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China Tian Lun Gas Holdings Limited

中國天倫燃氣控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01600)

MAJOR TRANSACTION ACQUISITION OF THE ENTIRE EQUITY INTEREST IN BEIJING HUI JI TAI ZHAN INVESTMENT COMPANY LIMITED

THE ACQUISITION

On 27 January 2015 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Letter of Intent, pursuant to which, among others, the Purchaser had paid the Deposit to Mr. Li and Tianjin Qian Sheng for the Acquisition. It is agreed between the parties to the Equity Transfer Agreement that the Deposit shall be applied as partial settlement of the Total Consideration.

On 27 March 2015 (after trading hours), the Purchaser and the Vendors entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendors agreed to sell, the entire equity interest in the Target Company for a total consideration of RMB860,000,000 (which will be partially settled by the Deposit) (equivalent to approximately HK\$1,086,132,862) in cash.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios in respect of the Acquisition as calculated under Rule 14.07 of the Listing Rules is greater than 25% and all the applicable percentage ratios are less than 100%, the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the transactions contemplated under the Equity Transfer Agreement and therefore no Shareholders are required to abstain from voting if an extraordinary general meeting was to be convened for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder (including the Acquisition). Tian Lun Group Limited, a Shareholder which holds 463,297,800 Shares, representing approximately 55.96% of the issued share capital of the Company as of the date of this announcement, has given written approval for the Equity Transfer Agreement and the transactions contemplated therein (including the Acquisition) so as to dispense with the holding of an extraordinary general meeting in accordance with Rule 14.44 of the Listing Rules.

The Circular containing, among other things, further information in respect of the Equity Transfer Agreement and the Acquisition will be despatched to the Shareholders for their information on or before 22 April 2015.

INTRODUCTION

Reference is made to the announcement of the Company dated 27 January 2015 in relation to the entering into of the Letter of Intent in relation to the Acquisition.

THE ACQUISITION

On 27 January 2015, the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Letter of Intent, pursuant to which, among others, the Purchaser had paid the Deposit to Mr. Li and Tianjin Qian Sheng for the Acquisition. It is agreed between the parties to the Equity Transfer Agreement that the Deposit shall be applied as partial settlement of the Total Consideration.

On 27 March 2015 (after trading hours), the Purchaser and the Vendors entered into the Equity Transfer Agreement, pursuant to which the Purchaser agreed to purchase, and the Vendors agreed to sell, the entire equity interest in the Target Company for a total consideration of RMB860,000,000 (which will be partially settled by the Deposit) (equivalent to approximately HK\$1,086,132,862) in cash.

The principal terms of the Equity Transfer Agreement are set out as follows:

THE EQUITY TRANSFER AGREEMENT

Date: 27 March 2015 (after trading hours)

Parties: ***Purchaser:***

Henan Tian Lun

Vendors:

Tianjin Qian Sheng; and

Tianjin Tai Zhan

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, each of the Vendors and their respective ultimate beneficial owners are Independent Third Parties.

Subject matters to be acquired

The subject matters to be acquired by the Purchaser shall include 100% equity interest in the Target Company after its reorganization (details of which are set out in the sub-paragraph headed “Reorganization of the Target Company” below), which will hold the following:

- (1) 19% of the equity interest in Ping Ding Shan;

- (2) 100% of the equity interests in Hui Ji Energy, which in turn holds:
 - i. 90% of the equity interest in Henan Hui Ji;
 - ii. 85% of the equity interest in Wujiang Pipeline Network;
 - iii. 100% of the equity interest in San Ming Hui Ji; and
- (3) Other relevant interests.

Upon completion of the Acquisition, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group.

Pledge of equity interest in the Target Company by the Vendors

Within 10 days after the execution of the Equity Transfer Agreement and as an obligation of the Vendors under the Equity Transfer Agreement, the Vendors shall enter into the Equity Pledge Agreement. Subject to the terms and conditions of the Equity Transfer Agreement, the Vendors shall register the pledge under the Equity Pledge Agreement with the relevant PRC Administration for Industry and Commerce.

Reorganization of the Target Company

As at the date of this announcement, the Target Company holds the following:

- (1) 19% of the equity interest in Ping Ding Shan;
- (2) 100% of the equity interests in Hui Ji Energy, which in turn holds:
 - i. 90% of the equity interest in Henan Hui Ji;
 - ii. 85% of the equity interest in Wujiang Pipeline Network;
 - iii. 100% of the equity interest in San Ming Hui Ji; and
- (3) 100% of the equity interest in Hui He Holdings; and
- (4) the Creditor's Rights.

The Vendors shall arrange for the disposal of (1) the 100% of the equity interest in Hui He Holding and (2) the Creditor's Rights from the Target Company before 31 May 2015 (the "**Reorganization**"). The Vendors shall guarantee that (1) the process of the Reorganization complies with the relevant laws and regulations; (2) there will be no claim or potential claim in relation to the Reorganization; and (3) that the Target Company will legally hold the equity interests in the subsidiaries of the Target Company without dispute upon completion of the Reorganization.

Pursuant to the Equity Transfer Agreement, in the event that the Vendors fail to complete the Reorganization on or before 31 May 2015, the Purchaser shall offer a grace period of two months (commencing from 1 June 2015) for the Vendors to complete the Reorganization. If the Vendors still fail to complete the Reorganization within the aforesaid grace period, this shall then constitute a fundamental breach of the Equity Transfer Agreement by the Vendors. Upon the occurrence of the aforesaid fundamental breach, the Vendors shall irrevocably transfer its 100% of the equity interest in Hui Ji Energy to the Purchaser at nil consideration, and to register the said transfer with the relevant PRC Administration for Industry and Commerce.

In addition, within 10 days after the execution of the Equity Transfer Agreement, the Vendors shall obtain from the remaining shareholders of Henan Hui Ji (holding 10% of its equity interests) (1) a declaration waiving their pre-emptive right to the equity interest of Henan Hui Ji upon the occurrence of the abovesaid fundamental breach; and (2) the relevant documents, including shareholders' resolutions and resolutions on amendment of the articles of association of Henan Hui Ji.

The Vendors shall unconditionally cooperate with the Purchaser to facilitate the said transfer upon the abovesaid fundamental breach by the Vendors.

CONSIDERATION AND PAYMENT METHOD

The Total Consideration was determined between the parties after arm's length negotiations with reference to, as at the Benchmark Date, the assets and financial results of the Target Company as disclosed by the Vendors to the Purchaser and the audit report of the Target Company prepared by PricewaterhouseCoopers.

The Total Consideration shall be payable by the Purchaser to the Vendors in three stages in the following manner:

First payment

The first payment is RMB602,000,000 (equivalent to approximately HK\$760,293,003), being 70% of the Total Consideration) (the "**First Payment**").

The Vendors shall cooperate with the Purchaser to complete the following matters within 15 days of the execution of the Equity Transfer Agreement:

- (1) In addition to the 90% of the equity interest in Henan Hui Ji which has already been pledged by the Vendors to the Purchaser, the Vendors shall pledge its 100% equity interest in Hui Ji Energy to the Purchaser pursuant to the Equity Pledge Agreement. Subject to the terms and conditions of the Equity Transfer Agreement, the Vendors shall register the Equity Pledge Agreement with the relevant PRC Administration for Industry and Commerce.;
- (2) The Vendors shall transfer all relevant assets in relation to the gas business of the Target Group to the Purchaser;
- (3) The Vendors shall provide documentations to confirm that the Purchaser is entitled to exercise its rights as a shareholder of the Target Group, including but not limited to voting right and the right to dividends distribution;
- (4) The Purchaser shall have the rights of appointment and removal of personnel in the Target Group, and to complete the change of the legal representative, directors, supervisors and senior managements of the Target Group;
- (5) The Vendors shall transfer the operation and management rights of the Target Group and hand over all the documents related thereof to the Purchaser;

(collectively, the "**Transfer of Management Rights**")

The Purchaser will arrange for the Target Company to be put under the management of the Group, and the financial and management personnel designated by the Purchaser, who will make daily management and operation decisions on behalf of the Purchaser, will be assigned to the Target Group.

Adjustment of the First Payment

The Purchaser shall pay the First Payment to the Vendors (subject to the adjustment set out below), within five business days upon the completion of the Transfer of Management Rights and the execution of the relevant written confirmation between the Vendors and the Purchaser.

The Vendors shall cooperate with the Purchaser to complete the audit on the assets, liabilities and financial condition of the Target Group. Shall the consolidated net asset value of the Target Company is less than the net asset values of the Target Company determined as at the Benchmark Date or there is an increase in the non-operational liabilities of the Target Company, the amount of the First Payment shall be reduced in proportion to the decrease in the net asset value and the increase in the non-operational liabilities of the Target Company accordingly. For the avoidance of doubt, no adjustment will be made to the amount of the First Payment in case of an increase in the net asset value of the Target Company.

Second payment

The second payment is RMB172,000,000, being 20% of the Total Consideration (the “**Second Payment**”).

The Purchaser shall pay the Second Payment to the Vendors within five business days after the completion of the registration of the Purchaser as the owner of 100% of the equity interest in the Target Company in the relevant PRC Administration for Industry and Commerce.

Third payment

The third payment is RMB86,000,000, being 10% of the Total Consideration (the “**Third Payment**”).

The Purchaser shall pay the Third Payment (subject to the adjustment as set out below) upon the expiry of six months after the completion of the Transfer of Management Rights and the execution of the relevant written confirmation between the Vendors and the Purchaser.

Adjustment of the Third Payment

Upon the payment of the Third Payment, shall there be any inconsistency in the equity interest in the Target Group with that as disclosed to the Purchaser as at the Benchmark Date, or there is undisclosed contingent liabilities and guarantees which arose before the Benchmark Date, the Purchaser may deduct the amount of the Third Payment taking into account the aforesaid inconsistency or undisclosed liabilities, unless such amount has already been deducted due to the adjustment of the First Payment as described above. In case the Third Payment is insufficient for the said deduction, the Purchaser may make a claim against the Vendors for the shortfall.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The consolidated financial information of the Target Company for the two financial years ended 31 December 2014 is as follows:

	For the year ended 31 December 2013 <i>RMB</i>	For the year ended 31 December 2014 <i>RMB</i>
Profit before taxation and extraordinary items	31,263,434.99	68,305,182.99
Profit after taxation and extraordinary items	24,773,591.64	50,056,396.68
Total assets	998,396,068.97	1,198,176,621.68

INFORMATION OF THE GROUP

The Group is principally engaged in the operation of gas pipeline connection, gas sales, gas refilling stations investment and operation and LNG plant investment and operation in the PRC.

The Purchaser is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. Its principal business is sales of pipelined natural gas, construction and connection of gas pipelines in the PRC.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability and is principally engaged in the business of pipeline transmission, distribution and sale of natural gas. Before 16 February 2015, the equity interest in the Target Company was owned as to 65.78% by Mr. Li, 9.22% by Tianjin Qian Sheng and 25% by Shandong Shengli Steel Pipe Limited (“**Shandong Shengli**”). Thereafter, Mr. Li acquired 25% of the equity interest in the Target Company held by Shandong Shengli. On 23 March 2015, Mr. Li transferred his aggregate 90.78% equity interest in the Target Company to Tian Jin Taizhan. After the aforesaid transfer and as at the date of this announcement, the equity interest of the Target Company is owned as to 9.22% by Tianjin Qian Sheng and 90.78% by Tianjin Tai Zhan.

INFORMATION OF THE VENDORS

Tianjin Qian Sheng is a partnership formed in the PRC and is principally engaged in investment with its own funds in the energy industry, high-tech industry, property industry and trading and tourism industry and providing related investment consulting services, as well as assets management (other than financial assets).

Tianjin Tai Zhan is a partnership formed in the PRC and is principally engaged in asset management, enterprise image planning, organizing cultural and artistic exchange activities, exhibition and display, meeting services and business information consulting (other than intermediary services).

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Target Company has built and currently operates over 200 kilometers of high- and medium-pressure natural gas pipelines. It has obtained a natural gas sales quota of 980 million m³ per year and designed pipeline transmission volume nearly 4 billion m³ of natural gas. In 2014, according to the management account of the Target Company, natural gas sales volume of the Target Company reached 450 million m³; meanwhile natural gas transmission volume to Huadian and Datang Power Plant reached 180 million m³, revenue reached RMB1,100 million. In addition, the Target Company has established a business network involving construction and operation of long-haul natural gas pipelines, urban gas and direct supply of natural gas to large industrial parks, covering Henan, Jiangsu and Fujian provinces of the PRC. The Acquisition will further expand the Group's business coverage and operating area and bring huge financial benefits to the Group.

In view of the above, the Directors (including all independent non-executive Directors) are of the view that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios in respect of the Acquisition as calculated under Rule 14.07 of the Listing Rules is greater than 25% and all the applicable percentage ratios are less than 100%, the entering into of the Equity Transfer Agreement and the transactions contemplated thereunder constitute a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirement.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, none of the Shareholders has any material interest in the transactions contemplated under the Equity Transfer Agreement and therefore no Shareholders are required to abstain from voting if an extraordinary general meeting was to be convened for the approval of the Equity Transfer Agreement and the transactions contemplated thereunder (including the Acquisition).

Tian Lun Group Limited, a Shareholder which holds 463,297,800 Shares, representing approximately 55.96% of the issued share capital of the Company as of the date of this announcement, has given written approval for the Equity Transfer Agreement and the transactions contemplated therein (including the Acquisition) so as to dispense with the holding of an extraordinary general meeting in accordance with Rule 14.44 of the Listing Rules.

The Circular containing, among other things, further information in respect of the Acquisition will be despatched to the Shareholders for their information on or before 22 April 2015.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Acquisition”	the acquisition of 100% of the equity interest in the Target Company after reorganization (details of which are set out in the paragraph headed “Reorganization of the Target Company”) and the transactions contemplated under the Equity Transfer Agreement
“Beijing Hui Ji Company”	Beijing Hui Ji Energy Holdings Limited (北京慧基能源控股有限公司), a limited liability company established in the PRC and is a wholly-owned subsidiary of the Target Company as at the date of this announcement

“Benchmark Date”	31 December 2014
“Board”	the board of Directors
“Circular”	a circular of the Company containing, among other things, information relating to the Equity Transfer Agreement and the Acquisition
“Company”	China Tian Lun Gas Holdings Limited (中國天倫燃氣控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on The Stock Exchange of Hong Kong Limited
“Creditor’s Rights”	the rights of the Target Company as creditor in relation to the mining business, cultural business and other related businesses.
“connected person(s)”	has the same meaning as ascribed thereto in the Listing Rules
“Deposit”	a deposit of RMB160,000,000 paid by the Purchaser to Mr. Li and Tianjin Qian Sheng in relation to the Acquisition pursuant to the Letter of Intent
“Director(s)”	director(s) of the Company
“Equity Pledge Agreement”	the equity pledge agreement dated 27 March 2015 entered into among the Purchaser and the Vendors, pursuant to which the Vendors shall pledge its 100% equity interest in Hui Ji Energy to the Purchaser (in addition to the 90% of the equity interest in Henan Hui Ji already pledged to the Purchaser as at the date of this announcement)
“Equity Transfer Agreement”	the equity transfer agreement dated 27 March 2015 entered into among the Purchaser and the Vendors in relation to the Acquisition
“Group”	the Company and its subsidiaries
“Henan Hui Ji”	河南慧基能源有限公司 (Henan Hui Ji Energy Limited), a limited liability company established in the PRC
“Hui He Holdings”	北京慧和新能源控股有限公司 (Beijing Hui He New Energy Holdings Company Limited), a company established in the PRC
“Hui Ji Energy”	北京慧基能源控股有限公司 (Beijing Hui Ji Energy Holdings Limited), a limited liability company established in the PRC and is a wholly-owned subsidiary of the Target Company as at the date of this announcement
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which are third parties independent of the Company and its connected persons

“Letter of Intent”	the non-legally binding letter of intent dated 27 January 2015 entered into among Mr. Li, Tianjin Qian Sheng and the Purchaser setting out the preliminary understanding in relation to the Acquisition
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Li”	Mr. Li Zi Feng (李子峰)
“Ping Ding Shan”	平頂山燃氣有限責任公司 (Ping Ding Shan Gas Limited), a limited liability company established in the PRC
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser” or “Henan Tian Lun”	Henan Tian Lun Gas Group Limited (河南天倫燃氣集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“San Ming Hui Ji”	三明明基能源有限公司 (San Ming Hui Ji Energy Company Limited), a limited liability company established in the PRC
“Shareholder(s)”	holder(s) of shares of the Company
“Subsidiaries”	Ping Ding Shan, Hui Ji Energy, Henan Hui Ji Company, Wuijian Pipeline Network and San Ming Hui Ji Company
“Target Company”	Beijing Hui Ji Tai Zhan Investment Company Limited (北京慧基泰展投資有限公司), a limited liability company established in the PRC
“Target Group”	the Target Company and the Subsidiaries
“Tianjin Qian Sheng”	天津乾盛投資合夥企業(有限合夥) (Tianjin Qian Sheng Investment Partnership Enterprise (Limited Partnership), a partnership formed in the PRC
“Tianjin Tai Zhan”	天津泰展資產管理中心(有限合夥) (Tianjin Tai Zhan Asset Management Centre), a partnership formed in the PRC
“Total Consideration”	RMB860,000,000, being the total consideration of the Acquisition under the Equity Transfer Agreement (which shall be partially settled by the Deposit)
“Vendors”	collectively, Tianjin Qian Sheng and Tianjin Tai Zhan

“Wuijian Pipeline Network”

吳江市天然氣管網有限公司 (Wujiang City Natural Gas Pipeline Network Company Limited), a limited liability company established in the PRC

“%”

per cent

In this announcement, the English transliteration of their Chinese names, where indicated, are included for identification purpose only, and should not be regarded as the official English names of such Chinese names. In the event of any inconsistency, the Chinese names shall prevail.

For the purpose of this announcement, unless otherwise indicated, conversions of RMB into HK\$ is calculated at the approximate exchange rate of RMB0.7918 to HK\$1.00. This exchange rate is adopted for the purpose of illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rates at all.

By Order of the Board
China Tian Lun Gas Holdings Limited
Zhang Yingcen
Chairman

Zhengzhou, the PRC, 27 March 2015

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Sun Heng, Mr. Feng Yi and Ms. Li Tao; and the independent non-executive Directors are Mr. Cao Zhibin, Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun.