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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)

DISCLOSEABLE TRANSACTION **ACQUISITION OF 51% EQUITY INTERESTS IN** **A GAS COMPANY IN NORTHEASTERN CHINA**

The Board announces that Henan Tian Lun, a wholly-owned subsidiary of the Company, entered into the Agreement with the Target Company Existing Shareholders on 21 April 2011, pursuant to which Henan Tian Lun agreed to the acquisition of 51% equity interests in the Target Company held by the Target Company Existing Shareholders and the capital injection into the Target Company with Zhongji Investment and Ms. Jia Dan.

As the applicable percentage ratios under the Listing Rules in respect of the transaction under the Agreement exceed 5% but are less than 25%, the transaction under the Agreement constitute a discloseable transaction of the Company under the Listing Rules.

The Board announces that Henan Tian Lun, a wholly-owned subsidiary of the Company, entered into the Agreement with the Target Company Existing Shareholders on 21 April 2011, pursuant to which Henan Tian Lun agreed to the acquisition of 51% equity interests in the Target Company held by the Target Company Existing Shareholders and the capital injection into the Target Company with Zhongji Investment and Ms. Jia Dan.

THE AGREEMENT

Date: 21 April 2011

Parties: Henan Tian Lun; and

Target Company Existing Shareholders

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, the Target Company, each of the Target Company Existing Shareholders and their respective ultimate beneficial owners are third parties independent from the Company and its subsidiaries as well as their respective directors, substantial shareholders and their respective associates.

ACQUISITION

Before the acquisition of 51% equity interests in the Target Company by Henan Tian Lun, the Target Company is held by Zhongji Investment, Mr. Wang Wei and Ms. Jia Dan as to 65%, 20% and 15% respectively. Pursuant to the Agreement, Henan Tian Lun will acquire a total of 51% of the equity interests in the Target Company from the Target Company Existing Shareholders, of which 26%, 20% and 5% of the equity interests to be acquired from Zhongji Investment, Mr. Wang Wei and Ms. Jia Dan, respectively, at a total consideration of RMB153,000,000. The said consideration will be paid to Zhongji Investment, Mr. Wang Wei and Ms. Jia Dan as to RMB78,000,000, RMB60,000,000 and RMB15,000,000, respectively. Upon completion of the above acquisition, the equity interests in the Target Company will be held by Henan Tian Lun, Zhongji Investment and Ms. Jia Dan as to 51%, 39% and 10% respectively.

CONSIDERATION

(1) Basis of consideration

The consideration for the acquisition of RMB153,000,000 was determined after arm's length negotiations among parties to the Agreement with reference to the following:

- (a) the geographical coverage and customer base of the gas business of the Target Group; and
- (b) the potential growth and future profit of the Target Group.

(2) Payment of consideration

- (a) A jointly-controlled account shall be set up by Henan Tian Lun and Zhongji Investment, the representative of the Target Company Existing Shareholders, within three business days after signing of the Agreement. Henan Tian Lun shall make a payment of RMB40,000,000 to the Target Company Existing Shareholders within three business days upon the set up of such account.
- (b) The industry and commerce registration of the Target Company shall be made within three business days upon the payment of the aforesaid RMB40,000,000 (unless approval for such registration has not been granted in three days). The joint control of RMB40,000,000 shall be released upon completion of the industry and commerce registration. Henan Tian Lun shall make a payment of RMB113,000,000 to the Target Company Existing Shareholders within three business days after completion of the industry and commerce registration.

CAPITAL INJECTION

After completion of the acquisition of 51% equity interests in the Target Company, Henan Tian Lun, Zhongji Investment and Ms. Jia Dan will inject additional capital into the Target Company on pro rata basis according to their then respective shareholdings in the Target Company to increase the registered capital of the Target Company from RMB40,000,000 to RMB140,000,000. The shareholding of the Target Company will remain unchanged after the capital injection.

Henan Tian Lun shall contribute RMB51,000,000 to the registered capital of the Target Company while Zhongji Investment and Ms. Jia Dan shall also inject RMB39,000,000 and RMB10,000,000 additional capital into the Target Company respectively. The capital injection will be used to meet the future capital needs of the operation and development of the Target Group.

Pursuant to the Agreement, a capital verification account shall be opened within three business days after completion of the aforesaid acquisition. The parties to the Agreement shall deposit their respective capital contributions into the capital verification account within seven business days after the set up of such account. The parties to the Agreement shall appoint Mr. Wang Wei to apply for the capital verification and registration of the capital injection with the relevant Industry and Commerce Administration Bureau of the PRC.

BASIS OF CAPITAL INJECTION

Pursuant to the Agreement, the capital injection of RMB51,000,000 to the Target Company by Henan Tian Lun was determined after arm's length negotiations among parties to the Agreement with reference to the future capital needs of the operation and development of the Target Group.

BOARD OF DIRECTORS

Pursuant to the Agreement, the new board of directors of the Target Company shall comprise five directors, two of whom shall be appointed by the Target Company Existing Shareholders and three of whom shall be appointed by Henan Tian Lun. Resolutions of the board of directors shall be passed by a majority of all directors.

OTHERS

Parties to the Agreement adopted the new articles of the Target Company on the date of the Agreement which include (among others), the pre-emption rights to transfer the interests in the Target Company in the future by the shareholders of the Target Company, including Zhongji Investment, Ms. Jia Dan and Henan Tian Lun. The articles will become effective upon completion of registration of the acquisition with the relevant Industry and Commerce Administration Bureau. Under the Agreement, the Target Company Existing Shareholders have undertaken that, except the Target Group and the Group, they will not hold any interest in other gas companies, nor will be directly or indirectly engaged in any gas related investment and operation. The Target Company Existing Shareholders and Henan Tian Lun have undertaken that except the Target Group and the Group, the directors of the Target Company appointed by each of them will not hold any interest or office in other gas companies, nor will be directly or indirectly engaged in any gas related investment and operation during their tenure with the Target Company.

SOURCE OF FUND

The consideration of the acquisition of 51% equity interests in the Target Company and the capital injection shall be made by Henan Tian Lun from the proceeds of the global offering of the Company, internal cashflow from operation of the Group and bank loans, if necessary.

ZHONGJI INVESTMENT AND TARGET GROUP

Zhongji Investment is a company established in the PRC and is principally engaged in investment business.

The Target Company is a company established in the PRC and has 12 branches or subsidiaries. It is one of the largest gas companies in northeastern China. The Target Group is principally engaged in the urban gas and vehicle-use gas business in northeastern China and has been granted urban pipelined gas concessions in six cities and exclusive operating rights of vehicle-use gas business in seven cities. The Target Group also owns several CNG compression stations in the major natural gas production bases in northeastern China, which are able to supply gas to its project companies for internal use and external sales.

FINANCIAL INFORMATION OF THE TARGET COMPANY

The consolidated financial information of the Target Company for the two years ended 31 December 2010 is set out below:

	Year ended 31 December 2009 RMB (Unaudited)	Year ended 31 December 2010 RMB (Audited)
Profit before tax and extraordinary items	2,105,089	2,158,313
Profit after tax and extraordinary items	584,004	348,519

As at 31 December 2010, the audited combined net assets and the total assets of the Target Company amounted to RMB41,744,447 and RMB132,079,786 respectively.

THE GROUP

The Group is principally engaged in gas pipeline connection and transportation and sales of pipelined gas operation in the PRC.

REASONS AND BENEFITS

The location of the Target Group is adjacent to the major natural gas production bases in northeastern China. This ensures adequate and stable supply of gas for the development of the Target Group.

The Target Group is also one of the largest gas groups in northeastern China. It owns urban pipelined gas concessions in six cities and exclusive operating rights of vehicle-use gas in seven cities. Besides, the Target Group owns several CNG stations in the major natural gas production bases in northeastern China. The Target Group has extensive experience and qualification in design, construction and consultation services in natural gas industry. Taxi is very commonly used in northeastern China due to the climate and the vehicle-use gas business of the Target Group is promising. Furthermore, in light of the geographical coverage of the Target Group, its operating results will grow rapidly in the future.

With its strength in research and development, the Target Group has obtained three national gas technology patents and participated in formulating several national standards and guidelines of design and construction of gas projects. The Target Group also provides consultation, design and construction services in over 50 cities in 10 provinces of the PRC.

The Directors believe that through holding the controlling interest in the Target Company after completion of the acquisition, the Group will obtain the concessions of urban gas and exclusive operating rights of vehicle-use gas in several regions in northeastern China which have been granted to the Target Group. Furthermore, the capability of research and development and the position of the Group in the industry will be enhanced. The acquisition will also provide a solid foundation to the Group for its gas business expansion in northeastern China.

The Directors, including all the independent non-executive Directors, are of the view that the terms and conditions of the Agreement are fair and reasonable and the transaction under the Agreement is in the interest of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under the Listing Rules in respect of the transaction under the Agreement exceed 5% but are less than 25%, the transaction under the Agreement constitute a discloseable transaction of the Company under the Listing Rules.

DEFINITIONS

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

“Agreement”	the cooperation agreement entered into between Henan Tian Lun and the Target Group Existing Shareholders on 21 April 2011 in relation to the acquisition and capital injection
“associates”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors from time to time
“Company”	China Tian Lun Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“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 wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Wang Wei (王偉)”	one of the Target Group Existing Shareholders
“Ms. Jia Dan (賈丹)”	one of the Target Group Existing Shareholders
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Target Company”	Jilin Zhongji Dadi Gas Group Limited (吉林省中吉大地燃氣集團有限公司), a company established in the PRC, the entire registered capital of which is owned by the Target Group Existing Shareholders before the completion of the acquisition under the Agreement
“Target Company Existing Shareholders”	Zhongji Investment, Mr. Wang Wei and Ms. Jia Dan

“Target Group”	Target Company and its subsidiaries
“Zhongji Investment”	Jilin Zhongji Dadi Investment Limited (吉林省中吉大地投資有限公司), a company established in the PRC and one of the Target Group Existing Shareholders
“%”	per cent

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

Hong Kong, 21 April 2011

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