

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Companies Law as an exempted company with limited liability on 20 May 2010. Our Company has been registered as a non-Hong Kong company under Part XI of the Companies Ordinance on 7 July 2010 and our principal place of business in Hong Kong is at Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong. Loong & Yeung of Suites 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company is incorporated in the Cayman Islands, we are subject to the relevant laws of the Cayman Islands and our constitution which comprises the Memorandum of Association and the Articles. A summary of the relevant aspects of the Cayman Companies Law and certain provisions of the Articles is set out in Appendix V to this Prospectus.

2. Changes in share capital of our Company

- (a) As at the date of incorporation of our Company, our authorized share capital was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each. One Share was allotted and issued nil paid to the subscriber on 20 May 2010, which was subsequently transferred to Tian Lun Group on the same date;
- (b) On 11 October 2010, as consideration for the acquisition by us of the entire issued share capital of Upsky Holdings from Tian Lun Group and Pleasant New, (i) 932,999 Shares were allotted and issued to Tian Lun Group, credited as fully paid at par; (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par; and (iii) 67,000 Shares were allotted and issued to Pleasant New, credited as fully paid at par;
- (c) On 12 October 2010, Tian Lun Group transferred 83,000 Shares to Chequers Development at the consideration of HK\$1.0; and
- (d) On 13 October 2010, our Shareholders resolved to increase the authorized share capital of our Company from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares, each ranking pari passu with our Shares then in issue in all respects.

Immediately following completion of the Capitalization Issue and the Global Offering, and assuming that the Over-allotment Option is not exercised, the authorized share capital of our Company will be HK\$20,000,000 divided into 2,000,000,000 Shares, of which 798,000,000 Shares will be issued fully paid or credited as fully paid, and 1,202,000,000 Shares will remain unissued. Other than pursuant to the general mandate to issue Shares referred to in the paragraph headed "Written resolutions of our Shareholders passed on 13 October 2010" in this Appendix and pursuant to the Share Option Scheme, we do not have any present intention to issue any of the authorized but unissued share capital of our Company and, without prior approval of our Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as disclosed in this Prospectus, there has been no alteration in our Company's share capital since its incorporation.

3. Written resolutions of our Shareholders passed on 13 October 2010

By written resolutions of our Shareholders passed on 13 October 2010:

- (a) our Company approved and adopted the Memorandum and the Articles;
- (b) the authorized share capital of our Company was increased from HK\$380,000 to HK\$20,000,000 by the creation of an additional of 1,962,000,000 Shares of HK\$0.01 each, each ranking pari passu with our Shares then in issue in all respects;
- (c) conditional on the Listing Committee granting listing of, and permission to deal in, our Shares in issue and Shares to be issued as mentioned in this Prospectus including any Shares which may be issued pursuant to the exercise of the options granted under the Share Option Scheme and the Over-allotment Option, on the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreements or otherwise, in each case on or before the date falling 30 days after the date of this Prospectus:
 - (i) the Global Offering was approved and our Directors were authorized to allot and issue the Offer Shares pursuant to the Global Offering to rank pari passu with the then existing Shares in all respects;
 - (ii) the rules of the Share Option Scheme were approved and adopted and our Directors were authorized, at their absolute discretion, to grant options to subscribe for Shares thereunder and to allot, issue and deal with our Shares pursuant to the exercise of subscription rights attaching to any options granted under the Share Option Scheme and to take all such actions as they consider necessary or desirable to implement the Share Option Scheme;
 - (iii) the Over-allotment Option was approved and our Directors were authorized to allot and issue our Shares as may be required to be allotted and issued upon the exercise of the Over-allotment Option to rank pari passu with the then existing Shares in all respects; and
 - (iv) the Capitalization Issue was approved and conditional further on the share premium account of our Company being credited as a result of the Global Offering, our Directors were authorized to capitalize an amount of HK\$5,975,000 standing to the credit of the share premium account of our Company and to appropriate such amount as to capital to pay up in full at par 597,500,000 Shares for allotment and issue to the persons whose names appear on the register of members of our Company at the close of business on 13 October 2010 in proportion (as nearly as possible without involving fractions) to their then existing shareholdings in our Company, each ranking pari passu in all respects with the then existing issued Shares, and our Directors were authorized to give effect to such capitalization and distributions;
- (d) a general unconditional mandate was given to our Directors to allot, issue and deal with, otherwise than by way of rights or an issue of Shares pursuant to the exercise of any options which may be granted under the Share Option Scheme or any other share scheme of our Company or any Shares allotted in lieu of the whole or part of a dividend on our Shares in accordance with the Memorandum and the Articles or pursuant to a specific authority granted by our Shareholders or pursuant to the Global Offering, Shares with an

aggregate nominal value not exceeding 20% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting;
- (e) a general unconditional mandate was given to our Directors authorizing them to exercise all powers of our Company to repurchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose such number of Shares as will represent up to 10% of the aggregate of the nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and such mandate to remain in effect until whichever is the earliest of:
- (i) the conclusion of the next annual general meeting of our Company; or
 - (ii) the expiration of the period within which the next annual general meeting of our Company is required by the Memorandum and the Articles or the Cayman Companies Law or any other applicable laws of the Cayman Islands to be held; or
 - (iii) the time when such mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting; and
- (f) the general unconditional mandate mentioned in sub-paragraph (d) above was extended by the addition to the aggregate nominal value of the share capital of our Company which may be allotted or agreed to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in sub-paragraph (e) above, provided that such extended amount shall not exceed 10% of the aggregate nominal value of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme.

4. Corporate Reorganization

The companies comprising our Group underwent the Corporate Reorganization to rationalize our Group's structure in preparation for the Listing of our Shares on the Stock Exchange, pursuant to

which our Company became the holding company of our Group. The Corporate Reorganization included the following major steps:

- (a) On 10 May 2010, Tian Lun New Energy was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each, one of which was allotted and issued at par to Upsky Holdings on the same date;
- (b) On 13 May 2010, Hebi New Energy was established in the PRC with a registered capital of RMB15 million which was solely and fully contributed by Henan Tian Lun Engineering Investment;
- (c) Pursuant to the equity transfer agreement dated 15 May 2010, referred to in item (a) of the paragraph headed “Summary of material contracts” in this Appendix, Upsky Holdings and Henan Tian Lun Engineering Investment transferred their respective 80% and 20% of the equity interests in Hebi Tian Lun to Tian Lun New Energy for a consideration of RMB9.2 million and RMB2.3 million, respectively;
- (d) On 20 May 2010, our Company was incorporated under the laws of the Cayman Islands as an exempted company and one nil paid Share was allotted and issued to the subscriber, which was subsequently transferred to Tian Lun Group on the same date;
- (e) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (b) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment transferred its 90% of the equity interest in Shangjie Tian Lun to Hebi Tian Lun for a consideration of RMB24.75 million;
- (f) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (c) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment transferred its 100% of the equity interest in Xuchang Tian Lun to Hebi Tian Lun for a consideration of RMB29 million;
- (g) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (d) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment and Xuchang Tian Lun transferred their respective 80% and 20% of the equity interests in Xuchang Tian Lun Vehicle to Hebi Tian Lun for a consideration of RMB4.16 million and RMB1.04 million, respectively;
- (h) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (e) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment transferred its 90% of the equity interest in Hebi Tian Lun Vehicle to Hebi Tian Lun for a consideration of RMB9.18 million;
- (i) Pursuant to the equity transfer agreement dated 29 June 2010, referred to in item (f) of the paragraph headed “Summary of material contracts” in this Appendix, Henan Tian Lun Engineering Investment transferred its 100% of the equity interest in Hebi New Energy to Hebi Tian Lun for a consideration of RMB15 million;
- (j) On 12 July 2010, *the Bureau of Commerce of Henan Province* (河南省商務廳) approved the increase in the registered capital of Hebi Tian Lun from RMB10,000,000 to RMB90,000,000 by cash contribution from Tian Lun New Energy;

- (k) On 24 August 2010, one share at the par value of US\$0.1 in Upsky Holdings was allotted and issued to Tian Lun Group for a consideration of HK\$93,050,000;
- (l) On 16 September 2010, one share at the par value of HK\$1.0 in Tian Lun New Energy was allotted and issued to Upsky Holdings for a consideration of HK\$94,350,000;
- (m) Pursuant to the sale and purchase agreement dated 11 October 2010 referred to in item (g) of the paragraph headed “Summary of material contracts” in this Appendix, (a) Tian Lun Group transferred 9,330 shares it held in Upsky Holdings to our Company and as consideration, (i) 932,999 Shares, all credited as fully paid, were allotted and issued to Tian Lun Group; and (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par; and (b) Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New.

Immediately after completion of the share transfer referred to in item (m) above, our Company then became the holding company of our Group.

5. Changes in share capital of subsidiaries

The subsidiaries of our Company are listed in the Accountant’s Report, the text of which is set out in Appendix I to this Prospectus. In addition to the alterations described in paragraph headed “Corporate Reorganization” above, the following changes in the share capital (or registered capital, as the case may be) of the subsidiaries of our Company took place within the two years immediately preceding the date of this Prospectus:

Upsky Holdings

On 30 June 2010, pursuant to a shareholder’s resolutions of Upsky Holdings, the authorized share capital of Upsky Holdings changed from US\$50,000 divided into 50,000 shares of US\$1.0 each to US\$50,000 divided into 500,000 shares of US\$0.1 each. The issued share capital changed from US\$10 divided into 10 shares of US\$1.0 each to US\$10 divided into 100 shares of US\$0.1 each.

On 6 July 2010, 9,899 shares in Upsky Holdings were allotted and issued to Tian Lun Group at the consideration of US\$989.90.

On 6 July 2010, pursuant to a share transfer agreement entered into between Tian Lun Group and Pleasant New, Tian Lun Group transferred 670 shares it held in Upsky Holdings to Pleasant New for a consideration of HK\$35,011,500.

On 24 August 2010, one share at the par value of US\$0.1 in Upsky Holdings was allotted and issued to Tian Lun Group for a consideration of HK\$93,050,000.

On 11 October 2010, (a) Tian Lun Group transferred 9,330 shares it held in Upsky Holdings to our Company and as consideration: (i) 932,999 Shares, all credited as fully paid, were allotted and issued to Tian Lun Group; and (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par, and (b) Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New.

Xuchang Tian Lun

On 28 December 2009, Xuchang Shuang Li transferred its 10% equity interests in Xuchang Tian Lun, which was valued at RMB2,526,800 to Henan Tian Lun Engineering Investment for the settlement of the debt pursuant to the judgment made by People's Court in Weidu District, Xuchang, Henan (河南省許昌市魏都區人民法院).

Xuchang Tian Lun Vehicle

On 12 September 2008, Xuchang Tian Lun Vehicle was established as a limited liability company in the PRC with the registered capital of RMB10 million.

The first phase of capital contribution to the registered capital of Xuchang Tian Lun Vehicle was contributed by Henan Tian Lun Engineering Investment and Xuchang Tian Lun as to RMB4 million and RMB1 million, respectively, before 30 September 2008. The second phase of capital contribution was contributed by Hebi Tian Lun as to RMB5 million before 31 August 2010, following its acquisition of the entire equity interests in Xuchang Tian Lun Vehicle from Henan Tian Lun Engineering Investment and Xuchang Tian Lun in July 2010.

Tian Lun New Energy

On 10 May 2010, Tian Lun New Energy was incorporated in Hong Kong with limited liability with an authorized capital of HK\$10,000 divided into 10,000 shares of HK\$1.0 each, one of which was allotted and issued at par to Upsky Holdings on the same date.

On 16 September 2010, one share at the par value of HK\$1.0 in Tian Lun New Energy was allotted and issued to Upsky Holdings for a consideration of HK\$94,350,000.

Hebi New Energy

On 13 May 2010, Hebi New Energy was established in the PRC with a registered capital of RMB15 million which was solely contributed by Henan Tian Lun Engineering Investment.

6. Repurchase of our Shares by our Company

This section includes information required by the Stock Exchange to be included in the prospectus concerning the repurchase of our Shares by our Company.

(a) Provisions of the Listing Rules

The Listing Rules permit companies with a primary listing on the Stock Exchange to purchase their shares on the Stock Exchange subject to certain restrictions.

(i) Shareholders' approval

The Listing Rules provide that all proposed repurchases of shares (which must be fully paid in the case of shares) by a company with a primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of general mandate or by specific approval of a specific transaction.

Note: Pursuant to the written resolutions of our Shareholders passed on 13 October 2010, a general unconditional mandate (the "Repurchase Mandate") was given to our Directors authorizing our Directors

to exercise all powers of our Company to purchase on the Stock Exchange, or any other stock exchange on which our Shares may be listed and recognized by the SFC and the Stock Exchange for this purpose, Shares representing up to 10% of the total nominal amount of our Shares in issue immediately following completion of the Capitalization Issue and the Global Offering but excluding any Shares which may be issued under the Over-allotment Option or pursuant to the exercise of the options which may be granted under the Share Option Scheme, and the Repurchase Mandate shall remain in effect until whichever is the earliest of the conclusion of the next annual general meeting of our Company, the expiration of the period within which the next annual general meeting of our Company is required by law or the Articles to be held, or when the Repurchase Mandate is revoked or varied by an ordinary resolution of our Shareholders in general meeting.

(ii) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Articles and the laws of the Cayman Islands. A listed company may not repurchase its own shares on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange.

Any repurchases by our Company may be made out of profits or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the repurchase, out of profits of our Company or out of our Company's share premium account before or at the time our Shares are repurchased or, if authorized by the Articles and subject to the Cayman Companies Law, out of capital.

(iii) *Connected parties*

The Listing Rules prohibit our Company from knowingly repurchasing our Shares on the Stock Exchange from a "connected person", which includes a Director, chief executive or substantial Shareholder of our Company or any of our subsidiaries or an associate of any of them and a connected person shall not knowingly sell Shares to our Company.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on the market conditions and funding arrangements at the time, lead to an enhancement of our Company's net asset value and/or earnings per Share and will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the Repurchase Mandate

Exercise in full of the Repurchase Mandate, on the basis of 798,000,000 Shares in issue after completion of the Capitalization Issue and Global Offering, could accordingly result in up to 79,800,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(d) Funding of repurchase

In repurchasing Shares, our Company may only apply funds legally available for such purpose in accordance with the Articles, the Listing Rules and the applicable laws of the Cayman Islands.

Our Directors do not propose to exercise the Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(e) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules), has any present intention if the Repurchase Mandate is exercised to sell any Shares to our Company.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws of the Cayman Islands.

If as a result of a repurchase of Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of our Company increases, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers and Share Repurchases (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert, depending on the level of increase of the Shareholders' interest, could obtain or consolidate control of our Company and may become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code as a result of any such increase. Save as disclosed above, our Directors are not aware of any consequence that would arise under the Takeovers Code as a result of a repurchase pursuant to the Repurchase Mandate.

Our Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage as may be prescribed as the minimum public shareholding under the Listing Rules).

No connected person (as defined in the Listing Rules) of our Company has notified our Company that he has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS**1. Summary of material contracts**

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this Prospectus and are or may be material:

- (a) an equity transfer agreement dated 15 May 2010 in Chinese entered into among Upsky Holdings, Henan Tian Lun Engineering Investment and Tian Lun New Energy, pursuant to

which Upsky Holdings and Henan Tian Lun Engineering Investment transferred their respective 80% and 20% of the equity interests in Hebi Tian Lun to Tian Lun New Energy for a consideration of RMB9.2 million and RMB2.3 million, respectively;

- (b) an equity transfer agreement dated 29 June 2010 in Chinese entered into between Henan Tian Lun Engineering Investment and Hebi Tian Lun, pursuant to which Henan Tian Lun Engineering Investment transferred its 90% of the equity interest in Shangjie Tian Lun to Hebi Tian Lun for a consideration of RMB24.75 million;
- (c) an equity transfer agreement dated 29 June 2010 in Chinese entered into between Henan Tian Lun Engineering Investment and Hebi Tian Lun, pursuant to which Henan Tian Lun Engineering Investment transferred its 100% of the equity interest in Xuchang Tian Lun to Hebi Tian Lun for a consideration of RMB29 million;
- (d) an equity transfer agreement dated 29 June 2010 in Chinese entered into among Henan Tian Lun Engineering Investment, Xuchang Tian Lun and Hebi Tian Lun, pursuant to which Henan Tian Lun Engineering Investment and Xuchang Tian Lun transferred their respective 80% and 20% of the equity interests in Xuchang Tian Lun Vehicle to Hebi Tian Lun for a consideration of RMB4.16 million and RMB1.04 million, respectively;
- (e) an equity transfer agreement dated 29 June 2010 in Chinese entered into between Henan Tian Lun Engineering Investment and Hebi Tian Lun, pursuant to which Henan Tian Lun Engineering Investment transferred its 90% of the equity interest in Hebi Tian Lun Vehicle to Hebi Tian Lun at the consideration of RMB9.18 million;
- (f) an equity transfer agreement dated 29 June 2010 in Chinese entered into between Henan Tian Lun Engineering Investment and Hebi Tian Lun pursuant to which Henan Tian Lun Engineering Investment transferred its 100% of the equity interest in Hebi New Energy to Hebi Tian Lun for a consideration of RMB15 million;
- (g) a sale and purchase agreement dated 11 October 2010 entered into between Tian Lun Group, Pleasant New and our Company pursuant to which (a) Tian Lun Group transferred 9,330 shares it held in Upsky Holdings to our Company and as consideration for which (i) 932,999 Shares, all credited as fully paid, were allotted and issued to Tian Lun Group; and (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par; and (b) Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration for which, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New;
- (h) an instrument of transfer dated 11 October 2010 entered into between Tian Lun Group and our Company, pursuant to which Tian Lun Group transferred 9,330 shares it held in Upsky Holdings to our Company and as consideration for which (i) 932,999 Shares, all credited as fully paid, were allotted and issued to Tian Lun Group; and (ii) the one nil paid Share then held by Tian Lun Group was credited as fully paid at par;
- (i) an instrument of transfer dated 11 October 2010 entered into between Pleasant New and our Company, pursuant to which Pleasant New transferred 670 shares it held in Upsky Holdings to our Company and as consideration for which, 67,000 Shares, all credited as fully paid, were allotted and issued to Pleasant New;
- (j) Deed of Non-competition;


(k) a deed of indemnity dated 26 October 2010 executed by Mr. Zhang, Gold Shine Development, Tian Lun Group and Chequers Development in favor of our Group containing the indemnities referred to in the paragraph headed “Tax and other indemnities” in this appendix; and

(l) the Hong Kong Underwriting Agreement.

2. Intellectual property rights

Trademark

As at the Latest Practicable Date, our Group had applied for registration of the following trademark, the registration of which has not yet been granted:

<u>Trademark</u>	<u>Class</u>	<u>Application Number</u>	<u>Application Date</u>	<u>Place of Application</u>	<u>Applicant</u>
	4	301620972	24 May 2010	Hong Kong	Tian Lun New Energy

As at the Latest Practicable Date, our Group has registered the following domain name:

<u>Domain name</u>	<u>Registrant</u>	<u>Registration Date</u>	<u>Expiration Date</u>
tianlungas.com	Hebi Tian Lun	29 June 2010	29 June 2020

3. Information about the PRC subsidiaries of our Group

<u>Name:</u>	<u>Hebi New Energy</u>
Date of establishment:	13 May 2010
Corporate nature:	Limited liability company owned by single person
Total registered capital:	RMB15 million
Attributable interest of our Company:	100%
Term:	From 13 May 2010 to 12 May 2016
Scope of business:	Operation of gas business in cities; investment in gas business; research and development in new energy technology
Legal representative:	Mr. Sun
<u>Name:</u>	<u>Hebi Tian Lun</u>
Date of establishment:	1 November 2002
Corporate nature:	Limited liability company solely owned by Taiwan, Hong Kong or Macau legal person
Total registered capital:	RMB90 million
Attributable interest of our Company:	100%
Term:	From 23 August 2004 to 19 August 2029
Scope of business:	Operation of gas business in small and medium cities, development and usage of new gas technology
Legal representative:	Mr. Zhang

APPENDIX VI**STATUTORY AND GENERAL INFORMATION**

Name:	Hebi Tian Lun Vehicle
Date of establishment:	29 October 2007
Corporate nature:	Limited liability company owned by single person
Total registered capital:	RMB10 million
Attributable interest of our Company:	100%
Term:	From 18 April 2008 to 16 April 2012
Scope of business:	Investment in CNG facilities; sales: lubricating oil and antifreeze; retail of CNG
Legal representative:	Mr. Sun
Name:	Shangjie Tian Lun
Date of establishment:	18 July 2007
Corporate nature:	Other limited liability company
Total registered capital:	RMB15 million
Attributable interest of our Company:	90%
Term:	From 18 July 2007 to 17 July 2017
Scope of business:	Development and application of new gas technology; investment in gas business: installation, maintenance, sales of gas burning devices and leasing of relevant facilities; operation of pipelined gas
Legal representative:	Mr. Zhang
Name:	Xuchang Tian Lun
Date of establishment:	29 September 2003
Corporate nature:	Limited liability company (solely owned by legal person)
Total registered capital:	RMB25 million
Attributable interest of our Company:	100%
Term:	From 11 April 2008 to 17 April 2018
Scope of business:	Natural gas and liquefied petroleum gas; sales of gas burning devices and leasing of relevant facilities; development and application of new gas technology; investment in gas business; leasing of self-owned property
Legal representative:	Mr. Zhang
Name:	Xuchang Tian Lun Vehicle
Date of establishment:	12 September 2008
Corporate nature:	Limited liability company
Total registered capital:	RMB10 million
Attributable interest of our Company:	100%
Term:	From 12 September 2008 to 19 May 2018
Scope of business:	Investment in and construction of CNG gas station
Legal representative:	Mr. Xie Chaoyang (謝朝陽先生)

C. FURTHER INFORMATION ABOUT SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND EXPERTS

1. Disclosure of interests

- (a) Immediately following the completion of the Capitalization Issue and the Global Offering but taking no account of our Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the interests and short positions of our Directors or chief executive of our Company in our Shares, underlying Shares and debentures of our Company or any of our associated corporations (within the meaning of Part XV of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests which they are taken or deemed to have under such provisions of the SFO) or will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on the Stock Exchange, will be as follows:

- (i) Long position in our Shares

Name of Director	Capacity/Nature	No. of Shares held	Approximate percentage of interest
Mr. Zhang (Note 1)	Interest of controlled corporation	558,400,500	69.98
Mr. Xian (Note 2)	Interest of controlled corporation	40,099,500	5.02

- (ii) Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity/Nature	No. of shares held	Approximate percentage of interest
Mr. Zhang (Note 1)	Tian Lun Group	Interest of controlled corporation	10	100

Notes:

- (1) The entire issued share capital of Tian Lun Group is held by Gold Shine Development, which is in turn held by Mr. Zhang as to 60%. Tian Lun Group owns 508,725,000 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all our Shares held by Tian Lun Group for the purposes of the SFO. The remaining 40% of the equity interests in Gold Shine Development is held as to 20% by Ms. Sun and 20% by Mr. Zhang DY. Mr. Zhang beneficially owns all the issued shares of Chequers Development, which in turn, owns 49,675,500 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all our Shares held by Chequers Development for the purposes of the SFO. Mr. Zhang is a director of Tian Lun Group, Gold Shine Development and Chequers Development.
- (2) Mr. Xian beneficially owns 80% of the issued share capital of Pleasant New which in turn, owns 40,099,500 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all our Shares held by Pleasant New for the purposes of the SFO. Mr. Xian is the sole director of Pleasant New. The remaining 20% of the equity interests in Pleasant New is beneficially held as to 10% by Mr. Feng and 10% by Mr. Sun.

- (b) So far as is known to our Directors and save as disclosed in this Prospectus and taking no account of any Shares which may be taken up under the Global Offering, and Shares to be issued pursuant to options which may be granted under the Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangement under the Stock Borrowing Agreement, the following persons (not being a Director or chief executive of our Company) will, immediately following the completion of the Capitalization Issue and the Global Offering, have interests or short positions in Shares or underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Substantial Shareholders of our Company

<u>Name</u>	<u>Nature of Interest</u>	<u>No. of Shares held</u>	<u>Approximate percentage of shareholding</u>
Tian Lun Group	Beneficial owner	508,725,000	63.75
Gold Shine Development (Note 1)	Interest of controlled corporation	508,725,000	63.75
Chequers Development	Beneficial owner	49,675,500	6.23
Ms. Sun (Note 2)	Interest of spouse	558,400,500	69.98
Pleasant New	Beneficial owner	40,099,500	5.02
Ms. Qiao Yu (喬瑜女士) (Note 3)	Interest of spouse	40,099,500	5.02

Notes:

- (1) The entire issued share capital of Tian Lun Group is held by Gold Shine Development. Tian Lun Group owns 508,725,000 Shares. Therefore, Gold Shine Development is deemed or taken to be interested in all our Shares held by Tian Lun Group for the purposes of the SFO.
- (2) The entire issued share capital of Tian Lun Group is held by Gold Shine Development, which is in turn held by Mr. Zhang as to 60%. Tian Lun Group owns 508,725,000 Shares. Therefore, Mr. Zhang is deemed or taken to be interested in all our Shares held by Tian Lun Group for the purposes of the SFO. The remaining 40% of the equity interests in Gold Shine Development is held as to 20% by Ms. Sun and 20% by Mr. Zhang DY. Mr. Zhang beneficially owns all the issued shares of Chequers Development, which in turn, owns 49,675,500 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all our Shares held by Chequers Development for the purposes of the SFO. Ms. Sun is the spouse of Mr. Zhang and is therefore deemed or taken to be interested in all our Shares in which Mr. Zhang is interested for the purposes of the SFO.
- (3) Mr. Xian beneficially owns 80% of the issued share capital of Pleasant New which in turn, owns 40,099,500 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all our Shares held by Pleasant New for the purposes of the SFO. Ms. Qiao Yu (喬瑜女士) is the spouse of Mr. Xian and is therefore deemed or taken to be interested in all our Shares in which Mr. Xian is interested for the purposes of the SFO. The remaining 20% of the equity interests in Pleasant New is beneficially held as to 10% by Mr. Feng and 10% by Mr. Sun.

Substantial Shareholders of our Subsidiaries

<u>Name of Shareholder</u>	<u>Name of Subsidiary</u>	<u>Nature of interest</u>	<u>Approximate percentage of interests held</u>
Zhengzhou Chengxin	Shangjie Tian Lun	Beneficial owner	10.0

2. Particulars of service agreements

No Director has entered into any service agreement with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

3. Directors' remuneration

- (a) The aggregate amount of remuneration paid to our Directors by our Group in respect of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 were approximately RMB81,000, RMB166,000, RMB243,000 and RMB94,000, respectively.
- (b) Under the arrangements currently in force, the aggregate emoluments (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to our Directors for the year ending 31 December 2010 will be approximately RMB331,000.
- (c) Under the arrangements currently proposed, conditional upon the Listing, the basic annual remuneration (excluding payment pursuant to any discretionary benefits or bonus or other fringe benefits) payable by our Group to each of our Directors will be as follows:

Executive Directors	RMB
Mr. Zhang	200,000
Mr. Xian	180,000
Mr. Feng	150,000
Mr. Sun	150,000
Non-executive Director	RMB
Mr. Zhang DY	60,000
Independent non-executive Directors	RMB
Mr. Chang Zongxian (常宗賢先生)	60,000
Mr. Li Liuqing (李留慶先生)	60,000
Mr. Zhang Jiaming (張家銘先生)	60,000
Ms. Zhao Jun (趙軍女士)	60,000

4. Fees or commission received

Save as disclosed in the paragraph headed "Commission and expenses" in the section headed "Underwriting" of this Prospectus, none of our Directors or the experts named in the paragraph headed "Consents of experts" in this Appendix had received any agency fee or commissions from our Group within the two years preceding the date of this Prospectus.

5. Related party transactions

Details of the related party transactions are set out under Note 31 to the Accountant's Report set out in Appendix I to this Prospectus.

6. Disclaimers

Save as disclosed in this Prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;
- (b) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this Prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (c) none of our Directors or the experts named in the paragraph headed “Consents of experts” in this Appendix is materially interested in any contract or arrangement subsisting at the date of this Prospectus which is significant in relation to the business of our Group taken as a whole;
- (d) taking no account of Shares which may be issued pursuant to options which may be granted under our Share Option Scheme or pursuant to the exercise of the Over-allotment Option and without taking into account the arrangements under the Stock Borrowing Agreement, none of our Directors knows of any person (not being a Director or chief executive of our Company) who will, immediately following completion of the Global Offering, have any interest in Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who will be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;
- (e) none of our Directors or chief executive of our Company has any interest or short position in our Shares, underlying Shares or debentures of our Company or any of our associated corporations (within the meaning of the SFO) which, once our Shares are listed on the Stock Exchange, will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which he will be taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listing Companies in the Listing Rules, to be notified to our Company and the Stock Exchange; and
- (f) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Listing Rules) or Shareholders who are interested in more than 5% of the issued share capital of our Company has any interests in the five largest customers or the five largest suppliers of our Group.

D. SHARE OPTION SCHEME**(a) Definitions**

For the purpose of this section, the following expressions have the meanings set out below unless the context requires otherwise:

“Adoption Date”	13 October 2010, the date on which the Share Option Scheme is conditionally adopted by the Shareholders by way of written resolution
“Board”	the board of Directors or a duly authorized committee of the board of Directors
“Group”	our Company and any entity in which our Company, directly or indirectly, holds any equity interest
“Scheme Period”	the period commencing on the Adoption Date and expiring at the close of business on the business day immediately preceding the tenth anniversary thereof

(b) Summary of terms

The following is a summary of the principal terms of the rules of the Share Option Scheme conditionally adopted by the written resolutions of our Shareholders passed on 13 October 2010:

(i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisors, distributors, contractors, suppliers, agents, customers, business partners or service providers of our Group and to promote the success of the business of our Group.

(ii) Who may join and basis of eligibility

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or advisor of our Group, or any substantial shareholder of our Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of our Group, options to subscribe at a price calculated in accordance with paragraph (iii) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of our Group.

(iii) Price of Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a Business Day; (ii) the average of the closing prices of

our Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option, provided always that for the purpose of calculating the subscription price, where our Company has been listed on the Stock Exchange for less than five Business Days, the new issue price shall be used as the closing price for any Business Day fall within the period before listing.

(iv) *Grant of options and acceptance of offers*

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to our Company on acceptance of the offer for the grant of an option is HK\$1.

(v) *Maximum number of Shares*

- (aa) subject to sub-paragraph (bb) and (cc) below, the maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company as from the Adoption Date (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of our Company) must not in aggregate exceed 10% of all our Shares in issue as at the Listing Date. Therefore, it is expected that our Company may grant options in respect of up to 79,800,000 Shares (or such numbers of Shares as shall result from a sub-division or a consolidation of such 79,800,000 Shares from time to time) to the participants under the Share Option Scheme.
- (bb) The 10% limit as mentioned above may be refreshed at any time by obtaining approval of the Shareholders in general meeting provided that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of our Company must not exceed 10% of our Shares in issue as at the date of approval of the refreshed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled or lapsed in accordance with the terms of the Share Option Scheme and any other share option schemes of our Company) will not be counted for the purpose of calculating the refreshed 10% limit. A circular must be sent to the Shareholders containing the information as required under the Listing Rules in this regard.
- (cc) our Company may seek separate approval by the Shareholders in general meeting for granting options beyond the 10% limit provided the options in excess of the 10% limit are granted only to grantees specifically identified by our Company before such approval is sought. In such event, our Company must send a circular to the Shareholders containing a generic description of such grantees, the number and terms of such options to be granted and the purpose of granting options to them with an explanation as to how the terms of the options will serve such purpose and all other information required under the Listing Rules.
- (dd) The aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option

Scheme and any other share option schemes of our Company must not exceed 30% of our Shares in issue from time to time. No options may be granted under the Share Option Scheme or any other share option schemes of our Company, if this will result in such 30% limit being exceeded.

(vi) *Maximum entitlement of each participant*

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme, in any 12-month period up to the date of grant shall not exceed 1% of our Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his associates abstaining from voting. In such event, our Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

(vii) *Grant of options to certain connected persons*

- (aa) Any grant of an option to a Director, chief executive or substantial shareholder of our Company (or any of their respective associates) must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the grantee of the option).
- (bb) Where any grant of options to a substantial Shareholder or an independent non-executive Director (or any of their respective associates) will result in the total number of Shares issued and to be issued upon exercise of all options already granted and to be granted to such person under the Share Option Scheme and any other share option schemes of our Company (including options exercised, cancelled and outstanding) in any 12-month period up to and including the date of grant:
 - (i) representing in aggregate over 0.1% of our Shares in issue; and
 - (ii) having an aggregate value, based on the closing price of our Shares at the date of each grant, in excess of HK\$5 million,

such further grant of options is required to be approved by Shareholders at a general meeting of our Company, with voting to be taken by way of poll. Our Company shall send a circular to the Shareholders containing all information as required under the Listing Rules in this regard. All connected persons of our Company shall abstain from voting (except where any connected person intends to vote against the proposed grant). Any change in the terms of an option granted to a substantial shareholder or an independent non-executive Director or any of their respective associates is also required to be approved by Shareholders in the aforesaid manner.

(viii) *Restrictions on the times of grant of options*

- (aa) An offer for the grant of options may not be made after a price sensitive event of our Group has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been announced pursuant to the requirements of the Listing Rules. In particular, no options may be granted during the period commencing one month immediately preceding the earlier of:
- (i) the date of the Board meeting (such date to first be notified to the Stock Exchange in accordance with the Listing Rules) for the approval of our Company's results for any year, half-year, quarterly or other interim period (whether or not required under the Listing Rules); and
 - (ii) the deadline for our Company to publish an announcement of the results for any year, or half-year under the Listing Rules, or quarterly or other interim period (whether or not required under the Listing Rules).
- (bb) Further to the restrictions in paragraph (aa) above, no option may be granted to a Director on any day on which financial results of our Company are published:
- (i) during the period of 60 days immediately preceding the publication date of the annual results or, if shorter, the period from the end of the relevant financial year up to the publication date of the results; and
 - (ii) during the period of 30 days immediately preceding the publication date of the quarterly results and half-year results or, if shorter, the period from the end of the relevant quarterly or half-year period up to the publication date of the results.

(ix) *Time of exercise of option*

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

(x) *Performance targets*

Save as determined by the Board and provided in the offer of the grant of the relevant options, there is no performance target which must be achieved before any of the options can be exercised.

(xi) *Ranking of Shares*

Our Shares to be allotted upon the exercise of an option will be subject to all the provisions of the Articles for the time being in force and will rank *pari passu* in all respects with the fully paid Shares in issue on the date of allotment and accordingly will entitle the holders to participate in all dividends or other distributions paid or made after the date of allotment other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be on or before the date of allotment, save that our Shares

allotted upon the exercise of any option shall not carry any voting rights until the name of the grantee has been duly entered on the register of members of our Company as the holder thereof.

(xii) *Rights are personal to grantee*

An option shall not be transferable or assignable and shall be personal to the grantee of the option.

(xiii) *Rights on cessation of employment by death*

In the event of the death of the grantee (provided that none of the events which would be a ground for termination of employment referred to in (xiv) below arises within a period of three years prior to the death, in the case the grantee is an employee at the date of grant), the legal personal representative(s) of the grantee may exercise the option up to the grantee's entitlement (to the extent which has become exercisable and not already exercised) within a period of 12 months following his death provided that where any of the events referred to in (xvii), (xviii) and (xix) occurs prior to his death or within such period of 12 months following his death, then his legal personal representative(s) may so exercise the option within such of the various periods respectively set out therein.

(xiv) *Rights on cessation of employment by dismissal*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group on any one or more of the grounds that he has been guilty of serious misconduct, or has committed an act of bankruptcy or has become insolvent or has made any arrangement or composition with his or her creditors generally, or has been convicted of any criminal offense involving his integrity or honesty or (if so determined by the Board) on any other ground on which an employer would be entitled to terminate his employment at common law or pursuant to any applicable laws or under the grantee's service contract with our Group, his option shall lapse automatically (to the extent not already exercised) on the date of cessation of his employment with our Group.

(xv) *Rights on cessation of employment for other reasons*

In the event that the grantee is an employee of our Group at the date of grant and he subsequently ceases to be an employee of our Group for any reason other than his death or the termination of his employment on one or more of the grounds specified in (xiv) above, the option (to the extent not already lapsed or exercised) shall lapse on the expiry of three months after the date of cessation of such employment (which date will be the last actual working day, on which the grantee was physically at work with our Company or the relevant member of our Group whether salary is paid in lieu of notice or not).

(xvi) *Effects of alterations to share capital*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, rights issue, open offer, consolidation, subdivision or reduction of the share capital of our Company (other than an issue of Shares as consideration in respect of a

transaction to which any member of our Group is a party), such corresponding adjustments (if any) shall be made in the number of Shares subject to the option so far as unexercised; and/or the subscription prices, as the auditors of or independent financial advisor to our Company shall certify or confirm in writing (as the case may be) to the Board to be in their opinion fair and reasonable in compliance with the relevant provisions of the Listing Rules, or any guideline or supplemental guideline issued by the Stock Exchange from time to time (no such certification or confirmation is required in case of adjustment made on a Capitalization Issue), provided that any alteration shall give a grantee, as near as possible, the same proportion of the issued share capital of our Company as that to which he was previously entitled, but no adjustment shall be made to the effect of which would be to enable a Share to be issued at less than its nominal value.

(xvii) *Rights on a general offer*

In the event of a general offer (whether by way of takeover offer or scheme of arrangement or otherwise in like manner) being made to all the Shareholders (or all such holders other than the offeror and/or any persons controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becoming or being declared unconditional, the grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise the option in full (to the extent not already lapsed or exercised) at any time within one month after the date on which the offer becomes or is declared unconditional.

(xviii) *Rights on winding-up*

In the event a notice is given by our Company to the members to convene a general meeting for the purposes of considering, and if thought fit, approving a resolution to voluntarily wind-up our Company, our Company shall on the same date as or soon after it dispatches such notice to each member of our Company give notice thereof to all grantees and thereupon, each grantee (or, as the case may be, his legal personal representative(s)) shall be entitled to exercise all or any of his options at any time not later than two Business Days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as possible and, in any event, no later than the Business Day immediately prior to the date of the proposed general meeting referred to above, allot the relevant Shares to the grantee credited as fully paid.

(xix) *Rights on compromise or arrangement*

In the event of a compromise or arrangement between our Company and the Shareholders or the creditors of our Company being proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies pursuant to the Cayman Companies Law, our Company shall give notice thereof to all the grantees (or, as the case may be, their legal personal representatives) on the same day as it gives notice of the meeting to the Shareholders or the creditors to consider such a compromise or arrangement and the options (to the extent not already lapsed or exercised) shall become exercisable in whole or in part on such date not later than two Business Days prior to the date of the general

meeting directed to be convened by the court for the purposes of considering such compromise or arrangement (“Suspension Date”), by giving notice in writing to our Company accompanied by a remittance for the full amount of the aggregate subscription price for our Shares in respect of which the notice is given whereupon our Company shall as soon as practicable and, in any event, no later than 3:00 p.m. on the Business Day immediately prior to the date of the proposed general meeting, allot and issue the relevant Shares to the grantee credited as fully paid. With effect from the Suspension Date, the rights of all grantees to exercise their respective options shall forthwith be suspended. Upon such compromise or arrangement becoming effective, all options shall, to the extent that they have not been exercised, lapse and determine. The Board shall endeavor to procure that our Shares issued as a result of the exercise of options hereunder shall for the purposes of such compromise or arrangement form part of the issued share capital of our Company on the effective date thereof and that such Shares shall in all respects be subject to such compromise or arrangement. If for any reason such compromise or arrangement is not approved by the court (whether upon the terms presented to the court or upon any other terms as may be approved by such court), the rights of grantees to exercise their respective options shall with effect from the date of the making of the order by the court be restored in full but only up to the extent not already exercised and shall thereupon become exercisable (but subject to the other terms of the Share Option Scheme) as if such compromise or arrangement had not been proposed by our Company and no claim shall lie against our Company or any of its officers for any loss or damage sustained by any grantee as a result of such proposal, unless any such loss or damage shall have been caused by the act, neglect, fraud or willful default on the part of our Company or any of its officers.

(xx) *Lapse of options*

An option shall lapse automatically on the earliest of:

- (aa) the expiry of the period referred to in paragraph (ix) above;
- (bb) the date on which the Board exercises our Company’s right to cancel, revoke or terminate the option on the ground that the grantee commits a breach of paragraph (xii);
- (cc) the expiry of the relevant period or the occurrence of the relevant event referred to in paragraphs (xiii), (xv), (xvii), (xviii) or (xix) above;
- (dd) subject to paragraph (xviii) above, the date of the commencement of the winding-up of our Company;
- (ee) the occurrence of any act of bankruptcy, insolvency or entering into of any arrangements or compositions with his creditors generally by the grantee, or conviction of the grantee of any criminal offence involving his integrity or honesty;
- (ff) where the grantee is only a substantial shareholder of any member of our Group, the date on which the grantee ceases to be a substantial shareholder of such member of our Group; or

(gg) subject to the compromise or arrangement as referred to in paragraph (xix) become effective, the date on which such compromise or arrangement becomes effective.

(xxi) *Cancellation of options granted but not yet exercised*

Any cancellation of options granted but not exercised may be effected on such terms as may be agreed with the relevant grantee, as the Board may in its absolute discretion sees fit and in manner that complies with all applicable legal requirements for such cancellation.

(xxii) *Period of the Share Option Scheme*

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the Adoption Date and shall expire at the close of business on the Business Day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting.

(xxiii) *Alteration to the Share Option Scheme*

(aa) The Share Option Scheme may be altered in any respect by resolution of the Board except that alterations of the provisions of the Share Option Scheme which alters to the advantage of the grantees of the options relating to matters governed by Rule 17.03 of the Listing Rules shall not be made except with the prior approval of the Shareholders in general meeting.

(bb) Any amendment to any terms and conditions of the Share Option Scheme which are of a material nature or any change to the terms of options granted, or any change to the authority of the Board in respect of alteration of the Share Option Scheme must be approved by Shareholders in general meeting except where the alterations take effect automatically under the existing terms of the Share Option Scheme.

(cc) Any amendment to any terms of the Share Option Scheme or the options granted shall comply with the relevant requirements of Chapter 17 of the Listing Rules.

(xxiv) *Termination to the Share Option Scheme*

Our Company by resolution in general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered but options granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

(xxv) *Conditions of the Share Option Scheme*

The Share Option Scheme is conditional upon the Listing Committee granting the Listing of, and permission to deal in our Shares may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme.

(c) Present status of the Share Option Scheme

Application has been made to the Listing Committee for listing of and permission to deal in 79,800,000 Shares which fall to be issued pursuant to the exercise of the options granted under the Share Option Scheme.

As at the date of this Prospectus, no option has been granted or agreed to be granted under the Share Option Scheme.

E. OTHER INFORMATION**1. Tax and other indemnities**

Mr. Zhang, Gold Shine Development, Tian Lun Group and Chequers Development (collectively, the “**Indemnifiers**”) have, under a deed of indemnity referred to in paragraph (k) of the sub-section headed “Summary of material contracts” in this Appendix, given joint and several indemnities to our Company for itself and as trustee for our subsidiaries in connection with, among other things, (a) any liability for Hong Kong estate duty which might be payable by any member of our Group under or by virtue of the provisions of Section 35 and Section 43 of the Estate Duty Ordinance (Chapter 111 of the Laws of Hong Kong) or any other similar legislation in any relevant jurisdiction outside Hong Kong arising on the death of any person at any time by reason of any transfer of any property to any member of our Group on or before the date on which the Global Offering becomes unconditional; (b) any taxation which might be payable by any member of our Group (i) in respect of any income, profits or gains earned, accrued or received or deemed to have been earned, accrued or received on or before the date on which Global Offering becomes unconditional; or (ii) in respect of or in consequence of any act, omission or event occurring or deemed to occur on or before the date on which the Global Offering becomes unconditional; and (c) any claims, actions, demands, proceedings, judgments, losses, liabilities, damages, costs, charges, fees, expenses and fines of whatever nature suffered or incurred by any member of our Group as a result of or in connection with any litigation, arbitrations, claims (including counter-claims), complaints, demands and/or legal proceedings instituted by or against any member of our Group in relation to events occurred on or before the date on which the Global Offering becomes unconditional and not disclosed in this Prospectus. The Indemnifiers will, however, not be liable under the deed of indemnity for taxation to the extent that, among others:

- (a) specific provision, reserve or allowance has been made for such taxation liability in the audited combined accounts of any member of our Group for each of the three years ended 31 December 2009 and the six months ended 30 June 2010; or
- (b) the taxation liability arises or is incurred as a result of a retrospective change in law or a retrospective increase in tax rates coming into force after the date on which the Global Offering becomes unconditional; or
- (c) the taxation liability arises in the ordinary course of business of our Group after 30 June 2010 up to and including the date on which the Global Offering becomes unconditional.

The Indemnifiers will also indemnify our Company and each member of our Group against:

- (i) any potential costs, damages, liability, fines, expenses or losses of our Company and other members of our Group (including without limitation, disruption of business, relocation of

premises) in respect of the properties of our Group which had title defects as disclosed in the valuation report set out in Appendix IV to this Prospectus;

- (ii) any loss, damages, costs and expenses suffered by any member of our Group arising from the penalty or order for the demolition imposed by competent authorities on properties with defective title or buildings which are regarded as temporary structures and hence proper title registration cannot be effected; and
- (iii) any penalties or liabilities suffered by any member of our Group in relation to the advances made by any member of our Group to Henan Tian Lun Real Estate in breach of the General Principles of Loan in the PRC as disclosed in this Prospectus.

Our Directors have been advised that no material liability for estate duty under the laws of the Cayman Islands or the PRC is likely to fall on our Group.

2. Litigation

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

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

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

Save as disclosed above, as at the Latest Practicable Date, no member of our Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. Sole Sponsor

The Sole Sponsor has, on behalf of our Company, made an application to the Listing Committee for the Listing of, and permission to deal in, our Shares in issue and to be issued as mentioned herein and our Shares falling to be issued pursuant to the exercise of any options granted under the Share Option Scheme and the exercise of the Over-allotment Option.

The Sole Sponsor has confirmed to the Stock Exchange that it satisfies the independence test as stipulated under Rule 3A.07 of the Listing Rules.

4. Preliminary expenses

The preliminary expenses of our Company are estimated to be approximately HK\$25,000 and are payable by our Company.

5. Promoter

Our Company has no promoter for the purpose of the Listing Rules.

6. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this Prospectus:

Name	Qualifications
CCBI	A licensed corporation under the SFO permitted to engage in type 1 and 6 of the regulated activities (as defined under the SFO)
PricewaterhouseCoopers	Certified Public Accountants
DTZ Debenham Tie Leung Limited	Property valuer
Grandall Legal Group	Registered law firm in the PRC
Appleby	Cayman Islands and BVI attorneys-at-law

7. Consents of experts

Each of CCBI, PricewaterhouseCoopers, DTZ Debenham Tie Leung Limited, Grandall Legal Group and Appleby has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its reports and/or letter and/or opinion and/or valuation certificate and/or summary thereof (as the case may be) and/or reference to its name included herein in the form and context in which it is respectively included.

8. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

9. Taxation of holders of Shares

(a) Hong Kong

Dealings in Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty.

(b) Cayman Islands

Under the present Cayman Islands law, transfers of our Shares are exempt from the Cayman Islands stamp duty.

(c) Consultation with professional advisors

Intending holders of our Shares are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposing of or dealing in our Shares. It is emphasized that none of our Company, our Directors or other parties involved in the Global Offering accepts responsibility for any tax effect on, or liabilities of holders of Shares resulting from their subscription for, purchase, holding or disposal of or dealing in Shares.

10. No material adverse change

Our Directors confirm that save as disclosed in "Financial Information — Management's Discussion and Analysis of Financial Condition and Results of Operations — Indebtedness" and "Financial Information — Dividend Policy" in this Prospectus, there has not been any material adverse change in the financial trading position or prospects of our Group since 30 June 2010 (being the date to which the latest audited combined financial statements of our Company were made up).

11. Miscellaneous

(a) Save as disclosed in this Prospectus, within the two years immediately preceding the date of this Prospectus:

- (i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration than cash;
- (ii) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any capital of our Company or any of our subsidiaries and no commission has been paid or is payable in connection with the issue or sale of any capital of our Company or any of our subsidiaries;
- (iii) no commission has been paid or is payable for subscribing or agreeing to subscribe, or procuring or agreeing to procure the subscriptions, for any of our Shares or shares of any of our subsidiaries; and

- (iv) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.
- (b) Save as disclosed in this Prospectus, neither our Company nor any of our subsidiaries has issued or agreed to issue any founders shares, management shares, deferred shares or any debentures.
- (c) Save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Consents of experts” in this Appendix:
 - (i) is interested legally or beneficially in any securities of our Company or any of our subsidiaries; or
 - (ii) has any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of our Company or any of our subsidiaries.
- (d) The branch register of members of our Company will be maintained in Hong Kong by the Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our Company’s share register in Hong Kong and may not be lodged in the Cayman Islands. All necessary arrangements have been made to ensure our Shares to be admitted into CCASS for clearing and settlement.
- (e) There has not been any interruption in the business of our Group which may have or have had a significant effect on the financial position of our Group in the 12 months immediately preceding the date of this Prospectus.
- (f) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (g) We have no outstanding convertible debt securities.
- (h) Our Directors have been advised that, under Cayman Islands Law, the use of a Chinese name pre-approved by the Registrar of Companies in the Cayman Islands by our Company in conjunction with our English name does not contravene Cayman Islands Law.
- (i) The English text of this Prospectus shall prevail over the Chinese text.

12. Bilingual Prospectus

The English language and Chinese language versions of this Prospectus are being published separately, in reliance upon the exemption provided in section 4 of the Companies Ordinance (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).