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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 98.97% EQUITY INTEREST** **IN A CITY GAS COMPANY IN GANSU PROVINCE, THE PRC**

The Board announces that Henan Tian Lun, a wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with Shenzhen Desheng on 28 July 2011, pursuant to which Henan Tian Lun conditionally agreed to acquire from Shenzhen Desheng a 98.97% equity interest in the Target Company at the consideration of RMB120 million. Target Company is a company engaging in city gas in Baiyin City, Gansu Province, the PRC.

As the applicable percentage ratios under the Listing Rules in respect of the Acquisition exceed [5% but are less than 25%], the Acquisition constitutes 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 Acquisition Agreement with Shenzhen Desheng on 28 July 2011, pursuant to which both parties conditionally agreed to proceed on the Acquisition.

THE ACQUISITION AGREEMENT

Date: 28 July 2011

Parties: Henan Tian Lun (as purchaser); and
Shenzhen Desheng (as vendor).

[To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, the shareholders of the Target Company, including Shenzhen Desheng, and their respective ultimate shareholders are third parties independent of and to the Company, its subsidiaries, their respective directors, executive officers, substantial shareholders and their respective associates.]

Subjects of the Acquisition

Upon completion of the Acquisition, Henan Tian Lun will hold a 98.97% equity interest in the Target Company which in turn, will hold the entire equity interests in Wantong Company and through Wantong Company, will hold the entire equity interests in Tianlong Company and Longyu Company.

Consideration and Payment

The total consideration under the Acquisition Agreement is RMB120 million which shall be paid by Henan Tian Lun as follows:

1. RMB20 million had been paid on [11] July 2011 as deposit and such deposit had been used by Shenzhen Desheng to acquire the entire equity interests in Wantong Company, Tianlong Company and Longyu Company;
2. Henan Tian Lun will pay RMB80 million to the bank account controlled by Henan Tian Lun and Shenzhen Desheng within 5 business days after opening of such bank account. After completion of the industrial and commercial registration of the Target Company, RMB60 million will be released to Shenzhen Desheng from the bank account controlled by both parties. RMB20 million will be released to Shenzhen Desheng from the bank account controlled by both parties upon completion of the industrial and commercial registration regarding the acquisition of Wantong Company by the Target Company and the acquisitions of Tianlong Company and Longyu Company by Wantong Company;
3. RMB10 million to be paid upon signing of the Gas Concession Agreement (the terms of which are to the satisfaction of Henan Tian Lun) between the Target Company and the authority of Baiyin Municipal Government, which shall be entered into within 3 months after signing of the Acquisition Agreement and obtaining of the gas operation permit; and
4. RMB10 million to be paid upon signing of the Long Term Gas Supply Agreements (the terms of which are to the satisfaction of Henan Tian Lun) between the Target Company and relevant industrial users such as Baiyin Nonferrous Metals Group Limited and its subsidiaries (collectively “**Baiyin Nonferrous Metals Group**”), which shall be entered into within 6 months after signing of the Acquisition Agreement.

RMB20 million mentioned in item (1) above was the consideration under the cooperation agreement regarding the development of the Target Company entered into between the parties to the Acquisition Agreement on 6 July 2011. As agreed by the parties to the Acquisition Agreement, the cooperation agreement has been superseded by the Acquisition Agreement and the RMB20 million became the deposit and a part of the consideration under the Acquisition Agreement.

[The consideration under the Acquisition Agreement is determined between the parties to the Acquisition Agreement after arm’s length negotiation with reference to the regions where the Target Company’s gas operation operates and its customer base, and the potential growth and future earnings of the Target Company.]

[The consideration will be funded by the Group from the internal cashflow from its operation and bank loans, if necessary.]

In case of any fundamental breach by Shenzhen Desheng, such as the failure of procuring the Target Company to have the Gas Concession Agreement signed and obtain the gas operation permit in accordance with the requirements of Henan Tian Lun, in addition to terminating the Acquisition

Agreement, Henan Tian Lun is entitled to be paid for any damages suffered and RMB10 million as compensation. If Henan Tian Lun elects to terminate the Acquisition Agreement as mentioned above, Shenzhen Desheng shall refund the payment already paid by Henan Tian Lun pursuant to the Acquisition Agreement.

Conditions

[The Acquisition Agreement is conditional upon (among others):

1. the Acquisition having been approved by the shareholders and the board of directors of Henan Tian Lun;
2. the Acquisition having been approved by the shareholders of the Target Company; and
3. the Acquisition having been approved by the Board and the Shareholders under the Listing Rules (if required).

As at the date of this Announcement, the conditions under items (1) and (2) above have been fulfilled.]

Other terms

Under the Acquisition Agreement, Henan Tian Lun has pre-emptive rights when the remaining [shareholder] of the Target Company elects to transfer its equity interest in the Target Company.

Shenzhen Desheng, the Target Company, Wantong Company, Tianlong Company and Longyu Company

Shenzhen Desheng is principally engaged in [investment business] and the Target Company is principally engaged in [supply of natural gas and related pipeline engineering business] in Baiyin City, Gansu Province, the PRC.

As at the date of this announcement, Wantong Company owned and operated one vehicle-use gas filling station in Baiyin City, Gansu Province, the PRC; while Tianlong Company and Longyu Company obtained relevant approvals from the Baiyin Municipal Government to build vehicle-use gas filling stations and the constructions of relevant vehicle-use gas filling stations are in progress.

Certain financial information of the Target Company, Wantong Company, Tianlong Company and Longyu Company for the two years ended 31 December 2010 as prepared in accordance with the accounting principles generally accepted in the PRC are set out below:

Target Company

	Year ended 31 December 2009 RMB (Audited)	Year ended 31 December 2010 RMB (Audited)
Profit before tax and extraordinary items	-1,877,256	4,996,472
Profit after tax and extraordinary items	-1,877,256	4,996,430

As at 31 December 2010, the audited net assets of the Target Company amounted to RMB25,786,097.

Wantong Company

	Year ended 31 December 2009 RMB (Audited)	Year ended 31 December 2010 RMB (Audited)
Profit before tax and extraordinary items	299,032	1,265,469
Profit after tax and extraordinary items	11,529	977,966

As at 31 December 2010, the audited net assets of Wantong Company amounted to RMB7,173,272.

Tianlong Company

	Year ended 31 December 2009 RMB (Audited)	Year ended 31 December 2010 RMB (Audited)
Profit before tax and extraordinary items	-4,527	-5,885
Profit after tax and extraordinary items	-4,527	-5,885

As at 31 December 2010, the audited net assets of Tianlong Company amounted to RMB988,376.

Longyu Company

	Year ended 31 December 2009 RMB (Audited)	Year ended 31 December 2010 RMB (Audited)
Profit before tax and extraordinary items	-96,706	-39,247
Profit after tax and extraordinary items	-96,706	-39,247

As at 31 December 2010, the audited net assets of Longyu Company amounted to RMB848,441.

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

Baiyin City, Gansu Province, a major city in the northwestern China, is adjacent to Ningxia, Inner Mongolia and Xinjiang and is 70 km away from Lanzhou, Gansu Province. The gas consumed by the Target Company is sourced from Sebei-Xining-Lanzhou Gas Transportation Pipeline, which supplied gas from Qinghai gas field to Lanzhou, securing a steady gas supply and lower operating costs for the future development of the Target Company in the local natural gas market.

Baiyin City is an emerging industrial city and is one of the largest bases for nonferrous metal industry in the PRC and an important energy and chemical base in Gansu Province. In 2001, Baiyin Municipal Government and Bureau of High-Tech Research and Development Chinese Academy of Sciences entered into an agreement regarding the establishment of the Industrial Zone of Hi-Tech and New Technology Industry of Baiyin, a national high-tech and new technology industry development zone. At the moment, five major hi-tech industries including fine chemicals industry, new material industry, new energy and wind-power equipment industries, bio-pharmaceutical industry and medical appliance industry have formed in the industrial zone. Baiyin Nonferrous Metals Group has become a large-scaled and integrated group with businesses covering a wide range of areas, such as mining, sciences, industry and trading, and has become one of the largest production bases of nonferrous metal with over 6 million tons of nonferrous metal products in total as at the end of 2010.

The Target Company possesses strong and high quality industrial user base in vehicle-use gas market and its daily sales of natural gas amounted to 100,000 cubic meters. With the increasing acceptance of vehicle-use gas, vehicle-use gas operation has become a major source of revenue and profit to the Group. Three vehicle-use gas filling stations in Baiyin will be entirely owned by the wholly-owned companies of the Target Company, of which, one station is in operation while the remaining two stations are under construction. Industrial sales of gas is one of the major sources of revenue and profit to the Group. After the Acquisition, high-quality industrial users, including Baiyin Nonferrous Metals Group, will provide a strong foundation for the Group's continuous

expansion of its sales of gas. The Directors are of the view that there will be promising development opportunities in local industrial gas market. In addition to the increasing market share in gas market, the Acquisition will also provide a strong foundation for the Group's expansion of its gas business into the western China.

The Directors (including all the independent non-executive Directors) are of the view that the terms and condition 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 as a whole.]

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under the Listing Rules in respect of the Acquisition [exceed 5% but are less than 25%], the Acquisition constitutes 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 when used herein:

“Acquisition”	the acquisition of a 98.97% equity interest in the Target Company by Henan Tian Lun from Shenzhen Desheng under the Acquisition Agreement
“Acquisition Agreement”	the agreement entered into between Henan Tian Lun and Shenzhen Desheng on 28 July 2011 in connection with the Acquisition
“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 of Hong Kong Limited
“Director(s)”	director(s) of the Company
“Gas Concession Agreement”	the concession agreement regarding gas operation to be entered into between the Target Company and the authority of Baiyin Municipal Government under the Acquisition 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) (formerly known as Hebi Tian Lun Gas Limited (鶴壁市天倫燃氣有限公司)), 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
“Long Term Gas Supply Agreements”	the gas supply agreements regarding the supply of gas by the Target Company to be entered into between the Target Company and relevant industrial users such as Baiyin Nonferrous Metals Group under the Acquisition Agreement
“Longyu Company”	Baiyin Longyu Natural Gas Limited (白銀礬瑜天然氣有限公司), a company established in the PRC
“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
“Shenzhen Desheng”	Shenzhen Desheng Investment Company Limited (深圳市德盛投資有限公司), a company established in the PRC and the vendor under the Acquisition Agreement
“Shareholders”	holder(s) of the issued ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Target Company”	Baiyin Natural Gas Limited (白銀市天然氣有限公司), a company established in the PRC and 98.97% of its registered capital is owned by Shenzhen Desheng before completion of the Acquisition
“Tianlong Company”	Baiyin Tianlong Sale of Natural Gas Limited (白銀天龍天然氣銷售有限公司), a company established in the PRC
“Wantong Company”	Baiyin Wantong Gas Limited (白銀市萬通燃氣公司), a company established in the PRC
“%”	per cent

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

Hong Kong, 28 July 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.