

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 100% EQUITY INTEREST OF TWO COMPANIES IN XIAN YANG, SHAANXI PROVINCE**

The Board announces that the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Equity Transfer Agreement on 9 January 2015, pursuant to which the Purchaser conditionally agreed to acquire 100% equity interest in Qian County Company and Li Quan Company at a total consideration of RMB286,000,000.

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

The Board announces that the Purchaser (an indirect wholly-owned subsidiary of the Company) and the Vendors entered into the Equity Transfer Agreement on 9 January 2015, pursuant to which the Purchaser conditionally agreed to acquire 100% equity interest in Qian County Company and Li Quan Company at a total consideration of RMB286,000,000.

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

#### **THE EQUITY TRANSFER AGREEMENT**

Date: 9 January 2015

Parties: **Purchaser:**

Henan Tian Lun

**Vendors:**

Mr. Zhang; and

Mr. Wen.

Mr. Zhang and Mr. Wen are the joint legal and beneficial owners of the entire equity interest in Qian County Company and Li Quan Company. To the best knowledge, information and belief of the Directors, having made all reasonable enquires, each of Mr. Zhang and Mr. Wen are Independent Third Parties.

## THE ACQUISITION

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

- (1) 100% equity interest in Qian County Company and Li Quan Company held by the Vendors and the relevant rights attached thereto, including but not limited to the rights to profits distributions, shareholders' rights, voting rights and rights of appointment and removal of personnel;
- (2) gas-related assets and other assets of Qian County Company and Li Quan Company; and
- (3) the exclusive gas operation right of Qian County Company and Li Quan Company in the administrative areas of Qian County (乾縣) and Li Quan County (禮泉縣).

## CONSIDERATION AND PAYMENT METHOD

The total consideration of the Acquisition is RMB286,000,000 (the “**Total Consideration**”) and shall be payable by the Purchaser to the Vendors in the following manner:

1. The first tranche of the payment is RMB114,400,000 (being 40% of the Total Consideration) (the “**First Tranche Payment**”), of which RMB57,200,000 shall be the deposit (the “**Deposit**”) and RMB57,200,000 shall be prepayment (the “**Prepayment**”). Within seven business days after (1) the fulfilment of the conditions precedent under the Equity Transfer Agreement and (2) the issuance by the Housing and Construction Bureau (住房和建設局) of documentary proof certifying the exclusive gas operation rights of Qian County Company and Li Quan Company in their respective administrative area, the Purchaser shall pay the First Tranche Payment to the Vendors, of which the amount payable by the Purchaser to Mr. Zhang and Mr. Wen are RMB57,200,000 and RMB57,200,000 respectively. The said deposit and prepayment will be applied towards partial settlement of the Total Consideration upon the completion of the equity transfer of Qian County Company and Li Quan Company, details of which are set out in the paragraph below. If for whatever reason the Vendors fail to complete the equity transfer of Qian County Company and Li Quan Company, the Vendors shall repay twice the amount of the Deposit, return the Prepayment to the Purchaser and pay to the Purchaser the interest for the period of the amount of First Tranche Payment retained by the Vendors which will be calculated based on the bank lending rate for the same period.
2. The second tranche of the payment is RMB85,800,000 (being 30% of the Total Consideration) (the “**Second Tranche Payment**”).

Within three business days after the payment by the Purchaser of the First Tranche Payment, the Vendors (with the cooperation of the Purchaser) shall make an application with the relevant industry and commerce bureau in relation to the transfer of equity interest, change of directors, supervisors and managers of Qian County Company and Li Quan Company and the above transfer and changes shall be completed within 15 business days after the payment of the First Tranche Payment. Within seven business days after the issue of a new business licence of Qian County Company and Li Quan Company by the relevant industry and commerce bureau, the Purchaser shall pay the Second Tranche Payment to the Vendors, of which the amount payable by the Purchaser to Mr. Zhang and Mr. Wen are RMB42,900,000 and RMB42,900,000 respectively.

3. The third tranche of the payment is RMB57,200,000 (being 20% of the Total Consideration) (the “**Third Tranche Payment**”).

Within seven business days after the payment by the Purchaser of the Second Tranche Payment, the Vendors (with the cooperation of the Purchaser) shall arrange for the transfer of the operation and management rights and assets of Qian County Company and Li Quan Company to the Purchaser (the “**Transfer of Management Right and Assets**”).

*Adjustment of Third Tranche Payment*

Further, the Purchaser and the Vendors shall jointly conduct an examination on the assets, creditors’ rights, liabilities and financial conditions of Qian County Company and Li Quan Company. If the examination reveals that, upon the completion date of the Transfer of Management Right and Assets, (1) the net asset values of Qian County Company and Li Quan Company are less than the designated net asset values of Qian County Company and Li Quan Company determined at the Benchmark Date or (2) there is an increase in the liabilities of Qian County Company and Li Quan Company during the Transition Period the amount of which have not been approved by the Purchaser, the amount of Third Tranche Payment shall be reduced in proportion to the decrease in the net asset values and increase in liabilities of Qian County Company and Li Quan Company. No adjustment will be made to the amount of the Third Tranche Payment in the case of an increase in the net asset values of Qian County Company and Li Quan Company.

Subject to the above adjustment, within seven business days after the completion of the Transfer of Management Right and Assets and the determination of the net asset values of Qian County Company and Li Quan Company as described above, the Purchaser shall pay the Third Tranche Payment to the designated bank accounts of the Vendors in proportion to their respective equity interest in Qian County Company and Li Quan Company.

4. The fourth tranche of the payment is RMB28,600,000 (being 10% of the Total Consideration) (the “**Fourth Tranche Payment**”).

Subject to the following adjustment, within seven business days after the end of twelve months period of the completion of the Transfer of Management Right and Assets, the Purchaser shall pay the Fourth Tranche Payment to the Vendors, of which the amount payable by the Purchaser to Mr. Zhang and Mr. Wen are RMB14,300,000 and RMB14,300,000 respectively.

*Adjustment of Fourth Tranche Payment*

Within twelve months of the completion of the Transfer of Management Right and Assets, if there is any inconsistency in the equity interest in Qian County Company and Li Quan Company with that as disclosed to the Purchaser as at the Benchmark Date or there is undisclosed contingent liabilities which arose before the Benchmark Date, the Purchaser may deduct an amount accordingly from the Fourth Tranche Payment taking into account the inconsistency in equity interest or the undisclosed contingent liabilities. If the Fourth Tranche Payment is insufficient for the said deduction, the Purchaser may make a claim against the Vendors for the shortfall.

The Total Consideration under the Equity Transfer Agreement was determined between the parties after arm’s length negotiations with reference to the net assets of Qian County Company and Li Quan Company as at 31 December 2014, the operating areas and customer bases of the gas business of Qian County Company and Li Quan Company, and the potential growth and future profit of the operation of Qian County Company and Li Quan Company.

## SOURCE OF FUND FOR THE ACQUISITION

The Total Consideration shall be financed by the internal cash flow from the operation of the Group.

## CONDITIONS PRECEDENT

1. The Equity Transfer Agreement has been duly executed by the legal representative or authorized representative of the parties and duly stamped by the parties.
2. The Purchaser and Vendors have obtained all necessary approval, consent and authorization for entering into the Equity Transfer Agreement.

## FINANCIAL INFORMATION OF QIAN COUNTY COMPANY AND LI QUAN COMPANY

The consolidated financial information of Qian County Company for the two financial years ended 31 December 2014 is as follows:

	For the year ended 31 December 2013 RMB (audited)	For the year ended 31 December 2014 RMB (audited)
Profit before taxation and extraordinary items	15,264,437.31	20,803,535.18
Profit after taxation and extraordinary items	12,924,478.29	17,652,239.38

The consolidated financial information of Li Quan Company for the two financial years ended 31 December 2014 is as follows:

	For the year ended 31 December 2013 RMB (audited)	For the year ended 31 December 2014 RMB (audited)
Profit before taxation and extraordinary items	12,139,363.39	15,194,271.25
Profit after taxation and extraordinary items	10,289,393.57	13,335,235.05

## INFORMATION OF THE GROUP

The Group is principally engaged in the operation of gas pipeline connection, gas sales, gas refilling stations investment and operation and LNG plant investment and operation in the PRC.

## INFORMATION OF QIAN COUNTY COMPANY AND LI QUAN COMPANY

Qian County Company, which is a company incorporated in the PRC in September 2006 with limited liability with registered capital of RMB3,000,000, is principally engaged in the sale of natural gas, liquefied gas, cookers, electric water heaters and accessories, construction, installation and maintenance of natural gas pipelines and vehicle refueling business.

Li Quan Company, which is a company incorporated in the PRC in December 2005 with limited liability with registered capital of RMB3,000,000, is principally engaged in the sale of natural gas, liquefied gas, cookers, electric water heaters and accessories, construction, installation and maintenance of natural gas pipelines and vehicle refueling business.

## **INFORMATION OF THE VENDORS**

Mr. Zhang is a PRC resident and holds 50% equity interest in each of Qian County Company and Li Quan Company immediately before the Acquisition.

Mr. Wen is a PRC resident and holds 50% equity interest in each of Qian County Company and Li Quan Company immediately before the Acquisition.

To the best knowledge, information and belief of the Directors, having made all reasonable enquires, each of Mr. Zhang and Mr. Wen are Independent Third Parties.

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

Gas for use in Qian County and Li Quan County is supplied by Shaanxi Tian Lun Gas Company (陝西省天倫燃氣公司), which secures sufficient and stable gas sources for the future development of local natural gas markets. Located in the Guanzhong-Tianshui Economic Zone (關中—天水經濟區) and the core area of Xi'an-Xianyang Half-hour Economic Cycle (西安咸陽半小時經濟圈), the trend for property development project in Qian County is positive and there is great potential for development of civil gas uses. Qian County also ranks the first among 18 artifact counties in Shaanxi Province and has a robust tourism market. Most local hotels use coal-fired boilers or gas boilers for supply of heat, indicating huge potential for upgrade of coal-fired boilers and commercial gas uses in the future. With great accessibility and geographical advantage, there is a promising future for vehicle gas market in Qian County. With a booming food processing industry, Li Quan County has established Li Quan County Food Industry Park which incorporates five industry sectors, being fruit product processing, pastries, packaging materials, mechanical processing and pharmaceuticals and chemicals. In addition, in Liqun Xizhangbao Environmental Industry Park which is jointly developed by the government of Li Quan County and Shaanxi Provincial Environmental Protection Department and the only large modern environmental protection project in Shaanxi Province, a plasma system conversion project, a bio-potassium fertilizer project and a solid waste processing center project have commenced operation, with an old battery recycling project, an old mineral oil recycling demonstration project and an innovative heavy metals absorption material production project under construction, indicating great potential for industrial gas uses in the future.

Through the Acquisition, the Group will obtain gas projects in Qian County and Li Quan County, Xian Yang City, which are expected to generate strong profitability for the Group. Furthermore, economies of scale will be realized as these projects are adjacent to the Group's gas projects in Baiyin City, Gansu Province and Henan Province. The Acquisition will assist the Group in expanding to surrounding areas and further increasing its market share in northwestern China.

In view of the above, the Directors (including all independent non-executive Directors) are of the view that the terms and conditions of the Equity Transfer Agreement are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

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

## DEFINITIONS

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

“Acquisition”	transfer of equity interest of Qian County Company and Li Quan Company and the transactions contemplated under the Equity Transfer Agreement
“Benchmark Date”	31 December 2014
“Board”	the board of Directors
“Company”	China Tian Lun Gas Holdings Limited (中國天倫燃氣控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on The Stock Exchange of Hong Kong Limited
“connected person(s)”	has the same meaning as ascribed thereto in the Listing Rules
“Director(s)”	director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 9 January 2015 entered into among the Purchaser and the Vendors
“Group”	the Company and its subsidiaries
“Independent Third Party”	any person or company and their respective ultimate beneficial owner(s) which are third parties independent of the Company and its connected persons
“Li Quan Company”	Li Quan County Hong Yuan Natural Gas Company Limited* (禮泉縣宏遠天然氣有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mr. Wen”	Mr. Wen Su Gang (文素剛)
“Mr. Zhang”	Mr. Zhang Hong Zhong (張宏忠)
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Purchaser”	Henan Tian Lun Gas Group Limited* (河南天倫燃氣集團有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Qian County Company”	Qian County Hong Yuan Natural Gas Company Limited* (乾縣宏遠天然氣有限公司)
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	holder(s) of shares of the Company
“Transition Period”	the period between the day following the Benchmark Date and the completion date of the Transfer of Management Right and Assets
“Vendors”	collectively, Mr. Zhang and Mr. Wen
“%”	per cent

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

Zhengzhou, the PRC, 9 January 2015

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

*\* For identification purpose only*