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**天伦燃气**  
**TIANLUN GAS**

**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)**

**DISCLOSEABLE TRANSACTION  
ACQUISITION OF THE ENTIRE EQUITY INTEREST IN  
SICHUAN MING SHENG NATURAL GAS COMPANY LIMITED**

**THE ACQUISITION**

On 28 November 2015, 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 RMB460,000,000 in cash.

**LISTING RULES IMPLICATIONS**

As more than one of the applicable percentage ratios for the Acquisition exceed 5% but are less than 25%, the entering into of the Equity Transfer Agreement and the Acquisition constitute a discloseable transaction of the Company, and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## THE ACQUISITION

The Board announces that the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Equity Transfer Agreement on 28 November 2015, 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 RMB460,000,000 in cash.

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

## THE EQUITY TRANSFER AGREEMENT

Date: 28 November 2015

Parties: **Purchaser:**

Xuchang Tianlun

**Vendors:**

- (1). Mr. Cai;
- (2). Mr. Li;
- (3). Mr. Liu; and
- (4). Mr. Xu.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Vendors is an Independent Third Party.

## **Subject matters to be acquired**

Pursuant to the Equity Transfer Agreement, the subject matters to be acquired by the Purchaser shall include the following:

- (1). 100% equity interest in the Target Company and the relevant rights attached thereto, including but not limited to the rights to profits distributions, shareholders' rights, voting rights and rights of appointment and removal of personnel;
- (2). gas-related assets and other assets which are owned and/or controlled by the Target Company; and
- (3). the exclusive pipeline gas operation right of the Target Company in the designated areas in Xindu District, Chengdu City (成都市新都區).

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 Company will be consolidated into the Group's consolidated financial statements.

## **CONSIDERATION AND PAYMENT METHOD**

The Total Consideration is RMB460,000,000 and shall be payable by the Purchaser to the Vendors in cash in the following manner.

### **1. First Tranche Payment**

The first tranche of the payment is RMB138,000,000 (being 30% of the Total Consideration) (the “**First Tranche Payment**”), which shall serve as the prepayment for the Total Consideration (the “**Prepayment**”).

Within seven business days after the Equity Transfer Agreement becoming effective, the Purchaser shall pay the First Tranche Payment to the designated accounts of the Vendors.

The Prepayment will be applied towards partial settlement of the Total Consideration upon the completion of the equity transfer of the Target Company, details of which are set out in the paragraph headed “Second Tranche Payment” below.

## 2. **Second Tranche Payment**

The second tranche of the payment is RMB138,000,000 (being 30% of the Total Consideration) (the “**Second Tranche Payment**”).

Within seven business days after the payment by the Purchaser of the First Tranche Payment, both the Vendors and the Purchaser shall make an application to the relevant industry and commerce bureau in relation to the transfer of equity interest, change of directors, supervisors and managers of the Target Company. Within seven business days after the completion of the equity transfer of the Target Company (i.e. the issue of a new business licence of the Target Company by the relevant industry and commerce bureau), the Purchaser shall pay the Second Tranche Payment to the designated accounts of the Vendors.

## 3. **Third Tranche Payment**

The third tranche of the payment is RMB138,000,000 (being 30% of the Total Consideration) (the “**Third Tranche Payment**”).

Within seven business days after the payment by the Purchaser of the Second Tranche Payment, both the Vendors and the Purchaser shall proceed with (1) the transfer of management rights of the Target Company (the “**Management Rights Transfer**”); (2) the transfer of the assets of the Target Company (the “**Assets Transfer**”); and (3) an examination on the financial conditions of the Target Company (the “**Financial Examination**”). The Management Rights Transfer shall be completed within ten business days, and the Assets Transfer and the Financial Examination shall be completed within twenty business days after the payment of the Second Tranche Payment.

Within seven business days after the completion of all the Management Rights Transfer, the Assets Transfer and the Financial Examination, subject to the adjustment as set out in the paragraph headed “Adjustment of Third Tranche Payment” below, the Purchaser shall pay the Third Tranche Payment to the designated bank accounts of the Vendors.

#### *Adjustment of Third Tranche Payment*

During the process of the Management Rights Transfer, the Assets Transfer and the Financial Examination, the Vendors and the Purchaser shall, among others, jointly conduct an examination on the assets and financial conditions of the Target Company. If the examination reveals that, upon the completion date of all the Management Rights Transfer, the Assets Transfer and the Financial Examination, (1) there is a decrease in the amount of asset value of the Target Company as compared to that as previously disclosed to the Purchaser; or (2) there is an increase in the liabilities of the Target Company and the amount of which have not obtained prior written consent from the Purchaser, the amount of the Third Tranche Payment shall be reduced in proportion to the decrease in the asset values and/or the increase in the liabilities of the Target Company. No adjustment will be made to the amount of the Third Tranche Payment in the case of an increase in the asset values of the Target Company.

Further, during the process of the Management Rights Transfer, the Assets Transfer and the Financial Examination, if any dispute over certain assets and/or liabilities of the Target Company arise between the Vendors and the Purchaser, both parties agree to withhold part of the Third Tranche Payment in the sum equivalent to the assets and/or the liabilities in dispute until the dispute has been settled by mutual negotiation between both parties.

#### **4. Fourth Tranche Payment**

The fourth tranche of the payment is RMB46,000,000 (being 10% of the Total Consideration) (the “**Fourth Tranche Payment**”).

Subject to the adjustment as set out in the paragraph headed “Adjustment of Fourth Tranche Payment” below, the Fourth Tranche Payment will be withheld by the Purchaser as security deposit and shall be payable by the Purchaser to the Vendors within seven business days after fulfillment of all the following conditions:

- (a). Within twelve months after the completion of the Transfer of Management Right and the Assets Transfer (the “**Observation Period**”), there is no undisclosed contingent liabilities which arose before the completion of the Transfer of Management Right and the Assets Transfer or any event that would affect the Acquisition; and

- (b). a written confirmation confirming that Chengdu Xin Du Gang Hua Gas Company Limited\* (成都新都港華燃氣有限公司) (“**Xin Du Gang Hua**”), an Independent Third Party, does not have any interest in the 159 Pipeline having been obtained within the Observation Period.

If it is determined that the ownership of 159 Pipeline belongs to Xin Du Gang Hua, the Vendors shall, at their own costs and within ten business days upon receiving the written notice from the Purchaser, purchase the 720 Pipeline from an Independent Third Party for the Target Company as a substitute for the 159 Pipeline.

### **Adjustment of Fourth Tranche Payment**

Within the Observation Period, if it is discovered that there is any undisclosed contingent liabilities which arose before the completion of the Transfer of Management Right and the Assets Transfer, the Fourth Tranche Payment shall be reduced in proportion to the increase in contingent liabilities of the Target Company, provided that no deduction shall be made if such amount has already been deducted under the paragraph headed “Adjustment of Third Tranche Payment” above.

If condition 4(b) above is not fulfilled within the Observation Period, the Purchaser shall withhold an amount equivalent to 50% of the Fourth Tranche Payment, which shall only be released to the Vendors within seven business days after the fulfillment of condition 4(b) above.

### **BASIS OF DETERMINATION OF THE TOTAL CONSIDERATION**

The Total Consideration was determined between the Purchaser and the Vendors after arm’s length negotiations with reference to the existing size of assets, operating area of gas business, customer base and profitability of the Target Company and the potential operational growth of the Target Company.

## 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:

	<b>For the year ended 31 December 2013</b> <i>(RMB)</i> <i>(audited)</i>	<b>For the year ended 31 December 2014</b> <i>(RMB)</i> <i>(audited)</i>
Profit before taxation and extraordinary items	47,441,690.92	52,860,616.14
Profit after taxation and extraordinary items	40,479,738.27	45,112,771.21
Total assets	173,707,635.66	180,178,530.60

## 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 in September 2003 and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in, among others, the business of wholesale and retail of natural gas and liquefied petroleum gas, development and application of new gas technology, and investment in gas business.

## INFORMATION OF THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability in December 2000 with a registered capital of RMB30,000,000 and is principally engaged in, among others, the business of wholesale and retail of natural gas and natural gas equipment, installation and maintenance of natural gas pipelines, and provision of advisory services on gas technology.

Immediately before the Acquisition, the entire equity interest of the Target Company was owned by Mr. Cai, Mr. Li, Mr. Liu and Mr. Xu who held 17,109,150 shares, 4,153,200 shares, 4,625,100 shares and 4,112,550 shares of the Target Company respectively.

## **INFORMATION OF THE VENDORS**

Mr. Cai is a PRC resident and holds 17,109,150 shares of the Target Company immediately before the Acquisition.

Mr. Li is a PRC resident and holds 4,153,200 shares of the Target Company immediately before the Acquisition.

Mr. Liu is a PRC resident and holds 4,625,100 shares of the Target Company immediately before the Acquisition.

Mr. Xu is a PRC resident and holds 4,112,550 shares of the Target Company immediately before the Acquisition.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Vendors is an Independent Third Party.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Located at the south-western part of the PRC, Sichuan Province has a large population of approximately 81.40 million and an economy with a GDP of approximately RMB2.8 trillion in 2014. The Target Company operates at Xindu District, which is only 15 kilometers away from the urban area of Chengdu City in Sichuan Province. Xindu District is positioned as the northern suburban of Chengdu City as it serves as a mechanical, electronic, food, biopharmaceutical, tourism and logistics base of Chengdu City. Xindu District will be developed into a more prosperous city with growing population that is expected to bring large potential for development and growth in the business of the Target Company.

Having secured gas sources from both China Petroleum and Chemical Corporation and Southwest Oil and Gas Branch and China National Petroleum Corporation, the Target Company expects to see steady development in its business. In addition, Sichuan is the first province in the PRC using natural gas, and it has a large talent pool in the gas industry. As the Target Company possesses employees with expertise in gas operations, the Acquisition will further expand the Group's talent pool. Furthermore, the Target Company is a well-established company, with approximately 100,000 residential customers and nearly 2,000 industrial and commercial users. It has generated a sales volume of approximately 60 million m<sup>3</sup> of gas per year, with a revenue of approximately RMB180 million. In 2014, it generated a net profit of approximately RMB45.11 million excluding non-recurring items. In view of the above, the Directors consider that there is large potential for growth in the Target Company.



Through the Acquisition, the Group will obtain a core urban gas operation right in the south-western part of the PRC, forming economies of scale together with the Group's urban gas projects in Gansu Province, Shanxi Province and Yunnan Province. This is strategically important for the Group to expand its presence in Sichuan Province and to further enlarge its market share in the south-western part of the PRC in the future.

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 Acquisition is in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

As more than one of the applicable percentage ratios for the Acquisition exceed 5% but are less than 25%, the entering into of the Equity Transfer Agreement and the Acquisition constitute a discloseable transaction of the Company, and is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

“159 Pipeline”	No. 159 pipeline with a length of 11 kilometers held by the Target Company
“720 Pipeline”	No. 720 pipeline located in Chengdu, the PRC and its affiliated pipelines held by Chengdu Bi Sheng Investment Management Company Limited* (成都畢生投資管理有限公司), an Independent Third Party
“Acquisition”	transfer of equity interest of Target Company and the transactions contemplated under the Equity Transfer Agreement
“Benchmark Date”	30 September 2015
“Board”	the board of Directors

“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
“connected person(s)”	has the same meaning as ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 28 November 2015 entered into among the Purchaser and the Vendors
“Group”	the Company and its subsidiaries
“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
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Cai”	Mr. Cai Xinchuan (蔡新川), an equity holder of the Target Company immediately before the completion of the Acquisition
“Mr. Li”	Mr. Li Yong (李勇), an equity holder of the Target Company immediately before the completion of the Acquisition
“Mr. Xu”	Mr. Xu Hankang (許漢康), an equity holder of the Target Company immediately before the completion of the Acquisition
“Mr. Liu”	Mr. Liu Zhimin (劉志敏), an equity holder of the Target Company immediately before the completion of the Acquisition

“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 “Xuchang Tianlun”	Xuchang Tian Lun Gas Company Limited* (許昌市天倫燃氣有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of shares of the Company
“Target Company”	Sichuan Ming Sheng Natural Gas Company Limited* (四川省明聖天然氣有限責任公司), a company established in the PRC with limited liability
“Total Consideration”	RMB460,000,000, being the total consideration of the Acquisition under the Equity Transfer Agreement
“Vendors”	collectively, Mr. Cai, Mr. Li, Mr. Liu and Mr. Xu
“%”	per cent

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

Zhengzhou, the PRC, 28 November 2015

*As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi, Mr. Sun Heng and Ms. Li Tao; the non-executive Director is Mr. Wang Jiansheng and the independent non-executive Directors are Mr. Li Liuqing, Mr. Yeung Yui Yuen Michael, Ms. Zhao Jun and Mr. Cao Zhibin.*

*\* For identification purpose only*