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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)

CONNECTED TRANSACTION **EXERCISE OF AN OPTION FOR THE ACQUISITION OF** **THE ENTIRE EQUITY INTERESTS IN PUYANG TIAN LUN**

The Board announces that on 29 June 2011, the Directors (including all the independent non-executive Directors) resolved to exercise the Option. On the same date, pursuant to the exercise of Option, Henan Tian Lun, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Puyang Tian Lun Existing Shareholders, pursuant to which Henan Tian Lun conditionally agreed to acquire the entire equity interests in Puyang Tian Lun from the Puyang Tian Lun Existing Shareholders at an exercise price of RMB23,000,000.

As at the date of this announcement, Puyang Tian Lun was owned by Mr. Zhang and Henan Tian Lun Engineering Investment as to 10% and 90%, respectively. Mr. Zhang is the Chairman of the Company, an executive Director, a controlling shareholder (as defined under the Listing Rules) of the Company and the ultimate controlling shareholder of Henan Tian Lun Engineering Investment. Therefore, Mr. Zhang and Henan Tian Lun Engineering Investment are connected persons of the Company and the Transaction constituted a connected transaction of the Company. As each of the applicable percentage ratios is less than 5%, according to Rule 14A.32(1) of the Listing Rules, the Transaction is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

References are made to the disclosures in the paragraph headed "Deed of Non-competition" under the section headed "Relationship with Our Controlling Shareholders and Their Associates" of the Prospectus and the announcement of the Company dated 25 March 2011 in relation to the intention to exercise the Option.

Exercise of Option

Pursuant to the Deed of Non-competition, the Grantors had granted to the Company the Option to acquire the entire equity interests in Puyang Tian Lun, and exercise of the Option by the Company is subject to, among other things, Puyang Tian Lun obtaining the necessary permit and certificate to commence its operation. On 21 March 2011, the Company was notified by the Grantors that Puyang Tian Lun had obtained the necessary permit and certificate to commence its operation. On 25 March 2011, the Company had issued the notice of intent of exercise of the Option. Under the Deed of Non-competition, after receipt of the said notice of intent by the Grantors, an independent valuer will be appointed to conduct a valuation of the fair value of Puyang Tian Lun. Under the Option, the Company has the right to acquire the entire equity interests in Puyang Tian Lun from the Grantors, at or not more than the fair value of Puyang Tian Lun to be determined by the valuer.

On 29 June 2011, the Directors (including all the independent non-executive Directors) resolved to exercise the Option. The exercise price of the Option was RMB23,000,000 (to be paid as the consideration under the Acquisition Agreement) which was determined after arm's length negotiation among the Company and the Grantors with reference to the fair value of the entire equity interests in Puyang Tian Lun as at 31 March 2011 (i.e. RMB23,000,000) as stated in the valuation report issued by an independent valuer dated 27 June 2011.

The exercise of Option is conditional on, among others, (i) entering into a formal sale and purchase agreement between the Grantors and the Group; and (ii) the satisfaction of all the independent non-executive Directors of the legal and financial due diligence performed by the Company on Puyang Tian Lun and all the independent non-executive Directors are of the view that the exercise of Option is beneficial to the Company. As at the date of this announcement, the above conditions had been fulfilled.

Acquisition Agreement

Date: 29 June 2011

Parties: Henan Tian Lun; and
the Puyang Tian Lun Existing Shareholders

Pursuant to the Acquisition Agreement, Henan Tian Lun conditionally agreed to acquire the entire equity interests in Puyang Tian Lun from the Puyang Tian Lun Existing Shareholders at an exercise price of RMB23,000,000. After completion of the Acquisition, Puyang Tian Lun will become an indirectly wholly-owned subsidiary of the Company.

Consideration of the Acquisition

Basis

The consideration of the Acquisition was RMB23,000,000 which was determined with reference to the fair value of the entire equity interests in Puyang Tian Lun as at 31 March 2011 (i.e. RMB23,000,000) as stated in the valuation report issued by an independent valuer dated 27 June 2011.

Payment terms

Within 5 days after signing of the Acquisition Agreement, Henan Tian Lun shall pay RMB3,000,000 to the bank account designated by the Puyang Tian Lun Existing Shareholders as part payment. Within 5 business days after completion of the registration for industry and commerce regarding the transfer of equity interests in Puyang Tian Lun and the Puyang Tian Lun Existing Shareholders having formally handed the information, documents and various company chops of Puyang Tian Lun, etc. to Henan Tian Lun, Henan Tian Lun shall pay the remaining RMB20,000,000 to the bank account designated by the Puyang Tian Lun Existing Shareholders.

If by any reason the Acquisition Agreement is terminated, the part payment already paid pursuant to the Acquisition Agreement shall be returned by the Puyang Tian Lun Existing Shareholders, without carrying any interest, to Henan Tian Lun within 3 days upon the date of termination of the Acquisition Agreement in one time.

Fund Source

The funding required under the Acquisition will be from internal funding from operation of the Group and bank loans (if required).

Conditions Precedent:

The Acquisition Agreement is conditional upon (among others):

- (1) the independent non-executive Directors having approved the Acquisition Agreement and all the transactions thereunder;
- (2) the Company having completed all required procedures (if any) under the Listing Rules; and
- (3) the parties to the Acquisition Agreement having obtained all approval and consent for the performance of the Acquisition Agreement and the transactions thereunder.

As at the date of this Announcement, the condition under item (1) above has been fulfilled.

Completion of Transfer of Equity Interests

The parties to the Acquisition Agreement shall, within 10 business days after the conditions precedent under the Acquisition Agreement being fulfilled (or other date as agreed among the parties to the Acquisition Agreement in writing), assist Puyang Tian Lun to complete the registration for industry and commerce regarding the transfer of equity interests. The transfer of equity interests shall complete upon completion of the aforesaid registration for industry and commerce.

Puyang Tian Lun

Puyang Tian Lun is a company established in the PRC in November 2009 which is principally engaged in urban gas business in Puyang Hi-tech Industry Development Zone in Puyang, Henan (河南省濮陽高新技術產業開發區) and has obtained the concession rights for urban pipelined gas in Puyang Hi-tech Industry Development Zone in Puyang, Henan. As at the date of this announcement, Puyang Tian Lun was owned by Mr. Zhang and Henan Tian Lun Engineering Investment as to 10% and 90%, respectively.

As at the date of this announcement, Puyang Tian Lun had a fully paid-up registered capital of RMB20,000,000. The financial information of Puyang Tian Lun for the two years ended 31 December 2010 and for the five months ended 31 May 2011 is set out below:

	Year ended 31 December 2009 <i>RMB</i> <i>(unaudited)</i>	Year ended 31 December 2010 <i>RMB</i> <i>(audited)</i>	Five months ended 31 May 2011 <i>RMB</i> <i>(audited)</i>
Profit before tax and extraordinary items	-14,000.00	414,807.61	2,909,529.95
Profit after tax and extraordinary items	-14,000.00	414,614.61	2,909,529.95

As at 31 May 2011, the audited net assets and the total assets of Puyang Tian Lun amounted to RMB23,310,129.38 and RMB24,924,306.44, respectively.

Henan Tian Lun Engineering Investment

Henan Tian Lun Engineering Investment is principally engaged in investment holding. Mr. Zhang is the ultimate controlling shareholder of Henan Tian Lun Engineering Investment.

The Group

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

Reasons and Benefits for the Acquisition

In 2010, Puyang Tian Lun obtained the concession rights for urban pipelined gas operation in Puyang Hi-tech Industry Development Zone in Puyang, Henan with a term of 30 years. Puyang Hi-tech Industry Development Zone in Puyang, Henan is a provisional hi-tech industry development zone in Henan and is listed as “The first national Huoju Bio-chemical industry development base (全國首家國家火炬計畫生物化工產業發展基地)” by the Ministry of Science and Technology of the PRC. Five leading industries including the petroleum and chemical industry, new material industry, bio-pharmaceutical industry, equipment manufacturing industry and forest and paper industry have been initially formed in the Puyang Hi-tech Industry Development Zone in Puyang,

Henan, among which, the chemical industry and the refractory material industry have a fairly large scale. Puyang Hi-tech Industry Development Zone in Puyang, Henan is close to Zhongyuan Oilfield, a major natural gas production base in Central China, which directly supplies natural gas to Puyang Tian Lun.

The Board believes that, through the Acquisition, the Group could obtain the concession rights for urban pipelined gas operation in Puyang Hi-tech Industry Development Zone in Puyang, Henan to further increase the number of regions where the Group operates. Furthermore, the quality industrial customer base and adequate source of gas of Puyang Hi-tech Industry Development Zone in Puyang, Henan will secure a continuous profit contribution from Puyang Tian Lun to the Group, as well as support the market expansion of gas business of the Group in Yubei District in China.

The Directors (including all the independent non-executive Directors) are of the view that the Transaction, the terms and conditions of the Acquisition Agreement are fair and reasonable and the transactions under the Acquisition Agreement are in the interest of the Company and the shareholders of the Company as a whole.

As Mr. Zhang (as one of the Grantors and the Puyang Tian Lun Existing Shareholders) and Mr. Zhang Daoyuan (as one of the Grantors), a non-executive Director, have material interests in the Transaction, they had abstained from voting on the Board's resolutions approving the Transaction.

Listing Rules

As at the date of this announcement, Puyang Tian Lun was owned by Mr. Zhang and Henan Tian Lun Engineering Investment as to 10% and 90%, respectively. Mr. Zhang is the Chairman of the Company, an executive Director, a controlling shareholder (as defined under the Listing Rules) of the Company and the ultimate controlling shareholder of Henan Tian Lun Engineering Investment. Therefore, Mr. Zhang and Henan Tian Lun Engineering Investment are connected persons of the Company and the Transaction constituted a connected transaction of the Company. As each of the applicable percentage ratios is less than 5%, according to Rule 14A.32(1) of the Listing Rules, the Transaction is subject to the reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Definitions

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

“Acquisition”	the proposed acquisition of the entire equity interests in Puyang Tian Lun by Henan Tian Lun from the Puyang Tian Lun Existing Shareholders under the Acquisition Agreement
“Acquisition Agreement”	the transfer of equity interest agreement dated 29 June 2011 entered into between Henan Tian Lun and the Puyang Tian Lun Existing Shareholders

“Board”	the board of Directors from time to time
“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 whose issued shares are listed on The Stock Exchange of Hong Kong Limited
“Deed of Non-competition”	the deed of non-competition dated 20 October 2010 entered into, among others, by the Grantors in favor of the Company
“Director(s)”	director(s) of the Company
“Grantors”	the grantors under the Deed of Non-competition including, among others, Mr. Zhang, Henan Tian Lun Engineering Investment and Mr. Zhang Daoyuan, a non-executive Director
“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
“Henan Tian Lun Engineering Investment”	Henan Tian Lun Gas Engineering Investment Limited (河南省天倫燃氣工程投資有限公司), a company established in the PRC with limited liability on 10 May 2002
“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. Zhang”	Mr. Zhang Yingcen (張瀛岑), the Chairman of the Company, an executive Director, a controlling shareholder of the Company and the ultimate controlling shareholder of Henan Tian Lun Engineering Investment
“Option”	the option to acquire the entire equity interests in Puyang Tian Lun exercisable by the Company under the Deed of Non-competition
“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
“Prospectus”	the prospectus of the Company dated 27 October 2010
“Puyang Tian Lun”	Puyang Tian Lun Gas Limited (濮陽市天倫燃氣有限公司) (formerly known as Puyang Tian Lun Gas and Thermal Limited (濮陽市天倫燃氣熱力有限公司)), a company established in the PRC with limited liability on 9 November 2009

“Puyang Tian Lun Existing Shareholders”	Mr. Zhang and Henan Tian Lun Engineering Investment
“RMB”	Renminbi, the lawful currency of the PRC
“Transaction”	the Acquisition pursuant to the exercise of the Option
“%”	per cent

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

Hong Kong, 29 June 2011

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi, 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.