if Mr. Zhang is in possession of any Restricted Information because of his position as our executive Director, he undertakes that he will not disclose any of the Restricted Information to the management and staff of Hexiang Engineering until the bidding process for that particular project has been completed or withdrawn.

Financial Independence

Our Group has an independent financial system and makes financial decisions according to our own business needs. The non-trade related amounts due to or from our Controlling Shareholder, Mr. Zhang, or companies controlled by him, had been fully settled. Our Group has procured the release of all guarantees provided to us by Mr. Zhang and his associates before the Listing. We have sufficient capital to operate our business independently, and have adequate internal resources and a strong credit profile to support our daily operations.