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If you have sold or transferred all your shares in China Tian Lun Gas Holdings Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**MAJOR TRANSACTION
IN RELATION TO THE ESTABLISHMENT OF A COAL-TO-GAS
CONVERSION INVESTMENT FUND**

10 August 2018

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Announcement”	the announcements made by the Company dated 27 June 2018, 17 July 2018 and 3 August 2018 (the “27 June Announcement”, “17 July Announcement” and “3 August Announcement” respectively, and collectively the “ Announcements ”) in relation to the establishment of the Fund
“Articles”	the Articles of the Company
“Board”	the board of Directors
“business day(s)”	the legal working days in the PRC
“Chequers Development”	Chequers Development Limited, a company incorporated in the British Virgin Islands and as at the date of the Announcement, holds 63,728,000 Shares, representing approximately 6.44% of the issued share capital of the Company, and wholly owned by Mr. Zhang
“close associates”	has the meaning ascribed to it under the Listing Rules
“Company”	China Tian Lun Gas Holdings Limited (中國天倫燃氣控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1600)
“controlling shareholder(s)”	has the meaning ascribed to the Listing Rules
“Director(s)”	the director(s) of the Company
“Fund”	Henan Yuzi Tianlun New Energy Investment Fund Centre (Limited Partnership)* (河南豫資天倫新能源投資基金中心(有限合伙)), a limited liability partnership to be established in the PRC pursuant to the Partnership Agreement
“Group”	the Company and its subsidiaries
“Henan Tian Lun”	Henan Tian Lun Gas Group Limited* (河南天倫燃氣集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company

DEFINITIONS

“Henan Tian Lun Holdings”	Henan Tian Lun Holdings Limited* (河南省天倫投資控股有限公司), a company established in the PRC with limited liability and owned by Mr. Zhang, Ms. Sun Yanxi (the spouse of Mr. Zhang) and Mr. Zhang Daoyuan (the son of Mr. Zhang) as to 50%, 25% and 25%, respectively at as the date of this circular
“Henan Zhongyu”	Henan Zhongyu Financial Holdings and Equity Investment Management Co., Ltd.* (河南省中豫金控股權投資管理有限公司), a company established in the PRC with limited liability
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	3 August 2018, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Zhang”	Mr. Zhang Yingcen (張瀛岑), an executive Director, the chairman of the Board and a controlling Shareholder
“Partners”	Henan Tian Lun, Henan Zhongyu and Yuzi Development
“Partnership Agreement”	the Partnership Agreement dated 27 June 2018 entered into among Henan Tian Lun, Yuzi Development and Henan Zhongyu (including the amended terms)
“PRC”	the People’s Republic of China excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan for the purposes of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Tian Lun Group”	Tian Lun Group Limited, a company incorporated in the British Virgin Islands and as at the date of this circular, holds 471,171,300 Shares, representing approximately 47.61% of the issued share capital of the Company, being a controlling shareholder. Tian Lun Group is wholly-owned by Gold Shine Development Limited, which is owned as to 60% by Mr. Zhang and as to 40% by Mr. Zhang Daoyuan (Mr. Zhang’s son) and Ms. Sun Yanxi (the spouse of Mr. Zhang)
“Xuchang Tian Lun”	Xuchang Tian Lun Gas Co., Ltd.* (許昌天倫燃氣有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Yuzi Development”	Henan Yuzi Urban and Rural Integration Construction and Development Co., Ltd.* (河南省豫資城鄉一體化建設發展有限公司), a company established in the PRC with limited liability
“Yuzi Holding”	Zhongyuan Yuzi Investment Holding Group Co., Ltd.* (中原豫資投資控股集團有限公司), a company established in the PRC with limited liability
“%”	per cent.

In this circular, the English names of the PRC entities or enterprises are translations of their Chinese names. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Zhang Yingcen (*Chairman*)
Mr. Xian Zhenyuan (*Chief Executive*)
Mr. Zhang Suwei (*General Manager*)
Mr. Feng Yi
Ms. Li Tao

Non-executive Director:

Mr. Wang Jiansheng

Independent Non-executive Directors:

Mr. Liu Jin
Mr. Li Liuqing
Mr. Yeung Yui Yuen Michael
Ms. Zhao Jun

Registered Office:

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Unit 1603, 16th Floor
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Central
Hong Kong

Hong Kong, 10 August 2018

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
IN RELATION TO THE ESTABLISHMENT OF A COAL-TO-GAS
CONVERSION INVESTMENT FUND**

INTRODUCTION

Reference is made to the Announcement.

On 27 June 2018 (after trading hours), Henan Tian Lun, an indirect wholly-owned subsidiary of the Company, entered into the Partnership Agreement with Henan Zhongyu and Yuzi Development in relation to the establishment of the Fund. Pursuant to the Partnership Agreement, Henan Tian Lun agreed to make a total capital contribution to the Fund of RMB4 billion with the first phase of capital contribution being RMB400 million.

LETTER FROM THE BOARD

As disclosed in the 3 August Announcement, all Partners have unanimously agreed to make amendments to the Partnership Agreement, which mainly include: (i) the deadline of total committed capital contribution to the Fund was amended from 31 December 2033 to 15 August 2029; (ii) Henan Zhongyu's first phase capital contribution to the Fund was amended from zero to RMB1 million; (iii) Yuzi Development's first phase capital contribution to the Fund was amended from RMB600 million to RMB599 million; (iv) the fund manager was amended from Henan Zhongyu to a third party private fund manager with management qualifications which shall be entrusted by a meeting attended by all partners.

The entering into of the Partnership Agreement and the transactions contemplated therein constitute a major transaction of the Company under the Listing Rules and are subject to reporting, announcement and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

The purpose of this circular is to provide you with, among other things, particulars of the Partnership Agreement and the transactions contemplated under the Partnership Agreement.

THE PARTNERSHIP AGREEMENT

The principal terms of the Partnership Agreement are as follows:

Date:

Entered into on 27 June 2018 (after trading hours)

Parties:

- (1) Henan Zhongyu, as general partner
- (2) Yuzi Development, as limited partner
- (3) Henan Tian Lun, as limited partner

Name of the Fund:

Henan Yuzi Tianlun New Energy Investment Fund Centre (Limited Partnership)* (河南豫資天倫新能源投資基金中心(有限合伙))

Term of the Fund:

Fifteen (15) years commencing on the date of the business license of the Fund issued by the Administrative for Industry and Commerce, extendable or shortenable upon unanimous written consent of all partners.

LETTER FROM THE BOARD

Purpose:

The Fund intends to establish a project holding company, which will utilise the internal funds government subsidies and long-term funds provided by policy banks and financial institutions to invest in coal-to-gas conversion projects in Henan Province and upstream & downstream industrial chains including natural gas source extraction, pipeline network construction, and gas distribution, to capture the opportunities brought by the rapid development of the natural gas industry in the PRC and explore the huge potential of the natural gas market in the townships in Henan Province through making full use of the strengths of each partner.

The Fund has appointed Henan Tian Lun to be responsible for the construction and operation of coal-to-gas conversion projects in Henan Province to be invested by the Fund, for which separate agreements will be entered into between Henan Tian Lun and the project holding company to be established by the Fund.

Committed capital contribution and interest in the Fund:

The total committed capital contribution to the Fund shall be RMB10 billion and shall be fully made no later than 15 August 2029. The respective committed capital contribution to the Fund to be made by each partner and the respective interest in the Fund are as follows:

Category		Committed capital contribution (RMB million)	First phase of capital contribution (RMB million)	Percentage of interest in the Fund
Henan Zhongyu	General partner	1	1	0.01%
Yuzi Development	Limited partner	5,999	599	59.99%
Henan Tian Lun	Limited partner	4,000	400	40%
Total:		10,000	1,000	100%

The first phase of capital contribution shall be made immediately after the required registration of the Fund have been completed, whereas, the remaining portion of the committed capital contribution shall be made by tranches in accordance with the investment plan and progress of the Fund. The partners will coordinate to pay their respective capital contribution for the corresponding period on the same date in order to avoid difference in timing of capital contribution. As of the date of the 3 August Announcement, all Partners have paid its respective first phase capital contribution with a total amount of RMB1 billion to the Fund.

The size of the Fund and the amount of capital contribution of each partner were determined after arm's length negotiations between the partners with reference to the anticipated capital requirements of the Fund.

The Company intends to finance the Group's contribution and commitment to the Fund with its internal resources.

LETTER FROM THE BOARD

Restriction on transfer:

The partners are not permitted to transfer their interests in the Fund to any third parties who are not a partner of the Fund unless with the approval from partners. Other partners shall have a right of first refusal to acquire a partner's share of interest based on the same terms such partner offers to the third parties.

When any partner intends to transfer all or part of its share of interest in the Fund to other existing partners, it shall notify all other partners in advance.

Investment decision committee:

The investment decision committee of the Fund comprises three members, of which two will be nominated by Yuzi Development and one will be nominated by Henan Tian Lun. Each member shall have one vote. The chairman will be nominated by Yuzi Development who is responsible for convening and chairing the committee meetings. All resolutions of the committee shall be passed by all committee members voting unanimously in favour of the resolution. The committee decides on the approval and withdrawal of investment made by the Fund.

Coal-to-gas conversion projects:

The Fund has appointed Henan Tian Lun to be responsible for the construction and operation of coal-to-gas conversion projects in Henan Province to be invested by the Fund, for which separate agreements will be entered into between Henan Tian Lun and the project holding company to be established by the Fund.

Executive partner:

The general partner, namely Henan Zhongyu, shall be the executive partner of the Fund. The executive partner shall have the exclusive authority over the general affairs of the Fund, including but not limited to, managing the investment and other businesses of the Fund, preparing the annual budget and report and executing the resolutions as passed by the partners and policies.

Fund manager:

A meeting attended by all partners shall entrust a private fund manager with management qualifications as the external third party manager of the Fund. The fund manager is responsible for execution of the Fund's operation and management, and shall not exceed the authorization granted by partners meetings. Authorization to the fund manager shall be unanimously agreed by all partners of the Fund.

As unanimously agreed by all partners of the Fund, the Red Asset Management Center (LP) Henan* (河南睿達資產管理中心(有限合夥), “**Ruida Asset**”) has been appointed as fund manager of the Fund. Ruida Asset is a limited partnership enterprise incorporated in Zhengzhou of Henan Province on 6 December 2012 under the Partnership Enterprise Law of the PRC, and has obtained private investment fund manager registration certificate granted by Asset Management Association of China* (中國證券投資基金業協會) on 6 August 2015 with a registration number of P1019992.

LETTER FROM THE BOARD

Ruida Asset is considered a suitable fund manager for the Fund for the following reasons: (i) It has obtained a proper registration certificate as private investment fund manager granted by Asset Management Association of China, which usually evaluates a fund manager's paid-in capital, management team's experiences and track record, risk control system and business plan prior to giving consent for the registration and requires continuous information disclosure after registration; (ii) It has an experienced management team with over eight years of experiences in investment on average, and over twenty companies invested in total; (iii) It has a good track record in managing funds and investment in township area projects. Ruida Asset has been managing "Ruida Fortune I" * Private Investment Fund ("睿達創富1號" 私募證券投資基金) since 1 August 2016 and invested in a number of companies related to the township area in Henan Province, including but not limited to Henan Jiajiayou Agriculture Technology Company Limited* (河南甲加由農業科技股份有限公司), Luohe Shali Spring Modern Agriculture Technology Development Company Limited* (漯河沙澧春天現代農業科技發展有限公司) and Henan Agricultural and Livestock Quality Goods E-Commerce Company Limited* (河南農牧優品電子商務有限公司). The Directors believe that Ruida Asset's qualifications and experiences in fund management and township area projects are beneficial supplementals to the Group's operation experiences in township coal-to-gas conversion and Yuzi Holding's experiences in township infrastructure investment.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Ruida Asset and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

Expenses and costs:

The Fund shall directly bear the expenses associated with the establishment, formation, operation, termination, dissolution, liquidation, etc. of the Fund, including but not limited to:

- (1) Set-up expenses.
- (2) Management fee paid to the fund manager.
- (3) Accounting, financial statements and reporting expenses of the Fund.
- (4) The expenses incurred by the Fund for external evaluation, audit, lawyer, technical personnel or professional service agencies for services to the Fund (receivable by the personnel or professional service agencies in accordance with the relevant agreements).
- (5) Expenses incurred from the partners meetings.
- (6) Taxes and levies payable to administration departments during the Fund's term.
- (7) Other expenses related to the establishment, operation, termination, dissolution, and liquidation of the Fund.

LETTER FROM THE BOARD

Investment exit:

The assets held by the Fund shall, in accordance with laws and rules, ensure the stability and timely recovery of investment costs, realize investment return and reduce investment risks. The Fund may exit through appropriate methods such as listing, equity transfer, mergers and acquisitions, agreement transfer, and repurchase.

Return distribution:

The partners will coordinate to pay their respective capital contribution for the corresponding period on the same date in order to avoid difference in timing of capital contribution.

The exit return of the Fund will be distributed in the following order, unless otherwise agreed by all partners:

- (1) Returning the capital contributed by each partner in proportion to their respective paid-in capital contribution.
- (2) Distributing return to each partner in proportion to their respective paid-in capital contribution.

The timeline of the return distribution of Fund shall be agreed among all partners in writing separately at a later stage.

The relevant taxes and income taxes paid in advance by the Fund for the distribution of return to the partners are treated as part of the return distribution and shall be deducted from the balance of each partner's capital account.

The Fund's return shall be distributed in RMB. The allocation of any non-cash assets (including non-publicly traded securities, equity and other assets of the Fund) shall be determined in accordance with the unanimous consent of all partners.

The Fund may not borrow or guarantee externally without the unanimous consent of all partners. The Fund's debt should be repaid with the Fund's assets. When the Fund's assets are insufficient to pay off debts, the limited partners bears limited liability within the amount of the capital contribution, and the general partner bears unlimited joint liability.

Investment portfolio management:

The Fund will invest in coal-to-gas conversion projects in Henan Province and upstream & downstream industrial chains including natural gas source extraction, pipeline network construction, and gas distribution.

Regarding coal-to-gas conversion projects in Henan Province, the investment appraisal criterias include: the number of households in the local towns and villages, income and consumption levels, concentration of households, distance from gas pipelines and gas stations, and government supports.

LETTER FROM THE BOARD

Regarding upstream and downstream industry chain projects, the investment appraisal criterias include: synergies with the township coal-to-gas conversion projects, expected investment returns and pay-back periods.

Procedures that the Fund will generally carry out in evaluating an investment and divestment opportunity are as follows:

- (1) The executive partner shall collect information on projects and prepare the project memorandums
- (2) The management team led by the executive partner shall review the project memorandums, review and evaluate the projects and report to the investment decision committee
- (3) The investment decision committee shall decide whether to initiate the project or not
- (4) The management team led by the executive partner shall conduct due diligence in respect of the initiated projects and submit their report to the investment decision committee for review
- (5) Investment decision-making by the investment decision committee
- (6) The Fund shall carry out investment in the projects
- (7) The management team led by the executive partner shall be responsible for post-investment management and divestment of projects by regularly reviewing the investment progress and reporting to the investment decision committee

Management fee:

The management fee payable by the Fund to the fund manager each year shall be calculated based on the total amount of the actual paid-in capital contribution minus the investment principal of projects exited, and the annual management fee shall be 0.05% per year. Namely: annual management fee = (the total amount of capital contributions paid-in by all partners - the investment principal of projects exited) \times 0.05%.

If the Fund operates for a full fiscal year, the management fee shall be paid within thirty (30) days after the end of each fiscal year. If the operation period is less than a full fiscal year, the management fee shall be calculated based on the ratio of the actual days to the full year. Namely: management fee for less than one fiscal year = (the total amount of capital contributions paid-in by all partners - the investment principal of projects exited) \times 0.05% \times (actual days / 365 days).

The management fee is calculated based on the Fund's actual paid-in capital rather than its invested capital, as the fund manager shall start providing administration services right after the Fund has received first phase of capital contribution, including but not limited to funds custody arrangement, monitoring of funds deployment, and registration with the Asset Management Association of China.

The Directors are of the view that the terms of the management fee are fair and reasonable and on normal commercial terms.

LETTER FROM THE BOARD

Dissolution and liquidation:

The Fund shall be dissolved upon one of the following events:

- (1) Upon expiration of the partnership term, the partners decide not to operate.
- (2) Occurrence of the cause of dissolution as agreed in the Partnership Agreement appears.
- (3) Unanimous decision by all partners to dissolve the Fund.
- (4) The quorum of the partners of the Fund has not be reached for not less than thirty (30) days.
- (5) The purposes of the partnership as stipulated in the Partnership Agreement have been achieved or no longer be able to be achieved.
- (6) The business license of the Fund has been revoked or the Fund has been ordered to be closed or dissolved, according to the relevant laws.
- (7) Other reasons as stipulated by the relevant laws, administrative regulations or as agreed by all partners.

Within sixty (60) days from the date occurrence of any of the aforesaid events, the Fund shall be liquidated in accordance with the provisions of the Fund Law, and the executive partner shall be the liquidator of course unless otherwise agreed by the partners at that time. After determining the liquidator, all assets of the Fund (including assets that have been realized and unrealized) shall be managed by the liquidator. If the liquidator is a non-general partner, the general partner is obliged to assist and cooperate with the liquidator to perform the liquidation.

During the liquidation period, the Fund shall continue to exist but not carry out business activities unrelated to liquidation.

The Fund's assets shall be distributed according to the provisions of the aforementioned "Return Distribution" section, after paying the liquidation expenses and employee wages, social insurance expenses, statutory compensation, and the payment of the taxes owed and the debts. Where otherwise agreed by all partners in relation to liquidation, it shall be implemented in accordance with the agreement.

The terms of the Partnership Agreement remain in full force during the liquidation period until the liquidation is completely completed. After the liquidation is completed, the liquidator shall prepare a liquidation report. After all the partners sign and seal, they shall submit a liquidation report to the enterprise registration authority within fifteen (15) days to apply for the cancellation of the Fund's registration.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP AND THE PARTIES TO THE PARTNERSHIP AGREEMENT

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.

Henan Tian Lun

Henan Tian Lun, an indirect wholly-owned subsidiary of the Company, is a limited liability company incorporated in the PRC and is principally engaged in sales of pipelined natural gas, construction and connection of gas pipelines in the PRC.

Henan Zhongyu and Yuzi Development

Each of Henan Zhongyu and Yuzi Development is a limited liability company incorporated in the PRC and wholly owned by Yuzi Holding with the principal business being investment holding.

Established in 2011, Yuzi Holding is a provincial investment and financing company established and wholly-owned by Henan Provincial Finance Department as approved by Henan Provincial Government to support the development of urbanization in new form and foster the integrated development of urban and rural areas in Henan Province. As at the end of 2017, Yuzi Holding had total assets of RMB250 billion, ranking No.1 among government investment and financing and financing companies in Henan Province, with domestic credit rating of AAA and an international credit rating of A.

Yuzi Holding is principally engaged in the investment in people's livelihood projects in Henan Province including old city reconstruction, targeted poverty alleviation, beautiful countryside and township infrastructure. Under the unified arrangement of Henan Provincial Government, Yuzi Holding conducts business through government-guided and market-oriented operations, and has established good cooperation with major policy banks and financial institutions.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Henan Zhongyu, Yuzi Development, Yuzi Holding and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

REASONS AND BENEFITS FOR THE FORMATION OF THE FUND

The Group was one of the first few integrated clean energy groups in the PRC which commenced city gas business. Its scope of business includes city gas, refilling stations and CNG stations, LNG plant projects, long-haul pipelines and direct industrial supply. It currently has 58 city gas projects, 51 refilling stations, 2 LNG plant projects and 6 long-haul pipelines in 16 provinces across China.

LETTER FROM THE BOARD

Based in Henan Province, the Group is the only national city gas listed company which was established and has headquarter in Henan Province, with business covering most areas of Henan Province. The Group's business covers the whole industrial chain in the gas distribution industry and it has an experienced management team which is familiar with Henan market.

The Board believes that the establishment of the Fund will enable the Group to capture the opportunities to be brought by the rapid development of the natural gas industry in the PRC and make full use of its local advantages in Henan Province and in the cooperation with Yuzi Holding in order to explore the great potential in the natural gas market in the townships in Henan Province.

The Board (including independent non-executive Directors) is of the view that the terms of the Partnership Agreement and the relevant documentation are fair and reasonable and on normal commercial terms and that the transaction contemplated under the Partnership Agreement and the relevant documentation is in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in the Listing Rules in respect of the Partnership Agreement exceed(s) 25% but less than 100%, the entering into of the Partnership Agreement and the transactions contemplated therein constitute a major transaction of the Company under Chapter 14 of the Listing Rules are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Pursuant to Rule 14.44 of the Listing Rules, shareholders' approval for the Partnership Agreement and the transactions contemplated thereunder may be obtained by written shareholders' approval in lieu of holding a general meeting if (a) no shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transaction; and (b) written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transaction.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, no Shareholder has material interest in the Partnership Agreement and the transactions contemplated thereunder. Accordingly, none of the Shareholders is required to abstain from voting if the Company were to convene a general meeting for the approval of the Partnership Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

As of the Latest Practicable Date, Tian Lun Group, holding 471,171,300 Shares, and Chequers Development, holding 63,728,000 Shares, collectively being interested in an aggregate of approximately 54.05% of the total issued Shares and voting rights in the Company at the date of this announcement, and both of which are wholly-owned by Mr. Zhang gave their written approval for the Partnership Agreement to the Company on 27 June 2018, and gave their written approval for amendments to the Partnership Agreement to the Company on 3 August 2018. Pursuant to Rule 14.44 of the Listing Rules, the written approval from Tian Lun Group and Chequers Development is accepted in lieu of holding a general meeting for approval of the Partnership Agreement and the transactions contemplated thereunder. Accordingly, no extraordinary general meeting of the Company will be convened for the purpose of the approval of the Partnership Agreement and the transactions contemplated thereunder.

RECOMMENDATION

The Board (including the independent non-executive Directors) considers that the terms of the Partnership Agreement and the transactions contemplated thereunder are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Although a general meeting will not be convened by the Company to approve the Partnership Agreement and the transactions contemplated therein, if such a general meeting were to be convened by the Company, the Board would recommend the Shareholders to vote in favour of the resolutions to approve the Partnership Agreement and the transactions contemplated therein.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices of this circular.

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

1. FINANCIAL SUMMARY OF THE GROUP

The Company is required to set out in this circular the financial information for the last three financial years with respect to the profits and losses, financial record and position, as a comparative table and the latest published audited statement of financial position together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Group for the year ended 31 December 2017 are set out in pages 79 to 186 of the annual report 2017 of the Company which was posted on 26 April 2018 on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.tianlungas.com).

The audited consolidated financial statements of the Group for the year ended 31 December 2016 are set out in pages 64 to 166 of the annual report 2016 of the Company which was posted on 27 April 2017 on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.tianlungas.com).

The audited consolidated financial statements of the Group for the year ended 31 December 2015 are set out in pages 62 to 166 of the annual report 2015 of the Company which was posted on 29 March 2016 on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.tianlungas.com).

2. SUFFICIENCY OF WORKING CAPITAL

As at the close of business on 3 August 2018, the Group's balance of cash on hand and at bank was RMB1,400 million. The Company has financed the first phase of capital contribution of RMB400 million with its internal resources. The remaining portion of the committed capital contribution shall be coordinated among the partners and made by tranches in accordance with the anticipated investment plan and progress of the Fund before 15 August 2029. The Company anticipates that the total amount of investment to be made by the Group to the Fund would not exceed RMB400 million by 31 December 2019. The Company intends to finance the commitment with combination of internal and external resources as appropriate. As of the date of this circular, the Group has not obtained any other external financing for the purpose of the commitment.

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the anticipated capital contribution to be made by Henan Tian Lun before 31 December 2019, the financial resources available to the Group, including the internally generated funds and the available financing facilities, the Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

3. STATEMENT OF INDEBTEDNESS

As at the close of business on 3 August 2018, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular, the indebtedness of the Group was as follows:

As at the close of business on 3 August 2018, the Group's total borrowing was RMB5,279 million, among which unsecured and unguaranteed borrowing were RMB 195 million, guaranteed pledged borrowings were RMB4,668 million, borrowing from a shareholder was RMB410 million, and other borrowings were RMB5.91 million. The balance of cash on hand and at bank was RMB1,400 million.

Save as aforesaid, as at the close of business on 3 August 2018, the Group did not have any outstanding mortgages, charges, debentures, loan capital, bank overdrafts, loans or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debt securities (whether issued and outstanding or authorised or otherwise created but unissued), guarantees or other material contingent liabilities.

The Directors confirmed that, save as disclosed above, there had not been any material change to the indebtedness and contingent liabilities of the Group as at the Latest Practicable Date.

4. MATERIAL ADVERSE CHANGE

At the Latest Practicable Date, the Directors confirmed that there has been no material adverse change to the financial or trading position of the Group since 31 December 2017, being the date to which the latest published audited accounts of the Group have been made up.

5. FINANCIAL AND BUSINESS PROSPECT OF THE GROUP

Whilst the Group remains its focus on its principal business 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 Board continuously explores investment opportunities to strengthen the long term growth of the Group.

The Group will strengthen its investments in new areas, new business and new models, actively follow the development trend of the gas industry of “loosening control over the ends” by accelerating its expansion into upstream gas source trading industry, exploring diversified operation and service models for terminals, and actively develop new users outside the areas in which it operates. For development work, the development of long-haul pipeline projects not only will develop new projects and new areas, but also will focus on the construction of self-owned pipelines of its existing projects in the areas where the Group already has presence.

The Group will also facilitate the development of new business and new areas including coal-to-gas conversion in township areas including coal-to-gas conversion, distributed energy and LNG trading and actively promote the implementation of these projects. In addition, the Group will continue to strengthen the development of its talent teams through introduction of external talents and selection of internal core employees. It will also focus the management of its cadres on strict implementation of cadre disciplines and raising working standards, emphasize on the implementation of “Three Red Lines that Cannot be Crossed” and corporate rules, promote innovations at work and improve the requirements for management. In the future, the Group will capture the opportunities brought by favourable policies, closely follow the development trend of the industry in the new era, concentrate its team strengths to accelerate the expansion of its presence in the gas market, in order to repay the shareholders with better performance.

6. FINANCIAL EFFECTS OF THE TRANSACTION

Except for the transaction costs and future performance of the Fund, there is no gain or loss associated with the Transaction.

There are no material changes in the total assets and liabilities of the Group immediately after the Transaction. The Fund will be accounted for as associate/joint venture under non-current asset of the Group’s consolidated financial statements.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the directors or chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be recorded in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

Long Positions in the Shares

Name of Director	Capacity/Nature of Interest	Number of Shares held	Number of underlying Shares held	Approximate percentage of shareholding in the Company
Mr. Zhang	Beneficial owner (Note 1)	—	181,689,608	18.36%
	Interest of controlled corporation (Notes 2 and 3)	534,889,300	545,068,824	109.13%
	Interest of spouse (Note 4)	5,722,500	181,689,608	18.94%
Mr. Xian Zhenyuan	Beneficial owner (Note 5)	—	9,000,000	0.91%
	Interest of controlled corporation (Note 6)	12,829,500	—	1.30%
Mr. Feng Yi	Beneficial owner (Note 7)	—	3,000,000	0.30%
Ms. Li Tao	Beneficial owner (Note 8)	—	3,000,000	0.30%

Long Positions in the ordinary shares of the associated corporation

Name of Director	Name of the associated corporation	Capacity/Nature of interest	Number of shares held	Approximately percentage of interests in the associated corporation
Mr. Zhang	Tian Lun Group	Interest of controlled corporation	10	100%

Notes:

- (1) On 27 March 2015, (i) Mr. Zhang, Ms. Sun Yanxi (“**Ms. Sun**”) and Mr. Zhang Daoyuan, as sponsors (collectively, the “**Sponsors**”), (ii) Chequers Development, Gold Shine Development Limited and Tian Lun Group as special purpose vehicles owned directly and/or indirectly by one or more Sponsors (those special purpose vehicles, together with the Sponsors, the “**Grantors**”); and (iii) International Finance Corporation (“**IFC**”) and IFC Global Infrastructure Fund, LP (“**IFC Fund**”, “**IFC**” and “**IFC Fund**” collectively, the “**Investors**”) entered into a sponsors’ agreement (the “**Sponsors’ Agreement**”), pursuant to which the Grantors have, inter alia, granted the Put Option (as defined in the circular of the Company dated 21 April 2015) to IFC and IFC Fund.

The Grantors assume joint and several obligations to purchase the Put Shares (as defined in the circular of the Company dated 21 April 2015). Accordingly, assuming the Investors elect to exercise the Put Option (as defined in the circular of the Company dated 21 April 2015) in full against Mr. Zhang only, Mr. Zhang is obliged to purchase the Put Shares, being 181,689,608 Shares.

- (2) Gold Shine Development is interested in 471,171,300 Shares through its wholly-owned subsidiary, namely Tian Lun Group. The entire issued share capital of Gold Shine Development Limited is owned as to 60% by Mr. Zhang. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares and underlying Shares held by Tian Lun Group for the purposes of the SFO.

Mr. Zhang wholly-owns Chequers Development Limited, which is interested in 63,728,000 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares and underlying Shares held by Chequers Development for the purposes of the SFO. Mr. Zhang is the director of Gold Shine Development, Tian Lun Group Limited and Chequers Development.

- (3) The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors’ Agreement. Accordingly, assuming the Investors elect to exercise the Put Option in full against the Sponsors’ SPVs (as defined in the circular of the Company dated 21 April 2015) only, the Sponsors’ SPVs, as a group, is obliged to purchase the Put Shares, being 181,689,608 Shares. Such underlying 545,068,824 Shares represent the aggregation of the maximum number of the Put Shares that may be put by the Investors to each of the Sponsors’ SPVs in such circumstances.

- (4) Ms. Sun the spouse of Mr. Zhang holds 5,722,500 Shares through her individual security account. Therefore, Mr. Zhang is deemed or taken to be interested in all the Shares held by Ms. Sun for the purpose of the SFO.

The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors' Agreement. Accordingly, assuming the Investors elect to exercise the Put Option in full against Ms. Sun only, Ms. Sun is obliged to purchase the Put Shares, being 181,689,608 Shares.

- (5) These 9,000,000 underlying Shares represent the 9,000,000 Shares which may be allotted and issued to Mr. Xian Zhenyuan upon full exercise of the share options granted to him under the share option scheme of the Company effective on 13 October 2010 (each share option granted under the share option scheme is referred to as "Share Option" and each Share Option shall entitle the holder thereof to subscribe for one Share).
- (6) Mr. Xian beneficially owns 90.0% of the issued share capital of Pleasant New Limited, which in turn owns 12,829,500 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all the Shares held by Pleasant New Limited for the purposes of the SFO. Mr. Xian is the sole director of Pleasant New Limited.
- (7) These 3,000,000 underlying Shares represent the 3,000,000 Shares which may be allotted and issued to Mr. Feng Yi upon full exercise of the Share Options granted to him.
- (8) These 3,000,000 underlying Shares represent the 3,000,000 Shares which may be allotted and issued to Ms. Li Tao upon full exercise of the Share Options granted to her.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company, or any of its associated corporation (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO), or which are required, pursuant of section 352 of the SFO, to be entered in the register maintained by the Company referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange

(b) Substantial Shareholders

Insofar as known to the Directors, as at the Latest Practicable Date, other than the interests of the Director or chief executive officer of the Company who had interests or short positions in the shares or underlying shares of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Name	Capacity/Nature of Interest	Number of Shares held	Number of underlying Shares held	Approximate percentage of shareholding in the Company
Tian Lun Group (Notes 1, 2 and 3)	Beneficial owner	471,171,300	181,689,608	65.97%
Gold Shine Development Limited (Notes 1, 2 and 4)	Beneficial owner	—	181,689,608	18.36%
	Interest of controlled corporation	471,171,300	181,689,608	65.97%
Chequers Development (Notes 2 and 5)	Beneficial owner	63,728,000	181,689,608	24.80%
Ms. Sun Yanxi (Notes 2 and 6)	Beneficial owner	5,722,500	181,689,608	18.94%
	Interest of spouse	534,899,300	726,758,432	127.49%
Zhang Daoyuan (Notes 2 and 7)	Beneficial owner	—	181,689,608	18.36%
IFC Asset Management Company, LLC (Note 8)	Investment manager	90,844,804	—	9.18%
IFC Fund (Note 8)	Beneficial owner	90,844,804	—	9.18%
IFC (Note 8)	Interest of controlled corporation	90,844,804	—	9.18%

Notes:

- (1) The entire issued share capital of Tian Lun Group is held by Gold Shine Development Limited. Tian Lun Group owns 471,171,300 Shares. Therefore, Gold Shine Development Limited is deemed or taken to be interested in all the Shares and underlying Shares held by Tian Lun Group for the purposes of the SFO.
- (2) The Grantors assume joint and several obligations to purchase the Put Shares under the Sponsors' Agreement.
- (3) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Tian Lun Group Limited under the Sponsors' Agreement.
- (4) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Gold Shine Development Limited under the Sponsors' Agreement.
- (5) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Chequers Development under the Sponsors' Agreement.
- (6) Gold Shine Development Limited is owned as to 60% by Mr. Zhang. Together with Notes (1), (3) and (4) above, Mr. Zhang is deemed or taken to be interested in all the Shares and the underlying Shares held by Tian Lun Group Limited for the purposes of the SFO.

Chequers Development is wholly-owned by Mr. Zhang and owns 63,728,000 Shares. Together with Note (5) above, Mr. Zhang is also deemed or taken to be interested in all the Shares and underlying Shares held by Chequers Development for the purposes of the SFO.

Mr. Zhang may be obliged to purchase the 181,689,608 underlying Shares, representing the maximum number of the Put Shares that may be put by the Investors to Mr. Zhang under the Sponsors' Agreement.

Ms. Sun is the spouse of Mr. Zhang, and therefore Ms. Sun is deemed or taken to be interested in all the Shares and the underlying Shares in which Mr. Zhang is interested and may be obliged to purchase respectively for the purpose of the SFO.

Ms. Sun holds 5,722,500 Shares through her individual security account and may be obliged to purchase the 181,689,608 underlying Shares, representing the maximum number of the Put Shares that may be put by the Investors to Ms. Sun under the Sponsors' Agreement.

- (7) Such 181,689,608 underlying Shares represent the maximum number of the Put Shares that may be put by the Investors to Mr. Zhang Daoyuan under the Sponsors' Agreement.
- (8) These 90,844,804 Shares are held by IFC Fund, which is owned as to 100% by IFC. IFC also owns the entire issued share capital of IFC Asset Management Company, LLC. IFC is deemed or taken to be interested in all the Shares held by IFC Fund for the purposes of the SFO.

Save as disclosed above, insofar as known to the Directors, as at the Latest Practicable Date, no other persons had any interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contracts with any member of the Group (excluding contracts expiring or determinable by the Company or any member of the Group within one year without payment of any compensation (other than statutory compensation)).

4. COMPETING INTERESTS

Pursuant to Rule 8.10 of the Listing Rules, the Company discloses that Henan Tian Lun Holdings is a company established in the PRC with limited liability and owned by Mr. Zhang, Ms. Sun Yanxi (the spouse of Mr. Zhang) and Mr. Zhang Daoyuan (the son of Mr. Zhang) as to 50%, 25% and 25%, respectively at as the date of this circular. Henan Tian Lun Holdings is a company principally engaged in investment holding and its business scope includes: investment in real estate business, gas business in cities, commerce and service business.

Save as disclosed above and in the paragraphs headed “Puyang Tian Lun” and “Deed of Non-competition” under the section headed “Relationship with Our Controlling Shareholders and Their Associates” in the prospectus of the Company dated 27 October 2010 as confirmed by Mr. Zhang and our Directors after making all reasonable enquiries, Mr. Zhang and Henan Tian Lun Holdings do not engage in any businesses or hold any interests in any companies engaging in any businesses which compete or may compete, directly or indirectly, with the business of our Group.

Save as disclosed above, to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or the controlling shareholders (as defined under the Listing Rules) of the Company nor any of their respective close associates had interests in a business, which compete or is likely to compete either directly or indirectly with the businesses of the Group which would be required to be disclosed under the Listing Rules.

5. DIRECTORS' OTHER INTERESTS

There was no contract or arrangement subsisting at the date of this circular in which any Director was materially interested and which was significant in relation to the business of the Group.

As of the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any asset which has been since 31 December 2017, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or is proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was or may become a party to any other litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the trust investment agreement dated 7 April 2017 entered into between Henan Tian Lun and Zhongyuan Trust Company Limited* (中原信託有限公司), pursuant to which Henan Tian Lun agreed to make an investment in the principal amount of no more than RMB500,000,000 in the trust plan during the term of the trust;
- (b) the acquisition agreement dated 12 May 2017 entered into between Xuchang Tian Lun and 252 individual shareholders and their authorised representatives, pursuant to which Xuchang Tian Lun agreed to acquire 100% equity interest in Sichuan Jintang Gas Company* (四川省金堂縣燃氣公司) at a consideration of RMB500,000,000; and
- (c) the Partnership Agreement (with the amended terms)

Save as disclosed above, no material contracts (not being contract entered into in the ordinary course of business) were entered into by members of the Group within two years immediately preceding up to and including the Latest Practicable Date.

8. GENERAL

- (a) The company secretary of the Company is Mr. Hung Man Yuk Dicson who was admitted as an associate member of Hong Kong Institute of Certified Public Accountants in 2004 and has been a fellow member of the Association of Chartered Certified Accountants in United Kingdom in 2006.
- (b) The registered office of the Company is situated at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands. The head office and principal place of business in Hong Kong is situated at Unit 1603, 16th Floor 100 Queen's Road Central, Central, Hong Kong.
- (c) The Company's branch share registrar and transfer office in Hong Kong is Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) In the event of any inconsistency, the English text of this circular shall prevail over its Chinese text.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours (Saturdays and public holidays excepted) at the office of the Company at unit 1603, 16th Floor, 100 Queen's Road Central, Central, Hong Kong for a period of 14 days from the date of this circular:

- (a) the memorandum and articles of association of the Company;
- (b) the annual reports of the Company for the two years ended 31 December 2017 and 2016;
- (c) the interim report of the Company for the six months ended 30 June 2017;
- (d) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
- (e) this circular.