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During the Track Record Period, we have entered into a number of related party transactions, details of which are set out in note 31 to the Accountant's Report set out in Appendix I to this Prospectus. Our Directors have confirmed that these related party transactions were conducted on terms agreed with counter parties in the ordinary course of business. Save as described below, these related party transactions have discontinued before the Latest Practicable Date. These related party transactions, if continue after the Listing, may constitute connected transactions under the Listing Rules.

Following the Listing, the following transactions will continue between our Group and the relevant connected person (as defined in the Listing Rules), which will constitute continuing connected transactions under the Listing Rules.

Non-Exempt Continuing Connected Transactions

The following transactions have been carried out by our Group and its connected person (as defined in the Listing Rules) which constitute continuing connected transactions which are not exempt from the reporting and announcement requirements set out in Chapter 14A of the Listing Rules, and are expected to continue following the Listing:

Transactions with Hexiang Engineering

Hexiang Engineering is principally engaged in installation of pipelines and installation of water, electricity and heat supply. It is owned as to 80% and 20% by Henan Tian Lun Holdings and Henan Tian Lun Engineering Investment, respectively. Henan Tian Lun Holdings is owned as to 50%, 25% and 25% by Mr. Zhang, Mr. Zhang DY and Ms. Sun, respectively. Henan Tian Lun Engineering Investment is owned as to 80% and 20% by Henan Tian Lun Holdings and Henan Tian Lun Real Estate, respectively. Mr. Zhang is one of the Controlling Shareholders and an executive Director. Therefore, Hexiang Engineering is a connected person of our Company under the Listing Rules.

During the Track Record Period, our Group had engaged Hexiang Engineering for the construction and installation of our Group's pipelines, including the pipelines for the urban branch pipeline networks and for the pipeline connection operation. The construction and installation fees paid by our Group to Hexiang Engineering were determined on a case by case basis with reference to the scale and complexity of work carried out by Hexiang Engineering, the fixed price relating to construction and installation set by the local government, the market rate and terms with Independent Third Parties previously engaged by our Group in similar transactions. For the three years ended 31 December 2009 and the six months ended 30 June 2010, the construction and installation fees paid to Hexiang Engineering amounted to approximately RMB344,000, RMB4,493,000, RMB5,237,000 and RMB3,409,000, representing approximately 0.9%, 5.8%, 5.2% and 5.4% of our total cost of sales during the same periods and representing approximately 6.6%, 45.8%, 43.6% and 59.0% of our total fees paid to our subcontractors for the same periods. Our Directors confirmed that the transactions with Hexiang Engineering during the Track Record Period were (i) conducted on normal commercial terms; (ii) carried out in our Group's ordinary and usual course of business, and in accordance with the terms and agreements governing the transactions; and (iii) fair and reasonable, and in the interest of our Shareholders as a whole.

During the Track Record Period, the transaction amount with Hexiang Engineering had substantially increased since 2007. For each of the three years ended 31 December 2009 and the six

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months ended 30 June 2010, the length of the main pipelines constructed or installed by Hexiang Engineering for our residential end-users, which are the main target we engaged Hexiang Engineering to provide service for, was approximately 10 kilometers, 21 kilometers, 24 kilometers and 10 kilometers, respectively. For the same periods, the number of our residential end-users for which we engaged Hexiang Engineering to provide pipeline construction and installation work was approximately 3,000, 13,000, 31,000 and 23,000, respectively. The substantial increase in our transactions with Hexiang Engineering was primarily due to our recognition of the quality of the installation work carried out by Hexiang Engineering which effectively improves the reliability and safety of our operations. Our Directors have taken into account the above factors when considering whether to continue our business relationship with Hexiang Engineering after the Listing.

As advised by Grandall Legal Group, if we were to acquire Hexiang Engineering which will change Hexiang Engineering into a domestic enterprise invested by foreign-invested enterprise, Hexiang Engineering will only be allowed to conduct the following construction projects in accordance with the prevailing PRC laws and regulations:

- (i) those projects which are wholly foreign invested or funded; or
- (ii) those projects which are funded by international financial institution through international bidding pursuant to the terms of relevant loans; or
- (iii) Sino-foreign joint venture projects with 50% or more of the investment being invested by foreign investors or Sino-foreign joint venture projects with less than 50% foreign investment which cannot be carried out independently by domestic enterprises due to technical difficulties and require approval from the government; or
- (iv) domestic projects which cannot be carried out independently by domestic enterprises due to technical difficulties and require approval from the government.

As Hexiang Engineering is principally engaged in domestic construction projects and wishes to continue such business as its major business in the future, Mr. Zhang does not intend to include Hexiang Engineering into our Group.

On 13 October 2010, our Group and Hexiang Engineering entered into the Hexiang Engineering Construction Agreement for the engagement of Hexiang Engineering to carry out the construction and installation of pipelines for our Group for a term ending on 31 December 2012, pursuant to which the construction and installation fees payable by our Group will be determined on a case by case basis with reference to the scale and complexity of work carried out by Hexiang Engineering, the fixed prices relating to construction and installation laid down by the local government, the market rate and terms with Independent Third Parties previously engaged by our Group in similar transactions. It is expected that the consideration paid by our Group to Hexiang Engineering on an annual basis under the Hexiang Engineering Construction Agreement will not be more than RMB8,200,000, RMB9,500,000 and RMB11,000,000 for the three years ending 31 December 2012, respectively. In arriving at the above annual caps, our Directors had considered:

- (i) the historic transaction amounts with Hexiang Engineering and as the percentage of total transaction amounts with our subcontractors;
- (ii) the transaction amounts with Hexiang Engineering of approximately RMB3,409,000 as set out in the audit financial information of our Group for the six months ended 30 June 2010 and the transaction amounts with Hexiang Engineering of approximately RMB1,815,000 as set out in the unaudited financial statements of our Group for the two months ended 31 August 2010;

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- (iii) the estimated transaction amount with our subcontractors to perform gas pipeline connection for our new users for the three years ending 31 December 2012, which is estimated based on:
- (a) the expected number of new users during the relevant period;
 - (b) the expected connection fees to be received by our Group during the relevant period; and
 - (c) fees payable to our subcontractors as percentage of the connection fee historically;
- (iv) the estimated length of urban branch pipeline networks of approximately 180 km needed to be constructed for the three years ending 31 December 2012, which is estimated based on our expansion plan (further details of which are set out in the paragraphs headed “Expansion plan” under the section headed “Summary” and the section headed “Business” in this Prospectus) to expand into uncovered areas in our Operating Cities and represents an increased of approximately 177% as compared to 65 km of constructed urban branch pipeline networks for the three years ended 31 December 2009; and
- (v) the construction cost of urban branch pipeline networks is more expensive as it involves construction and laying of gas pipelines in larger diameters which requires longer construction hours.

The following table sets out the actual and estimated number of new users, length of urban branch pipeline networks, transaction amount with all subcontractors and transaction amount with Hexiang Engineering for the three years ended 31 December 2009 and the three years ending 31 December 2012:

	For the year ended 31 December 2007	For the year ended 31 December 2008	For the year ended 31 December 2009	For the year ending 31 December 2010 (estimated)	For the year ending 31 December 2011 (estimated)	For the year ending 31 December 2012 (estimated)
Number of new users during the indicated period	17,000	22,000	42,000	35,000	36,000	38,000
Urban branch pipeline networks	19.2 km	20.3 km	25.3 km	40 km	60 km	80 km
Actual/estimated transaction amount with all subcontractors	RMB5,178,000	RMB9,804,000	RMB12,021,000	RMB14,770,740	RMB21,073,180	RMB25,818,040
Actual/estimated transaction amount with Hexiang Engineering	RMB344,000	RMB4,493,000	RMB5,237,000	RMB8,200,000*	RMB9,500,000*	RMB11,000,000*

* Annual Caps

Our Directors (including our independent non-executive Directors) and the Sole Sponsor are of the view that the Hexiang Engineering Construction Agreement had been entered into on normal commercial terms, and in the ordinary and usual course of business of our Group and that the terms of the Hexiang Engineering Construction Agreement, including the annual caps, are fair and reasonable and in the interests of our Company and Shareholders as a whole.

Our Directors expect that the consideration ratio, being the applicable percentage ratio under Rule 14.07 of the Listing Rules, for the Hexiang Engineering Construction Agreement on an annual basis will be less than 5%. Therefore, the Hexiang Engineering Construction Agreement is only

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subject to the annual review, reporting and announcement requirements and is exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Waiver from the Stock Exchange

We have applied to the Stock Exchange, and the Stock Exchange has agreed, to grant a waiver to us from strict compliance with the announcement requirement under the Listing Rules, relating to the continuing connected transactions mentioned in the paragraph headed "Non-Exempt continuing connected transactions" above on the condition that the aggregate value of the non-exempt continuing connected transactions for each financial year does not exceed the relevant cap as stated above.

Our Directors confirm that we will comply with the requirements set out in Chapter 14A of the Listing Rules, including Rules 14A.35(1), 14A.35(2), 14A.36 to 14A.40, 14A.45 and 14A.46 of the Listing Rules in relation to non-exempted continuing connected transactions with Hexiang Engineering mentioned above and that the aggregate values of the non-exempted continuing transactions are not expected to exceed the annual caps, and will re-comply with Rules 14A.35(3) and (4) of the Listing Rules, as applicable, if any of the respective annual caps is exceeded, or when the Hexiang Engineering Construction Agreement is renewed or when there is a material change to the terms of the Hexiang Engineering Construction Agreement.