
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

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

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of China Tian Lun Gas Holdings Limited.



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)

(1) PROPOSED SUBSCRIPTION OF NEW SHARES UNDER SPECIFIC MANDATE

(2) POSSIBLE CONNECTED TRANSACTION — GRANT OF PUT OPTION BY CONNECTED PERSONS

AND

(3) NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



ASTRUM

Astrum Capital Management Limited
阿仕特朗資本管理有限公司

A letter from the Board is set out on pages 7 to 26 of this circular.

A notice convening the extraordinary general meeting (“EGM”) of the China Tian Lun Gas Holdings Limited to be held at 10:00 a.m. on Thursday, 7 May 2015 at The Conference Room, 6th Floor, Tian Lun Group Building, No. 6 Huang He East Road, Zheng Dong Xin District, Zhengzhou City, Henan Province, the People’s Republic of China, at which the above proposals will be considered, is set out on pages 57 to 59 in this circular. Whether or not you are able to attend the EGM, please complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting at the EGM if you so wish, and in such event, the form of proxy should be deemed to be revoked.

21 April 2015

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DEFINITIONS

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Action Plan”	the plan or plans developed by the Company setting out the specific social and environmental measures to be undertaken by the Company in the Subscription Agreement, to enable the company’s operations to be constructed, equipped and operated in compliance with the Performance Standards
“Amended and Restated Policy Agreement”	the amended and restated policy agreement entered into between the Company and the Investors on 20 March 2015 (after trading hours)
“Articles”	the articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Days”	a day when banks are open for business in New York and Hong Kong
“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
“Completion”	completion of the Subscription in accordance with the terms of the Subscription Agreement
“Conditions”	the conditions of Subscription
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Subscription Agreement, the Amended and Restated Policy Agreement, the Sponsors’ Agreement and the transactions contemplated thereunder (including the Specific Mandate)
“Group”	the Company and its subsidiaries
“Grantors”	collectively, the Sponsor SPVs and the Sponsors
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“IAC”	the Company’s Internal Audit Center
“IFC Fund”	IFC Global Infrastructure Fund, LP, a limited partnership organized under the laws of England and Wales
“IFC Fund Subscription Shares”	90,871,200 fully paid Subscription Shares to be subscribed and paid for by IFC Fund
“IFC”	International Finance Corporation, an international organization established by Articles of Agreement among its member countries including the Cayman Islands and the PRC
“IFC Subscription Shares”	90,871,200 fully paid Subscription Shares to be subscribed and paid for by IFC
“Independent Board Committee”	the independent board committee comprising all the independent non-executive Directors, i.e. Mr. Cao Zhi Bin, Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun to advise the Independent Shareholders in relation to the Subscription Agreement, the Amended and Restated Policy Agreement, the Sponsors’ Agreement and the transactions contemplated thereunder (including the issue of the Subscription Shares to the Investors taking into account that part or all of which may be put back to the Grantors upon exercise of the Put Option)
“Independent Financial Adviser”	Astrum Capital Management Limited, a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the Sponsors’ Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than the Grantors and their respective associates
“Investors”	IFC and IFC Fund
“Latest Practicable Date”	17 April 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein

DEFINITIONS

“Lien”	any mortgage, pledge, charge, assignment, hypothecation, security interest, title retention, preferential right, option (including call commitment), trust arrangement, right of set-off, counterclaim or banker’s lien, privilege or priority of any kind having the effect of security, any designation of loss payees or beneficiaries or any similar arrangement under or with respect to any insurance policy or any preference of one creditor over another arising by operation of law or any agreement to create any of the foregoing
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas
“Material Adverse Effect”	<p>a material adverse effect on:</p> <ul style="list-style-type: none">(a) the Company’s or any of its subsidiaries’ assets or properties;(b) the Company’s or any of its subsidiaries’ business prospects or financial condition;(c) the carrying on of the Company’s or any of its subsidiaries’ business or operations;(d) the ability of the Company to comply, and ensure that each of its subsidiaries complies, with its obligations under the Subscription Agreement, any other ancillary documents (including the Amended and Restated Policy Agreement) to which it is a party or the Company’s and in the case of each of its subsidiaries, such subsidiary’s constitutional documents; or(e) the ability of any Sponsor or any other person to comply with its, his or her obligations under the Subscription Agreement or any other ancillary documents (including the Amended and Restated Policy Agreement and the Sponsors’ Agreement) to which it, he or she is a party
“Mr. Zhang”	Mr. Zhang Yingcen, an executive Director, the chairman of the Board and a controlling Shareholder (as defined under the Listing Rules) and interested in approximately 64.35% of the total issued Shares
“Ms. Sun”	spouse of Mr. Zhang

DEFINITIONS

“Shares”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Performance Standards”	the Investors’ Performance Standards on Social & Environmental Sustainability, dated 1 January, 2012, copies of which have been delivered to and receipt of which has been acknowledged by the Company pursuant to the letter, dated 1 December 2014
“Permitted Business”	any of the following businesses: (a) gas pipeline connections; (b) transportation, distribution and sale of gas; (c) construction and operation of gas refilling stations; (d) production and sale of LNG; (e) design institute relating to gas distribution business; (f) logistics transportations relating to gas distribution business and (g) or any other business which is approved by the Board
“Policy Agreement”	the Policy Agreement, dated 11 February, 2015 between the Company and the Investors, which was replaced and superseded by the Amended and Restated Policy Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Taiwan and the Macau Special Administrative Region of the People’s Republic of China
“Put Option”	the option entitling the Investors to require the Grantors to purchase from the Investors the Put Shares at the Put Price
“Put Price”	the price at which the Investors may sell the Put Shares to the Grantors on the exercise of the Put Option
“Put Shares”	the maximum number of Shares held by the Investors through the Subscription pursuant to the Subscription Agreement which when aggregated with the then existing shareholding of the Grantors in the Company immediately before the exercise of the Put Option will result in the Grantor’s shareholding interest in the Company being 70.77% of the total issued share capital of the Company with voting rights immediately after completion of the transfer of the Put Shares pursuant to the exercise of the Put Option (assuming that there is no other Shares or other equity securities issued or distributed in respect of such Shares by way of stock dividend, stock split or distribution, or in connection with a combination of shares, recapitalization, reorganization, merger or consolidation or otherwise)

DEFINITIONS

“S&E Management System”	the Company’s social and environmental management system, as implemented or in effect from time to time, enabling it to identify, assess and manage the social and environmental risks in respect of the company operations on an ongoing basis
“S&E Performance Report”	the S&E Performance Report, in form and substance satisfactory to the Investors, setting out the specific social, environmental and developmental impact information to be provided by the Company in respect of the company operations
“S&EA”	the social and environmental assessment, dated 1 December, 2014, prepared by the Company in accordance with the Performance Standards
“Sanctionable Practices”	any corrupt practice, fraudulent practice, coercive practice, collusive practice, or obstructive practice, as those terms are defined herein in the Subscription Agreement and interpreted in accordance with the anti-corruption guidelines provided by the Investors
“SFO”	The Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong)
“Share”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holder(s) of the Share(s)
“Shell Banks”	a bank incorporated in a jurisdiction in which it has no physical presence and which is not an affiliate of a regulated bank or a regulated financial group
“Specific Mandate”	a specific mandate to be sought from the Shareholders at the EGM to authorise the Directors to allot and issue the Subscription Shares pursuant to the Subscription Agreement
“Sponsors”	Mr. Zhang, Ms. Sun and Mr. Zhang Daoyuan
“Sponsors’ Agreement”	the agreement dated 27 March 2015 entered into among the Grantors and the Investors pursuant to which the Grantors have granted the Put Option to the Investors
“Sponsor SPVs”	collectively, Chequers Development Limited, Gold Shine Development Limited and Tian Lun Group Limited (formerly known as Fortune Hill Group Limited) as special purpose vehicles owned directly and/or indirectly by one or more Sponsors

DEFINITIONS

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription of the Subscription Shares at the Subscription Price pursuant to the terms of the Subscription Agreement
“Subscription Agreement”	the agreement dated 11 February 2015 entered into between the Company and the Investors after the trading hours in relation to the Subscription
“Subscription Date”	date of the Subscription specified in the Subscription Notice
“Subscription Notice”	the notice to be issued by the Company or the Investors (as the case may be) in the form set out in the Subscription Agreement subscribe the Subscription Shares
“Subscription Price”	the subscription price of HK\$6.40 per Subscription Share
“Subscription Shares”	together, the IFC Subscription Shares and the IFC Fund Subscription Shares
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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)

Board of Directors

Executive Directors

Mr. Zhang Yingcen (*Chairman*)
Mr. Xian Zhenyuan (*Chief Executive*)
Mr. Feng Yi
Mr. Sun Heng
Ms. Li Tao

Registered Office

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
George KY1-1108
Cayman Islands

Independent Non-executive Directors

Mr. Cao Zhibin
Mr. Li Liuqing
Mr. Zhang Jiaming
Ms. Zhao Jun

Principal Place of Business in Hong Kong:

Unit 1603, 16th Floor
100 Queen's Road Central,
Central,
Hong Kong

21 April 2015

To the Shareholders

Dear Sir/Madam,

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE
(2) POSSIBLE CONNECTED TRANSACTION — GRANT OF PUT OPTION
BY CONNECTED PERSONS
AND
(3) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcements of the Company dated 11 February 2015, 20 March 2015 and 27 March 2015 in relation to, among other things, the Subscription, the Amended and Restated Policy Agreement and the Sponsors' Agreement respectively. On 11 February 2015 (after trading hours), (a) the Investors entered into the Subscription Agreement with the Company pursuant to

LETTER FROM THE BOARD

which IFC has conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares and IFC Fund has agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares, in each case at the Subscription Price; and (b) as a condition of the Investors' obligations of subscription under the Subscription Agreement, the Investors and the Company also entered into the Policy Agreement on 11 February 2015 (after trading hours) and the Amended and Restated Policy Agreement on 20 March 2015.

Pursuant to the Amended and Restated Policy Agreement, the Investors shall have the rights to nominate a non-executive Director in accordance with all applicable laws (which include the Listing Rules) and the applicable provisions under the Articles, and the Company shall comply with the matters set forth in the corporate governance improvement plan provided therein.

The Subscription Agreement and the transactions contemplated thereunder and the granting of the Specific Mandate for the allotment and issue of the Subscription Shares are subject to shareholders' approval at the EGM.

In consideration of the Investors entering into of the Subscription Agreement, the Grantors entered into the Sponsors' Agreement in favour of the Investors pursuant to which the Grantors have, among others, unconditionally and irrevocably granted the Put Option to the Investors.

As at the Latest Practicable Date, the Grantors were interested in an aggregate 532,748,300 Shares, representing approximately 64.35% of the total issued Shares. As the Sponsor SPVs are beneficially owned by the Sponsors, each of the Grantors is therefore a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Investors may be put back to the Grantors upon exercise of the Put Option, the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder as a whole may constitute a connected transaction for the Company which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among others, (i) further details of the Subscription Agreement, the Amended and Restated Policy Agreement, the Sponsors' Agreement and the transactions contemplated thereunder including the Specific Mandate; (ii) the advice of the Independent Financial Adviser regarding the Subscription Agreement, the Amended and Restated Policy Agreement the Sponsors' Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Investors pursuant to the Subscription Agreement taking into account that part or all of which may be put back to the Grantors upon exercise of the Put Option); (iii) the recommendation of the Independent Board Committee regarding the Subscription Agreement, the Amended and Restated Policy Agreement the Sponsors' Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate to allot and issue the Subscription Shares to the Investors pursuant to the Subscription Agreement taking into account that part or all of which may be put back to the Grantors upon exercise of the Put Option); (iv) the notice of the EGM; and (v) other information as required under the Listing Rules.

LETTER FROM THE BOARD

THE SUBSCRIPTION AGREEMENT

On 11 February 2015 (after trading hours), the Investors entered into the Subscription Agreement with the Company pursuant to which IFC has conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares and IFC Fund has conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares at the Subscription Price, in each case at the Subscription Price of HK\$6.40 per Subscription Share.

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

Subscription Agreement

Date

11 February 2015 (after trading hours)

Parties

- (1) the Company, as the issuer of the Subscription Shares; and
- (2) the Investors, as the subscribers of the Subscription Shares.

To the best of Directors' knowledge, information and belief, having made all reasonable enquiries, the Investors and their respective ultimate beneficial owners are third parties independent of and not connected with the Company, the connected persons (as defined under the Listing Rules) of the Company and the Sponsors.

As confirmed by the Investors, save as disclosed in this circular, as at the Latest Practicable Date, the Investors and their respective subsidiaries are not interested in any Shares.

Subscription Shares

The aggregate of 181,742,400 Subscription Shares to be allotted and issued to the Investors pursuant to the Subscription Agreement represent:

- (i) approximately 21.95% of the total issued Shares as at the Latest Practicable Date; and
- (ii) approximately 18.00% of the total issued Shares as enlarged by the allotment and issue of the Subscription Shares (assuming no change in the issued Shares prior to the Completion).

The aggregate nominal value of the Subscription Shares is HK\$1,817,424.

Details of the shareholding of the Company are set out in the paragraph headed "Effect on shareholding structure" of this circular.

LETTER FROM THE BOARD

Ranking of Subscription Shares

The Subscription Shares will rank pari passu in all respects and carry all rights similar to the Shares in issue as at the Subscription Date.

Subscription Price

The Subscription Price represents:

- (i) a discount of approximately 19.60% to the closing price of HK\$7.96 per Share as quoted on the Stock Exchange on 11 February 2015, being the date of the Subscription Agreement; and
- (ii) a discount of approximately 20.60% to the average closing price of approximately HK\$8.06 per Share for the last five consecutive trading days up to and including 10 February 2015, being the last trading day before the date of the Subscription Agreement.

The Subscription Price was determined after arm's length negotiations between the Company and the Investors with reference to, among others, the recent share price performance and liquidity of the Shares. The Directors (including all the independent non-executive Directors) consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Specific Mandate to allot and issue the Subscription Shares

The Company will seek the Specific Mandate from the Shareholders at the EGM to allot and issue the Subscription Shares.

Conditions of Subscription

The obligation of each Investor to make the Subscription is subject to the fulfillment, to each Investor's satisfaction (acting reasonably) or waiver prior to or concurrently with the making of the Subscription, of the following conditions:

- (1) the representations and warranties made by the Company under the Subscription Agreement, remain true, accurate and not misleading immediately prior to the Subscription, save as modified or supplemented by the Subscription Notice;
- (2) all of the agreements and covenants of the Company and the Sponsors to be performed prior to the Subscription pursuant to each of the Subscription Agreement and its ancillary documents (including the Amended and Restated Policy Agreement) have been duly performed in all material respects, and no breach (or any event which, with notice, lapse of time, the making of a determination or any combination, would become a breach) under any of the Subscription Agreement and its ancillary documents (including the Amended and Restated Policy Agreement) has occurred and is continuing;

LETTER FROM THE BOARD

- (3) the Company has obtained and provided to the Investors copies of all consent, registration, filing, agreement, notarization, certificate, license, approval, permit, authority or exemption from, by or with any relevant authority and all of the aforesaid are in full force and effect, and that the Company has performed and complied with all requirements imposed by the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares (including paying any listing fees when due);
- (4) nothing has occurred which has or may reasonably be expected to have a Material Adverse Effect since 31 December 2013;
- (5) each Investor has received payment for, or reimbursement of all fees and expenses of that Investor, and the invoiced fees and expenses of its counsel, as provided in the Subscription Agreement, or confirmation from its counsel that those fees and expenses have been paid directly to such counsel;
- (6) the Company:
 - (i) has confirmed in writing to each Investor that it is in agreement with the S&EA;
 - (ii) has agreed in writing with each Investor on the form of the S&E Performance Report;
 - (iii) remains in compliance with the S&E Management System and the S&E Management System has not been amended, waived or otherwise restricted in scope or effect since 1 December 2014, except in accordance with the Action Plan; and
 - (iv) has complied with all matters set forth in the Action Plan required to be completed prior to the Subscription, as set forth in the Action Plan
- (7) each Investor has received certifications by the Company, substantially in the form set forth in Subscription Notice, with respect to the conditions specified therein and expressed to be effective as of the date of the Subscription;
- (8) each Investor has received a legal opinion or opinions, in form and substance satisfactory to that Investor, from its counsel in the Cayman Islands, and, if either Investor requests, from counsel for the Company, covering such matters relating to the transactions contemplated by the Subscription Agreement, its ancillary documents (including the Amended and Restated Policy Agreement) and the Articles as that Investor may reasonably request;
- (9) each Investor has received a certificate of incumbency and authority from the Company;
- (10) each Investor has received copies of all insurance policies evidencing compliance with the requirements of the minimum insurance requirements as set out in the Subscription Agreement and a certification from the Company's and its subsidiaries' insurers or insurance agents confirming that such policies are in full force and effect and all premiums then due and payable under those policies have been paid;

LETTER FROM THE BOARD

- (11) each Investor has received a counterpart of each of the Subscription Agreement and its ancillary documents (including the Amended and Restated Policy Agreement), duly executed and delivered by all other parties thereto, all of which are or will be, on delivery by each Investor of its counterpart, fully effective and unconditional, and each is in form and substance satisfactory to each Investor; and;
- (12) trading in the Shares on the Stock Exchange has not been halted or suspended (other than such trading halt requested by the Company pending announcement of material corporate actions of the Company or any of the subsidiaries) or suspended in connection with for a consecutive period of 5 trading days or more and there has been no delisting of trading or withdrawal of the admission to trading in the Shares on the Stock Exchange and no such trading halt, suspension of trading, withdrawal of admission to trading or delisting is pending or threatened by the Stock Exchange or any other regulatory or government authorities.

Lock-up undertaking

Pursuant to the Subscription Agreement, at all times during the period commencing on the Subscription Date and ending on the first anniversary thereof, each Investor has undertaken to the Company not to, without the prior written consent of the Company, transfer, sell, lease or pledge to any person any of the Subscription Shares for which it has subscribed on the Subscription Date.

Pre-Closing Obligations

- (1) Until the Subscription Shares have been validly subscribed and allotted and issued or the right of the Company to request the Subscription has been canceled, whichever occurs first, the Company shall:
 - (i) at all times maintain a sufficient number of authorized and unissued shares to permit the allotment and subscription by the Investors of all the Subscription Shares;
 - (ii) promptly after the date of the Subscription Agreement, do all acts or things necessary or desirable to obtain all necessary consents, permits, approvals and authorisations required to be obtained on the part of the Company (including, but not limited to, the authorizations to conduct businesses, to execute, perform and comply with the Company's obligations under the Subscription Agreement) in respect of the Subscription Agreement and the transactions contemplated thereunder, including preparing and delivering (A) a circular to the Shareholders and convening the EGM; and (B) listing application in compliance with the Listing Rules and all applicable laws and regulation for the Subscription Shares to be listed and admitted for trading on the Stock Exchange; and;
 - (iii) conduct its business in the ordinary course and shall use, and shall cause each of its subsidiaries to use, its best efforts to preserve intact its business organizations and relationships with third parties and to keep available the services of its present officers and employees.

LETTER FROM THE BOARD

- (2) In addition, until the Subscription Shares have been validly subscribed and allotted and issued or the right of the Company to request the Subscription has been canceled, whichever occurs first, the Company shall not, and shall ensure that each of its subsidiaries shall not (other than with respect to sub-paragraph (viii) below), other than in connection with the Subscription:
- (i) increase, allot, issue, acquire, repay, reduce or redeem any share capital or Shares of any class other than such allotment and issue of Shares to holders of employee share options outstanding as of the date of Subscription Agreement that have been issued pursuant to the share option scheme of the Company;
 - (ii) change the par value of, or the rights attached to, any of its Shares of any class;
 - (iii) take any action by amendment of the Articles or through reorganization, consolidation, sale of share capital, merger or sale of assets, or otherwise, which might result in a dilution or increase of the percentage interest in the Company to be held by the Investors when any Shares are allotted and issued to the Investors pursuant to the Subscription;
 - (iv) sell, lease, transfer or assign any of its assets, except in the ordinary course of business and consistent with past practice;
 - (v) assume or incur indebtedness, liabilities, obligations or expenses exceeding an aggregate of US\$1,000,000 (or the equivalent in any other currency) except in the ordinary course of business;
 - (vi) make any capital expenditure exceeding US\$1,000,000 (or the equivalent in any other currency) except in the ordinary course of business;
 - (vii) create any Liens over any assets except in the ordinary course of business;
 - (viii) declare, pay or make a dividend or distribution;
 - (ix) take any action that would make any representation or warranty set out in the Subscription Agreement untrue, inaccurate or misleading in any respect on or at any time prior to the Subscription Date;
 - (x) take any action that could reasonably be expected to prevent, impair or materially delay the ability of the Company to consummate the transactions contemplated by Subscription Agreement; or
 - (xi) agree or commit to take any of the actions described above,

provided that, for the avoidance of doubt, none of the abovesaid obligations shall restrict any acquisition by the Company or any of its subsidiaries in the ordinary course of business

LETTER FROM THE BOARD

Completion

Subject to the terms of the Subscription Agreement and the satisfaction (or waiver by the Investors) of the Conditions, either (i) the Company may request the Investors to subscribe for the Subscription Shares by delivering a Subscription Notice to the Investors; or (ii) the Investors may notify the Company that they shall subscribe for the Subscription Shares by delivering a Subscription Notice to the Company, in each case at least 12 Business Days (or such shorter period of time as required by the Stock Exchange under the listing approval) prior to Subscription Date.

On the Subscription Date, each Investor shall pay an amount equal to the Subscription Price multiplied by the number of Subscription Shares for which it is subscribing, in each case in HK Dollars to the Company.

Cancellation of the Subscription Agreement

The Investors may, by written notice to the Company, cancel the right of the Company to request the Investors to subscribe for the Subscription Shares:

- (1) if at any time, in the reasonable opinion of the Investors, anything has occurred which has or may reasonably be expected to have a Material Adverse Effect or there exists any situation which indicates that performance by any relevant parties of its, his or her obligations under any of the Subscription Agreement and its ancillary documents (including the Amended and Restated Policy Agreement) or the Articles cannot be fulfilled or expected or there exists any breach or non-compliance by any relevant parties of its, his or her obligations under any of the Subscription Agreement and its ancillary documents (including the Amended and Restated Policy Agreement); and
- (2) in any case, at any time on or after 30 April 2015,

and upon any such cancellation, each party's further rights and obligations shall terminate immediately (save for the surviving terms), provided that such termination shall not affect a party's accrued rights and obligations at the date of termination and shall be without prejudice to any and all rights or legal or equitable remedies of any kind which may accrue to either Investor against any relevant party

THE AMENDED AND RESTATED POLICY AGREEMENT

As a condition of the Investors' obligations of subscription under the Subscription Agreement, on 11 February 2015 (after trading hours), the Investors and the Company had also entered into the Policy Agreement. The Policy Agreement was subsequently replaced and superseded by the Amended and Restated Policy Agreement.

LETTER FROM THE BOARD

The principal terms of the Amended and Restated Policy Agreement are as follows:

Investors' right to appoint and remove Director

The Investors, as a group, shall only exercise their rights of nomination and removal of their nominated directors (the “**Investors' Nominee Director**”) in accordance with all applicable laws (which include the Listing Rules) and the applicable provisions under the Company's Articles.

The below table illustrates the major amendments between the Policy Agreement and the Amended and Restated Policy Agreement:

Policy Agreement

Proposed Amended and Restated Policy Agreement

Nomination right and removal rights

As long as the Investors, jointly, hold more than 5% of the issued share capital of the Company on a fully-diluted basis, the Investors, as a group shall have the right to nominate one (1) non-executive Director (the “**Investors' Nominee Director**”) and such nominee shall, to the extent permitted under applicable law and regulations (the “**Applicable Laws**”) including the Listing Rules and the Articles, be promptly appointed as a Director provided that the appointment of the Investors' Nominee Director shall be subject to the retirement, re-election and such other applicable provisions in the Articles.

The Investors, as a group shall have the right to propose a person for election as a non-executive Director (the “**Investors' Nominee Director**”), provided that the Investors' right of nomination of the Investors' Nominee Director shall be exercisable only in accordance with all Applicable Laws and the applicable provisions in the Articles, and the appointment, retirement and re-election of the Investors' Nominee Director shall be in accordance with the applicable provisions in the Articles.

LETTER FROM THE BOARD

Policy Agreement

Proposed Amended and Restated Policy Agreement

Removal/Resignation of Investors' Nominee Director

The Investors, as a group, may require the removal of the Investors' Nominee Director at any time and shall be entitled to nominate another person as the Investors' Nominee Director in place of any Investors' Nominee Director so removed subject to Section 2.01. In the event of the resignation, retirement or vacation of office of the Investors' Nominee Director, the Investors, as a group, shall be entitled, subject to Section 2.01 (Nomination of Investors' Nominee Director), to nominate another person as the Investors' Nominee Director in place of such Investors' Nominee Director and such nominee shall, to the extent permitted under Applicable Law, be promptly appointed as a Director.

The Investors, as a group, holding not less than one tenth of the paid up capital of the Company having the right of voting at general meeting of the Company, may require an extraordinary general meeting to be called by the board of directors of the Company to consider removal of the Investors' Nominee Director before the expiration of his term of office in accordance with all Applicable Law and the applicable provision in the Articles notwithstanding any agreement between the Company and the Investors' Nominee Director.

Further, the Company has established its internal procedures for appointment and removal of the Directors (including the Investors' Nominee Director) in accordance with all applicable laws and regulations (including the Articles). As such, there will be no difference between the procedures for appointment and removal of Director and the Investors' Nominee Director, and there is no additional obligation imposed on the part of the Company under the Amended and Restated Policy Agreement.

For the abovesaid, the Company are of the view that the terms in relation to the appointment and removal of Investors' Nominee Director under the Amended and Restated Policy Agreement are no different from those rights available to other Shareholder under the Articles, and that the Amended and Restated Policy Agreement do not grant any additional rights to the Investors nor impose any additional obligation on the part of the Company, all Shareholders (including the Investors) are therefore treated fairly and equally.

LETTER FROM THE BOARD

Corporate Governance Improvement Plan

The Company shall comply with all matters set forth in the corporate governance improvement plan required to be completed prior to the date(s) as set forth below:

- (1) The Company should have a full-time company secretary certified by the Hong Kong Institute of Chartered Secretaries within 12 months after the Subscription Date;
- (2) The Company should replace at least half of its independent non-executive Directors other than the Investors' Nominee Director as of the Subscription Date with competent and experienced independent non-executive Directors within 18 months after the Subscription Date;
- (3) The Company shall strengthen the Board's oversight over the internal audit function by assigning requisite responsibility to the Company's audit committee including: (a) review and approve a formal annual audit plan of the IAC; (b) review and approve the budget and staffing of the IAC annually; and (c) IAC should report to the Company's audit committee regarding audit findings on a regular basis at least quarterly; and
- (4) The Company should implement a corporate level management information system which links data from all of the Subsidiaries to its headquarters within 24 months after the Subscription Date.

Pursuant to the Amended and Restated Policy Agreement, the Company has given certain covenants and undertakings to the Investors in respect of, among others, environmental action plan, insurance coverage and restrictions against Sanctionable Practices and Shell Banks. The Company will also have certain reporting and disclosure obligations in relation to the compliance by the Company of the Investors' policy reporting covenants including, among others, litigation, investigations or proceedings which, if determined against the Company and any of its subsidiaries, would or reasonably be expected to result in an obligation or liability in the aggregate amount of US\$10 million or more, or any criminal investigations or proceedings against the Company or any of the Directors.

The Company further covenants that it shall and shall ensure that each of its subsidiaries shall (i) implement the Action Plan and their existing and future operations shall be in compliance with the Performance Standards and all applicable laws and regulations; (ii) at all times comply with the cash management policy to be adopted by the Company's board of directors from time to time and shall not, at any time prior to the end of 12 months from the Subscription Date, amend or vary the terms of the aforesaid cash management policy; and (iii) not, and ensure that none of its subsidiaries shall, undertake any business, activities and investments other than the Permitted Business.

The Amended and Restated Policy Agreement shall become effective as of the date on which the Investors first subscribe for the Subscription Shares and shall continue in force until such time as both Investors no longer hold any Subscription Shares (save as surviving terms).

The Company has not incurred any additional material obligation by entering into the Amended and Restated Policy Agreement. There are no material adverse changes in respect of rights and obligations of the Company to the transactions contemplated under the Subscription Agreement and the Amended and Restated Policy Agreement.

LETTER FROM THE BOARD

GRANT OF THE PUT OPTION BY CONNECTED PERSONS

In connection with the Subscription Agreement, on 27 March 2015, the Grantors entered into the Sponsors' Agreement in favour of the Investors pursuant to which the Grantors have, among others, unconditionally and irrevocably granted the Put Option to the Investors. The principal terms of the Sponsors' Agreement are set out below:

Date

27 March 2015 (after trading hours)

Parties

- (1) the Grantors as grantors; and
- (2) the Investors as granted.

The Grantors' obligations under the Sponsors' Agreement in respect of the Put Option and the purchase of any Put Shares are joint several.

Put Option

Pursuant to the Sponsors' Agreement, the Grantors have granted to each Investor the Put Option entitling each Investor to require the Grantors to, jointly and severally, purchase from the relevant Investor such number of the Shares subscribed by the relevant Investor pursuant to the Subscription Agreement and Shares or other equity securities issued or distributed in respect of any such Shares by way of stock dividend, stock split or distribution, or in connection with a combination of shares, recapitalization, reorganization, merger or consolidation, or otherwise (the "**Eligible Equity Securities**"), in each case as the relevant Investor may specify the Put Shares at the Put Price during the period commencing from the Subscription Date and ending on the date when the relevant Investor ceases to own any Shares (the "Put Period") in accordance with the Sponsors' Agreement.

Put Price

The Put Price is calculated by multiplying (a) the higher of the amount in HK Dollars per Put Share that (i) provides that Investor an agreed return on each Put Share; and (ii) based on the fair market price of one Share as of the date when the Put Option is exercised, by (b) the number of Put Shares.

The Put Price and the terms of the Sponsors' Agreement were arrived at after arm's length negotiations between the parties thereto.

LETTER FROM THE BOARD

Exercise of the Put Option

Provided that the exercise of the Put Option would not (i) obligate any or all the Grantors to make a mandatory offer (as defined in the Code on Takeovers and Mergers); or (ii) results in the Company being unable to satisfy the public float requirements under the Listing Rules, each Investor may exercise its Put Option during the Put Period following the occurrence of any of the following triggering events:

Specific Pipeline Project Put Trigger Event

Due to the Investors' unwillingness to support coal-gasification related projects on environmental grounds, when any of the proposed pipeline projects, details of which have been disclosed by the Company in its announcement dated 28 September 2014 (the "**Specific Pipeline Projects**"), is used or intended to be used to transmit gas produced from coal-gasification plants for more than 20% of the total throughput of the pipelines.

The Investors may elect to waive their rights to exercise the Put Option with respect to any of the Specific Pipeline Projects (and upon election, such Put Option will terminate) after 2 years from the date of the Sponsors' Agreement, provided that the Investors are satisfied with the operation or plan in relation to Specific Pipeline Projects.

Additional Pipeline Project Put Trigger Event

Other than the Specific Pipeline Projects or any other pipeline project approved by the Shareholders, the construction, development or operation by the Group of any gas pipeline project dedicated to transmit gas with source from coal gasification plants.

The Investors can only exercise the Put Option following the occurrence of the abovesaid event during the Put Period if at the time of the occurrence of such event, the Grantors, as a group, hold the legal and beneficial ownership of 50% or more of the then total issued share capital of the Company on a fully-diluted basis.

Policy Put Trigger Event

(1) The failure of the Company to perform its obligations under the Amended and Restated Policy Agreement in relation to Sanctionable Practices, resolutions issued by the United Nations Security Council under Chapter VII of the UN Charter, U.S. Office of Foreign Assets and Control and Shell Banks; (2) the failure of the Company in any material manner to perform its obligations under the Amended and Restated Policy Agreement in relation to environmental covenants, if such failure has not been remedied within 30 days; (3) the failure of any Grantor to perform its obligations under the Sponsors' Agreement in relation to not engaging in Sanctionable Practices, activities prohibited by resolution of the United Nations Council and transactions involving Shell Banks; or (4) any representation and warranty made by the Grantors in the Sponsors' Agreement being incorrect or misleading.

LETTER FROM THE BOARD

Voting Threshold Put Trigger Event

For so long as the Grantors, the Company's management and any of their respective associates (as defined in the Listing Rules), as a group, hold more than 45% of the then issued share capital of the Company on a fully-diluted basis, any or all of these persons casting their votes in respect of more than 45% of their voting rights in any resolution at any general meeting of the Shareholders to approve any notifiable transaction (as defined in the Listing Rules) which requires shareholders' approval under the Listing Rules.

Share retention

At all times during the period commencing on the Subscription Date and ending on the fifth anniversary thereof, for so long as the Investors, as a group, hold the legal and beneficial ownership of 10% or more of the total issued Shares on a fully-diluted basis (among others):

- (a) the Sponsors shall, as a group, maintain, directly or indirectly, the legal and beneficial ownership of not less than 100% of the total issued share capital of each Sponsor SPVs on a fully-diluted basis free from all Prohibited Transfers;
- (b) no Sponsor shall transfer any share of any Sponsor SPVs if, after giving effect to such transfer, Mr. Zhang maintains, directly or indirectly, the legal and beneficial ownership of less than 50% of the total issued share capital of any Sponsor SPVs on a fully-diluted basis; and
- (c) the Sponsor SPVs shall, as a group, maintain, directly or indirectly, the legal and beneficial ownership of not less than 33% of the total issued share capital of the Company on a fully-diluted basis.

Tag-along right

So long as the Investors, as a group, hold 5% or more of the then issued share capital of the Company on a fully-diluted basis, if any Grantor (or any group of Grantors together) proposes to transfer any equity securities of the Company to any person (other than where the transferee is a Grantor or where a transfer is made on-market) (the "**Relevant Transfer**"), each Investor will be entitled to transfer their respective Eligible Equity Securities in proportion to the amount of the equity securities of the Company to be transferred by such Grantor under the Relevant Transfer(s) to such transferee on the same terms.

LETTER FROM THE BOARD

Grantors' undertakings under the Sponsors' Agreement

Pursuant to the Sponsors' Agreement, the Grantors shall:

- (a) procure that the Company shall comply with all of its obligations under the Amended and Restated Policy Agreement;
- (b) in any general meeting of the Shareholders:
 - (i) not vote in favor or against any resolution of such shareholders in each case that would result in the Company's failure to comply with any of its obligations under the Amended and Restated Policy Agreement; and
 - (ii) for so long as the Investors, as a group, hold the legal and beneficial ownership of 5% or more of the total issued Shares on a fully-diluted basis, vote in favor of any resolution of such shareholders to approve the appointment of the Investors' Nominee Director; and
- (c) for so long as the Grantors, the Company's management and any of their respective associates, as a group, hold the legal and beneficial ownership of more than 45% of the total issued Shares on a fully-diluted basis, not cast their votes (and procure that each such management member or associate shall not cast their votes) in respect of more than 45% of their ownership of such total issued Shares in any resolution of the Shareholders at a general meeting to approve any notifiable transaction (as defined in the Listing Rules) requiring approval of the Shareholders pursuant to Chapter 14 of the Listing Rules, provided that this obligation shall only become effective on and from the Subscription Date and cease to have any effect once neither Investor holds any legal and beneficial ownership of any issued Share.

LETTER FROM THE BOARD

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

For illustration purpose only, to the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the existing shareholding structure in respect of the Shares and the effects on the shareholding structure in respect of the Shares (i) as at the Latest Practicable Date; (ii) immediately after Completion (assuming that there is no other change in the shareholding structure of the Company before the Completion); and (iii) immediately after the Completion and the exercise of the Put Option by the Investors (assuming that the Put Option is exercised in full and that there is no other Shares or other equity securities issued or distributed in respect of such Shares by way of stock dividend, stock split or distribution, or in connection with a combination of shares, recapitalization, reorganization, merger or consolidation or otherwise) are set out as below:

	As at the Latest Practicable Date		Immediately after the Completion		Immediately after the Completion and the exercise of the Put Option by the Investors (assuming that the Put Option is exercised in full and that there is no other Shares or other equity securities issued or distributed in respect of such Shares by way of stock dividend, stock split or distribution, or in connection with a combination of shares, recapitalization, reorganization, merger or consolidation or otherwise)	
	No. of Shares	Approximate shareholding (%)	No. of Shares	Approximate shareholding (%)	No. of Shares	Approximate shareholding (%)
The Grantors (<i>Note 1</i>)	532,748,300	64.35	532,748,300	52.77	714,490,700	70.77
Pleasant New Limited (<i>Note 2</i>)	12,829,450	1.55	12,829,450	1.27	12,829,450	1.27
IFC	—	—	90,871,200	9.00	—	—
IFC Fund	—	—	90,871,200	9.00	—	—
Public shareholders	282,347,250	34.10	282,347,250	27.96	282,347,250	27.96
Total:	<u>827,925,000</u>	<u>100.00</u>	<u>1,009,667,400</u>	<u>100.00</u>	<u>1,009,667,400</u>	<u>100.00</u>

Notes:

- Gold Shine Development Limited is interested in 463,297,800 Shares through its wholly-owned subsidiary, namely Tian Lun Group Limited. 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 held by Tian Lun Group Limited for the purposes of the SFO.

Chequers Development Limited is wholly-owned by Mr. Zhang, which is interested in 63,687,000 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares held by Chequers Development Limited for the purposes of the SFO.

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 Shares interested by Ms. Sun for the purpose of the SFO.

LETTER FROM THE BOARD

2. Mr. Xian Zhenyuan, an executive Director and the sole director of Pleasant New Limited, beneficially owns 90.00% of the issued share capital of Pleasant New Limited, which in turn owns 12,829,450 Shares. Therefore, Mr. Xian is deemed or taken to be interested in all the Shares held by Pleasant New Limited for the purpose of the SFO.

REASON FOR AND BENEFITS OF THE SUBSCRIPTION AND USE OF PROCEEDS

International Finance Corporation (IFC), a member of the World Bank Group, is a global investment and advisory institution. As an outstanding investment platform under the World Bank Group, IFC enjoys a good reputation in the world and has first-class talents and first-hand experience in environment, social and corporate governance aspects. The Company will take this opportunity to further enhance the Company's capability in areas such as corporate governance by learning from IFC's international experience and combining it with the Company's own situations. The entering into of the equity investment and cooperation represents a great positive factor which will benefit the Company's overall brand and reputation in international finance market

The gross proceeds from the issue of the Subscription Shares pursuant to the Subscription Agreement will be approximately HK\$1,163,151,360 and the net proceeds from the issue of the Subscription Shares pursuant to the Subscription Agreement, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$1,159,651,360.

The net Subscription Price, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$6.38 per Subscription Share. The Company intends to use 68%, 10% and 22% of the proceed from the Subscription to finance (i) the expansion and acquisition of city gas concession; (ii) construction of compressed natural gas and LNG refueling stations; and (iii) construction of LNG plants respectively.

FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS

The Company did not conduct any fund raising activities during the past twelve months immediately preceding the Latest Practicable Date.

INFORMATION ABOUT THE COMPANY

The Company is an investment holding company and the principal activities of the Group consist of investment, operation and management of gas pipeline connections, transportation, distribution and sales of gas, construction and operation of gas filling stations, and production and sales of LNG.

INFORMATION ABOUT THE INVESTORS

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines their policies. IFC's work in more than a 100 developing countries allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities.

IFC Fund invests alongside IFC in equity and equity-related investments in infrastructure projects and companies in developing countries.

LETTER FROM THE BOARD

APPLICATION FOR LISTING

An application will be made to the listing committee for the listing of, and permission to deal in, the Subscription Shares on the Stock Exchange.

SPECIFIC MANDATE

The Subscription Shares will be issued pursuant to the Specific Mandate to be sought from the Shareholders at the EGM.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Grantors were interested in an aggregate 532,748,300 Shares, representing approximately 64.35% of the total issued Shares. As the Sponsor SPVs is beneficially owned by the Sponsors, each of the Grantors is therefore a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Investors may be put back to the Grantors upon exercise of the Put Option, the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder as a whole may constitute a connected transaction for the Company which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee has been established to advise the Independent Shareholders in respect of the terms of the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder (including the issue of the Subscription Shares to the Investors taking into account that part or all of which may be put back to the Grantors upon exercise of the Put Option) after taking into account the advice of the Independent Financial Adviser.

The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms and conditions of the Subscription Agreement, the Sponsors' Agreement and the manner of voting by the Independent Shareholders on the relevant resolution in the same regard. The letter from the Independent Financial Adviser is set out on pages 28 to 50 of this circular

APPROVAL OF THE BOARD

Since the Sponsor's SPV are beneficially owned by Mr. Zhang, an executive Director, Mr. Zhang is considered to have a material interest in the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder and have therefore abstained from voting on the relevant board resolutions of the Company relating to the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 10:00 a.m. on Thursday, 7 May 2015 at The Conference Room, 6th Floor, Tian Lun Group Building, No. 6 Huang He East Road, Zheng Dong Xin District, Zhengzhou City, Henan Province, the People's Republic of China is set out on pages 57 to 59 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution as set out therein. An announcement will be made by the Company on the result of the EGM.

In accordance with the Listing Rules, the Grantors and their respective associates who are Shareholders will be required to abstain from voting on the resolution at the EGM approving the Subscription Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate. In accordance with the Listing Rules, the resolutions will be voted on by way of poll at the EGM.

A form of proxy for use by the Shareholders at the EGM is enclosed herewith. Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish, and in case, the form of proxy previously submitted shall be deemed to be revoked.

CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from Tuesday, 5 May 2015 to Thursday, 7 May 2015 (both days inclusive) during which period no transfer of share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 May 2015.

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.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that (i) the terms of Subscription Agreement (including the Subscription Price), the Amended and Restated Policy Agreement and the Sponsors' Agreement and the transactions contemplated thereunder; and (ii) the Specific Mandate as a whole are fair and reasonable and in the best interests of the Company and the Independent Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors) recommend the Shareholders to vote in favour of the ordinary resolution to be proposed as set out in the notice of the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on page 27 of this circular and the letter from the Independent Financial Adviser set out on pages 28 to 50 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder (including the issue of the Subscription Shares to the Investors taking into account that part or all of which may be put back to the Grantors upon exercise of the Put Option) and the principal factors considered by it in arriving at its recommendation.

GENERAL INFORMATION

Your attention is also drawn to the additional information set out in the Appendix to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

21 April 2015

To the Independent Shareholders

Dear Sir or Madam,

**(1) PROPOSED SUBSCRIPTION OF NEW SHARES
UNDER SPECIFIC MANDATE**

**(2) POSSIBLE CONNECTED TRANSACTION — GRANT OF PUT OPTION BY
CONNECTED PERSONS**

This Independent Board Committee has been established to advise you on the terms of the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder (including the issue of the Subscription Shares to the Investors taking into account that part or all of which may be put back to the Grantors upon exercise of the Put Option), details of which are set out in the circular of the Company to the Shareholders dated 21 April 2015 (the "**Circular**"), to which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

Having considered the terms of the Subscription Agreement, the Sponsors' Agreement, and the advice of the Independent Financial Adviser in relation thereto as set out on pages 28 to 50 of the Circular, we are of the opinion that the terms of the Subscription Agreement and the Sponsor's Agreement are on normal commercial terms and the Subscription Agreement, the Sponsors' Agreement, and the transactions contemplated thereunder as a whole are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Subscription Agreement, the Sponsor's Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate.

Yours faithfully,
Independent Board Committee of
China Tian Lun Gas Holdings Limited

Mr. Cao Zhibin

Mr. Li Liuqing

Mr. Zhang Jiaming

Ms. Zhao Jun

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER



Astrum Capital Management Limited

阿仕特朗資本管理有限公司

11/F, 122 QRC,

Nos. 122-126 Queen's Road Central, Hong Kong

21 April 2015

To the Independent Board Committee and
the Independent Shareholders of
China Tian Lun Gas Holdings Limited

Dear Sirs,

**(1) PROPOSED SUBSCRIPTION OF
NEW SHARES UNDER SPECIFIC MANDATE; AND
(2) POSSIBLE CONNECTED TRANSACTION —
GRANT OF PUT OPTION BY CONNECTED PERSONS**

INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the “**Independent Board Committee**”) and the independent shareholders (the “**Independent Shareholders**”) of China Tian Lun Gas Holdings Limited (the “**Company**”) in relation to (i) the subscription agreement (the “**Subscription Agreement**”) entered into between the Company and IFC Global Infrastructure Fund, LP (“**IFC Fund**”) and International Finance Corporation (“**IFC**”, and together with IFC Fund, the “**Investors**”) dated 11 February 2015; and (ii) the sponsors’ agreement (the “**Sponsors’ Agreement**”) entered into between (a) Mr. Zhang Yingcen, Ms. Sun Yanxi and Mr. Zhang Daoyuan, as sponsors (the “**Sponsors**”); (b) Chequers Development Limited, Gold Shine Development Limited and Tian Lun Group Limited (formerly known as Fortune Hill Group Limited), as special purpose vehicles owned directly and/or indirectly by one or more Sponsors (the “**Sponsor SPVs**”, and together with the Sponsors, the “**Grantors**”); and (c) the Investors dated 27 March 2015. Details of the entering into of the Subscription Agreement and the Sponsors’ Agreement are disclosed in the announcements of the Company dated 11 February 2015, 20 March 2015 and 27 March 2015 (the “**Announcements**”) and in the letter from the board (the “**Letter from the Board**”) set out on pages 7 to 26 of the circular of the Company dated 21 April 2015 (the “**Circular**”) to its shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 11 February 2015 (after trading hours), the Company entered into the Subscription Agreement with the Investors, pursuant to which (i) IFC conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares; and (ii) IFC Fund conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares at the same Subscription Price of HK\$6.40 per Subscription Share. As a condition of the Investors' obligations of subscription under the Subscription Agreement, the Investors and the Company also entered into the Policy Agreement on 11 February 2015 (after trading hours). On 20 March 2015 (after trading hours), the Company and the Investors entered into the Amended and Restated Policy Agreement, pursuant to which the parties thereto agreed to amend and restate the Policy Agreement to reflect changes to certain terms of the Policy Agreement set out therein.

In consideration of the Investors' entering into of the Subscription Agreement, on 27 March 2015 (after trading hours), the Grantors entered into the Sponsors' Agreement in favor of the Investors, pursuant to which the Grantors have, among others, unconditionally and irrevocably granted the Put Option to the Investors.

As at the Latest Practicable Date, the Grantors were interested in an aggregate 532,748,300 Shares, representing approximately 64.35% of the total issued Shares. As the Sponsor SPVs are beneficially owned by the Sponsors, each of the Grantors is therefore a connected person of the Company under the Listing Rules. In view that all or part of the Subscription Shares to be issued to the Investors may be put back to the Grantors upon exercise of the Put Option, the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder as a whole may constitute a connected transaction for the Company which is subject to the announcement, reporting and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the Sponsor SPVs are beneficially owned by Mr. Zhang, an executive Director. Mr. Zhang is considered to have a material interest in the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder and have therefor abstained from voting on the relevant board resolutions of the Company relating to the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder.

In accordance with the Listing Rules, the Grantors and their respective associates, who are Shareholders, will be required to abstain from voting on the resolution at the EGM approving the Subscription Agreement, the Sponsors' Agreement and the transactions contemplated thereunder, and the grant of the Specific Mandate. In accordance with the Listing Rules, the resolution will be voted on by way of poll at the EGM.

An Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Cao Zhibin, Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun, has been formed to advise the Independent Shareholders whether or not (i) the terms of the Subscription Agreement and the Sponsors' Agreement are on normal commercial terms, and fair and reasonable as far as the Independent Shareholders are concerned; and (ii) the entering into of the Subscription Agreement and the Sponsors' Agreement is in the interests of the Company and the Shareholders as a whole, and to make recommendations to the Independent Shareholders in respect thereof. We, Astrum Capital Management Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, inter alia, the Announcements, the Circular, the Sponsors' Agreement, the Subscription Agreement, the Amended and Restated Policy Agreement, the annual report of the Company for the year ended 31 December 2013 (the "**2013 Annual Report**") and the annual results announcement of the Company for the year ended 31 December 2014 (the "**2014 Annual Results Announcement**"). We have also reviewed certain information provided by the management of the Company (the "**Management**") relating to the operations, financial conditions and prospects of the Group. We have (i) considered such other information, analyses and market data which we deemed relevant; and (ii) conducted verbal discussions with the Management regarding the entering into of the Subscription Agreement, the Sponsors' Agreement, the businesses, financial position and future outlook of the Group. We have assumed that such information and statements, and any representation made to us, are true, accurate and complete in all material respects as of the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively and individually accept full responsibility for the purpose of giving information with regard to the Company in the Announcements and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcements and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcements and the Circular, the omission of which would make any statement herein or in the Announcements and the Circular misleading. We consider that we have performed all necessary steps to enable us to reach an informed view regarding the entering into of the Subscription Agreement and the Sponsors' Agreement and to justify our reliance on the information provided so as to provide a reasonable basis of our opinion. We have no reasons to suspect that any material information has been withheld by the Directors or the Management, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date. This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the entering into of the Subscription Agreement and the Sponsors' Agreement. Except for the inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall it be used for any other purposes, without our prior written consent.

For illustrative purpose, conversions of the United States Dollar ("US\$") to HK\$ in this letter are based on the approximate exchange rate of US\$1 to HK\$7.75.

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PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our advice with regard to the entering into of the Subscription Agreement and the Sponsors' Agreement, we have taken into consideration the following factors and reasons:

I. Information of the Group

A. *Business of the Group*

The Group is principally engaged in the gas pipeline connections by providing residential, commercial and industrial users with laying and installation and transportation, distribution and sales of gases including natural gas and compressed natural gas ("CNG") and production and sales of LNG in bulk and in cylinders in certain cities of the PRC.

B. *Financial information of the Group*

Set forth below are the audited consolidated financial information of the Group for the three years ended 31 December 2012, 31 December 2013 and 31 December 2014 ("FY2012", "FY2013" and "FY2014", respectively) as extracted from the 2013 Annual Report and the 2014 Annual Results Announcement:

Table 1: Financial information of the Group

	FY2012 <i>(Note 1)</i> (audited) <i>RMB'000</i>	FY2013 <i>(Note 1)</i> (audited and restated) <i>RMB'000</i>	FY2014 <i>(Note 1)</i> (audited) <i>RMB'000</i>
Revenue	716,362	911,939	1,343,936
— Transportation and sales of gas	395,106	504,357	747,829
— Gas pipeline connections	301,812	384,784	572,772
— All other segments <i>(Note 2)</i>	19,444	22,798	23,335
Gross Profit	251,236	333,036	461,496
Profit before income tax	202,933	246,152	344,309
Profit attributable to owners of the Company	135,097	168,945	220,153

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	As at 31 December 2012 (audited) <i>RMB'000</i>	As at 31 December 2013 (audited and restated) <i>RMB'000</i>	As at 31 December 2014 (audited) <i>RMB'000</i>
Cash and cash equivalents	368,940	576,402	263,584
Net current assets	62,425	472,547	14,889
Total assets	2,021,967	2,619,265	3,676,367
Total (liabilities)	(1,125,701)	(1,528,231)	(2,200,533)
Equity attributable to owners of the Company	751,211	919,968	1,145,967

Notes:

1. The audited consolidated financial information of the Group for FY2012 was extracted from the 2013 Annual Report, while the audited consolidated financial information of the Group for FY2013 (restated) and FY2014 was extracted from the 2014 Annual Results Announcement.
2. “All other segments” included revenue from rental income of investment properties and other miscellaneous income.

(i) For the year ended 31 December 2013 (i.e. FY2013)

For FY2013, the Group’s revenue amounted to approximately RMB911.9 million, representing a year-on-year growth of approximately 27.3% as compared to that in FY2012. The Group’s revenue in FY2013 was primarily derived from the gas pipeline connections business as well as the transportation and sales of gas business, accounting for approximately 42.2% and approximately 55.3%, respectively. For FY2013, the Group achieved gross profit of approximately RMB333.0 million, representing an increase of approximately RMB81.8 million as compared to FY2012. Overall gross profit margin of the Group in FY2013 was approximately 36.52%, representing a slight increase of approximately 1.45 percentage points as compared to that in FY2012 of approximately 35.07%. Such improvement was mainly due to the change in the structure of gas sales business. Profit attributable to owners of the Company increased from approximately RMB135.1 million in FY2012 to approximately RMB168.9 million in FY2013, representing an annual growth of approximately 25.1%.

As at 31 December 2013, the Group’s cash and cash equivalents, total assets, total liabilities and equity attributable to owners of the Company amounted to approximately RMB576.4 million, approximately RMB2,619.3 million, approximately RMB1,528.2 million and approximately RMB920.0 million, respectively.

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(ii) For the year ended 31 December 2014 (i.e. FY2014)

For FY2014, the Group's revenue amounted to approximately RMB1,343.9 million, representing an annual growth of approximately 47.4% as compared to that in FY2013. The transportation and sales of gas business remained as the key revenue of the Group, accounting for approximately 55.6% of the Group's total revenue in FY2014. Due to rise of labour and material costs and increase of intangible assets amortization, overall gross profit margin of the Group decreased slightly from approximately 36.52% in FY2013 to approximately 34.34% in FY2014. Notwithstanding that, profit attributable to owners of the Company in FY2014 increased significantly to approximately RMB220.2 million, representing a year-on-year growth of approximately 30.3% as compared with FY2013.

As at 31 December 2014, the Group's cash and cash equivalents, total assets, total liabilities and equity attributable to owners of the Company amounted to approximately RMB263.6 million, approximately RMB3,676.4 million, approximately RMB2,200.5 million and approximately RMB1,146.0 million, respectively.

II. Information of the Investors

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries. Established in 1956, IFC is owned by 184 member countries, a group that collectively determines its policies. Being an investment platform of the World Bank Group, IFC possesses the first-class talents and the first-hand experience in environment, social and corporate governance aspects. With a global presence in more than 100 countries, a network of nearly 1,000 financial institutions and more than 2,000 private sector clients, IFC is uniquely positioned to create opportunity where it's needed most. Its work allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to local communities. According to the "IFC 2014 Annual Report" published by IFC, for the year ended 30 June 2014, IFC invested more than US\$22 billion (equivalent to approximately HK\$170.5 billion), including approximately US\$17.3 billion from its own account (equivalent to approximately HK\$134.1 billion) and approximately US\$5.1 billion (equivalent to approximately HK\$39.5 billion) mobilized from other investors, in nearly 600 projects distributed in 98 countries. Among the IFC's own commitment, approximately US\$441 million (equivalent to approximately HK\$3.4 billion) was used in the fields of oil, gas and mining. The PRC is the second largest portfolio country of IFC. For the year ended 30 June 2014, IFC raised a total commitment of approximately US\$1.7 billion (equivalent to approximately HK\$13.2 billion) for more than 20 projects in the PRC.

IFC Fund is one of the funds managed by IFC Asset Management Company, LLC, which is a wholly-owned subsidiary of IFC. IFC Fund invests alongside IFC in equity and equity-related investments in infrastructure projects and companies in developing countries. According to the "IFC 2014 Annual Report", IFC Fund had made five investment commitments totaling US\$172 million (equivalent to approximately HK\$1.3 billion) as of 30 June 2014.

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III. Background of, reasons for and benefits of the entering into of the Subscription Agreement and the Sponsors' Agreement

The Group is principally engaged in the gas pipeline connections by providing residential, commercial and industrial users with laying and installation and transportation, distribution and sales of gases including natural gas and CNG and production and sales of LNG in bulk and in cylinders in certain cities of the PRC.

On 11 February 2015 (after trading hours), the Company entered into the Subscription Agreement with the Investors (namely, IFC and IFC Fund), pursuant to which (i) IFC conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares; and (ii) IFC Fund conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares at the same Subscription Price of HK\$6.40 per Subscription Share. Immediately upon Completion, IFC and IFC Fund will, in aggregate, hold 181,742,400 Shares, representing approximately 18.00% of the total issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares, and will become the second largest Shareholders assuming that there will be no change in the shareholding structure of the Company commencing from the Latest Practicable Date and up to the date of Completion. In view of the solid background, network and reputation of IFC as detailed in the paragraph headed “II. Information of the Investors” above, the Directors consider that the introduction of IFC and IFC Fund, as the second largest Shareholders, to the Company will bring a positive impact on the Group's brand image and reputation in the international finance market. Moreover, leveraging on IFC's extensive experience, the Directors contemplate to further enhance the Company's capability in the areas of environment, social and corporate governance.

As stated in the Letter from the Board, the net proceeds from the issue of the Subscription Shares, after deduction of all relevant costs and expenses, is estimated to be approximately HK\$1,159.7 million. The Company intends to use 68%, 10% and 22% of the proceeds from the Subscription to finance (i) the expansion and acquisition of city gas concessions; (ii) construction of CNG and LNG refueling stations; and (iii) construction of LNG plants, respectively. According to the 2014 Annual Results Announcement, the Group's cash and cash equivalents and total borrowings as at 31 December 2014 amounted to approximately RMB263.6 million and approximately RMB1,383.0 million, respectively. The Group's gearing ratio, as calculated based on the percentage of total liabilities to total assets, was approximately 59.9% as at 31 December 2014. The Management considers that the entering into of the Subscription Agreement represents a good opportunity for the Group to raise fund of considerable amount in equity market coupled with the facts that (i) the Company has not conducted any fund raising exercises in equity market since the listing of its Shares on the Stock Exchange in November 2010; and (ii) bank loans are the key external capital resources of the Group, which would inevitably incur financing cost to the Group, while the issue of the Subscription Shares will enlarge the capital base of the Company and moderate the Group's gearing level thereby strengthening the Group's financial position. In addition, with the improvement in the Group's financial position, the Company will be in a better position to negotiate and obtain further fund raising arrangements for its business operation and development as and when necessary.

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We have discussed with the Management in respect of other possible financing alternatives other than the issue of the Subscription Shares, such as pre-emptive issues (open offer or rights issue) and debt financing. Regarding pre-emptive issues, the Management considers that (i) it may be difficult for the Group to identify potential underwriter or placing agent without offering deep discount to the issue price to attract the Shareholders' subscription; (ii) the success of pre-emptive issues is highly dependent on the then market condition and sentiment; (iii) time taken for completion of pre-emptive issues is considerably long as compared to the issue of the Subscription Shares; and (iv) pre-emptive issues would incur underwriting commission. In relation to debt financing, it would inevitably increase the financing cost of the Group and deteriorate the Group's gearing level, which may bring adverse effect on the financial position of the Group. On the contrary, the issue of the Subscription Shares will, on one hand, enlarge the capital base of the Company and, on the other hand, moderate the Group's gearing level thereby strengthening the Group's financial position without incurring interest burden. In light of the above, together with the consideration of the strong background, network and reputation of the Investors, we concur with Management's view that the issue of the Subscription Shares is a more desirable fund raising means for the Group.

On 11 February 2015 (after trading hours), the Company and the Investors also entered into the Policy Agreement (as amended and supplemented by the Amended and Restated Policy Agreement dated 20 March 2015). We were advised by the Management that the entering into of the Amended and Restated Policy Agreement was initiated by the Investors, and is one of the conditions precedent to Completion. The reason for entering into the Amended and Restated Policy Agreement is to ensure that the Group is under proper corporate governance and meets certain standards on social and environmental sustainability. As stipulated in the Amended and Restated Policy Agreement, the corporate governance improvement plan comprises, among others, recruitment of a full-time company secretary, replacement of at least half of the Company's independent non-executive Directors (other than the Investors' Nominee Director) and implementation of corporate level management information system. In addition, the Company has further given certain covenants and undertakings to the Investors in respect of, among others, environmental action plan, insurance coverage and restrictions against Sanctionable Practices and Shell Banks. Although the implementation of the Amended and Restated Policy Agreement may increase the administrative expenses of the Group, having considered that the Amended and Restated Policy Agreement sets a higher standard on corporate governance and social and environmental sustainability to the Group which is favorable to the Group's operation in long term and may bring a positive impact on the Group's brand image, we agree with the Management's view that the entering into of the Amended and Restated Policy Agreement is in the interests of the Company and the Shareholders as a whole.

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In light of the fact that the Subscription Agreement and the Amended and Restated Policy Agreement stipulate a number of the Company's undertakings and covenants in relation to the Group to the Investors which will remain effective after Completion, and upon the request of the Investors, the Grantors (being the largest Shareholder holding, in aggregate, 532,748,300 Shares, representing approximately 64.35% of the entire issued share capital of the Company as at the Latest Practicable Date) agreed to enter into the Sponsors' Agreement in favor of the Investors on 27 March 2015 to serve as a guarantee of the Grantors that the Grantors shall procure the Company to fully comply with such undertakings and covenants. Pursuant to the Sponsors' Agreement, the Grantors has, inter alia, granted the Put Option to the Investors and agreed to certain arrangements with respect to the Shares owned directly and indirectly by the Grantors from time to time. Having considered the facts that (i) the entering into of the Sponsors' Agreement is one of the conditions precedent to Completion; (ii) the Sponsors' Agreement is a mutual agreement between the Grantors and the Investors, and the Group is not a party to the Sponsors' Agreement; (iii) the entering into of the Sponsors' Agreement and the exercise of the Put Option by the Investors would not bring any material impacts on the financial position of the Group; (iv) the Put Option does not provide an exit to the investors due to passage of time because the Put Option can be triggered only on breach of specific events mentioned in the sub-paragraph headed "*B. Principal terms of the Sponsors' Agreement*" under the paragraph headed "*IV. Principal terms of the Subscription Agreement and the Sponsors' Agreement*" below; and (v) the possible benefits of the Subscription Agreement and the Amended and Restated Policy Agreement as demonstrated above, we concur with the view of the Management that the entering into of the Subscription Agreement and the Sponsors' Agreement is in the interests of the Company and the Shareholders as a whole.

Taking into consideration the above, in particular, (i) IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries; (ii) the introduction of IFC and IFC Fund, as the second largest Shareholders, to the Company will bring a positive impact on the Group's brand image and reputation in the international finance market; (iii) the issue of the Subscription will enlarge the capital base of the Company and moderate the Group's gearing level thereby strengthening the Group's financial position; (iv) the Amended and Restated Policy Agreement sets a higher standard on corporate governance and social and environmental sustainability to the Group which is favorable to the Group's operation in long term; (v) the entering into of the Sponsors' Agreement is one of the conditions precedent to Completion; (vi) the Sponsors' Agreement serves as a guarantee of the Grantors that the Grantors shall procure the Company to fully comply with certain undertakings and covenants as stipulated in the Subscription Agreement and the Amended and Restated Policy Agreement; (vii) the Sponsors' Agreement is a mutual agreement between the Grantors and the Investors, and the Group is not a party to the Sponsors' Agreement; and (viii) the entering into of the Sponsors' Agreement and the exercise of the Put Option by the Investors would not bring any material impacts on the financial position of the Group, we are of the view that the entering into of the Sponsors' Agreement is in the interests of the Company and the Shareholders as a whole.

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IV. Principal terms of the Subscription Agreement and the Sponsors' Agreement

A. *Principal terms of the Subscription Agreement*

The table below summaries the major terms of the Subscription Agreement:

Date:	11 February 2015 (after trading hours)
Issuer:	The Company
Subscribers:	The Investors
Number of Subscription Shares:	IFC conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares, and IFC Fund conditionally agreed to subscribe and pay for 90,871,200 fully paid non-assessable Subscription Shares.

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and the date of Completion, the aggregate of 181,742,400 Subscription Shares represent (i) approximately 21.95% of the total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 18.00% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price:	HK\$6.40 per Subscription Share
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Analysis on the Subscription Price

The Subscription Price of HK\$6.40 per Subscription Share represents:

- (i) a discount of approximately 19.60% to the closing price of HK\$7.96 per Share as quoted on the Stock Exchange on 11 February 2015, being the date of the Subscription Agreement;
- (ii) a discount of approximately 20.60% to the average closing price of HK\$8.06 per Share for the last five consecutive trading days up to and including 10 February 2015, being the last trading day before the date of the Subscription Agreement;
- (iii) a discount of approximately 18.78% to the closing price of HK\$7.88 per Share as quoted on the Stock Exchange as at the Latest Practicable Date.

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According to the Letter from the Board, the Subscription Price was determined after arm's length negotiations between the Company and the Investors with reference to, among others, the recent share price performance and liquidity of the Shares. The Directors consider that the Subscription Price and the terms of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

(a) Review on historical trading price

To assess the fairness and reasonableness of the Subscription Price, we have compared the Subscription Price with the historical trading price of the Shares. The chart below illustrates the daily closing price of the Shares as quoted on the Stock Exchange versus the Subscription Price for the period commencing from 12 February 2014, being the twelve-month period prior to the Subscription Agreement, and up to and including the Latest Practicable Date (the “**Review Period**”):

Chart 1: Closing price of Shares during the Review Period



Source: the website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the highest and lowest closing price of the Shares as quoted on the Stock Exchange were HK\$9.99 per Share recorded on 17 November 2014 and 21 November 2014 and HK\$6.94 per Share recorded on 25 February 2014, respectively. The Subscription Price is lower than the closing price of the Shares throughout the Review Period and represents a discount of approximately 23.56% to the average closing price of the Shares during the Review Period of approximately HK\$8.37 per Share.

The closing price of the Shares were HK\$7.96 and HK\$7.88 per Share on the date of the Subscription Agreement and the Latest Practicable Date, respectively.

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(b) Review on historical trading volume

Further to the historical trading price, we have also reviewed the trading volume of the Shares during the Review Period as illustrated in the table below:

Table 2: Monthly trading volume of Shares during the Review Period

Month/Period	Total trading volume (No. of Shares)	Number of trading days	Average daily trading volume of the Shares (No. of Shares)	Total number of Shares in issue as at the end of each month/period (No. of Shares)	Average daily trading volume as a percentage of the total number of Shares in issue (%)
February 2014 (from 12 February 2014)	3,366,000	13	258,923	827,925,000	0.031
March 2014	6,035,836	21	287,421	827,925,000	0.035
April 2014	30,930,727	20	1,546,536	827,925,000	0.187
May 2014	9,636,500	20	481,825	827,925,000	0.058
June 2014	8,979,500	20	448,975	827,925,000	0.054
July 2014	7,450,500	22	338,659	827,925,000	0.041
August 2014	11,031,000	21	525,286	827,925,000	0.063
September 2014	3,032,000	21	144,381	827,925,000	0.017
October 2014	10,222,500	21	486,786	827,925,000	0.059
November 2014	7,308,500	20	365,425	827,925,000	0.044
December 2014	2,012,000	21	95,810	827,925,000	0.012
January 2015	3,665,500	21	174,548	827,925,000	0.021
February 2015	1,252,500	18	69,583	827,925,000	0.008
March 2015	1,466,000	22	66,636	827,925,000	0.008
April 2015 (up to the latest Practicable Date)	1,743,000	10	174,300	827,925,000	0.021

Source: the website of the Stock Exchange (www.hkex.com.hk)

We noted that the average number of Shares traded per trading day in each month/period in the Review Period ranged from approximately 66,636 Shares to approximately 1,546,536 Shares. The average daily trading volume of the Shares during the Review Period amounted to approximately 371,588 Shares, representing approximately 0.045% of the issued share capital of the Company as at the Latest Practicable Date.

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(c) Comparable analysis

In an attempt to provide further analysis on the Subscription Price, we have identified all placings and subscriptions of new shares under specific mandate announced by companies listed on the Stock Exchange during the period commencing from 12 November 2014 and up to 11 February 2015 (being the date of the Subscription Agreement). To the best of our knowledge and as far as we are aware of, we identified an exhaustive list of 14 transactions which met the said criteria and were not subsequently terminated prior to the Latest Practicable Date (the “**Comparable Issues**”). As the capital market changes rapidly, we consider that the Comparable Issues reflect the latest market conditions and sentiments of placing and subscription of new shares. As such, we believe that the Comparable Issues are fair and indicative in reflecting the current market conditions. However, Shareholders should note that the businesses, operations and prospects of the Company are not the same as the relevant issuers of the Comparable Issues and thus the Comparable Issues are merely used to provide a general reference for the recent market practice of companies listed on the Stock Exchange in placing and subscription of new shares. The following table sets forth the relevant details of the Comparable Issues:

Table 3: Details of the Comparable Issues

Date of announcement	Company name	Stock code	Premium/ (discount) of issue price over/to the share price as at the last trading day prior to the release of the announcement (“Premium/ (Discount) — Last Day”)	Premium/ (discount) of issue price over/to the average share price for the last five consecutive trading days prior to the relevant last trading day (“Premium/ (Discount) — Five Days”)
29/01/2015	Good Fellow Resources Holdings Limited	109	(31.41%)	(20.76%)
28/01/2015	Realord Group Holdings Limited	1196	(52.38%)	(42.40%)
21/01/2015	WLS Holdings Limited	8021	(42.31%)	(41.06%)
12/01/2015	Guangzhou Baiyunshan Pharmaceutical Holdings Company Limited	874	(12.06%) (Note 1)	(10.88%) (Note 1)
11/01/2015	Wing Tai Investment Holdings Limited	876	(21.57%)	(19.68%)
07/01/2015	China Taifeng Beddings Holdings Limited	873	(26.83%)	(25.86%)
05/01/2015	Town Health International Medical Group Limited	3886	(19.76%)	(19.41%)
29/12/2014	Zebra Strategic Holdings Limited	8260	(10.00%)	(19.94%)
28/12/2014	Gemdale Properties and Investment Corporation Limited	535	20.93%	26.83%
21/12/2014	Haitong Securities Co., Ltd. (Note 2)	6837	(16.02%)	(18.65%)

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Date of announcement	Company name	Stock code	Premium/(discount) of issue price over/to the share price as at the last trading day prior to the release of the announcement (“Premium/(Discount) — Last Day”)	Premium/(discount) of issue price over/to the average share price for the last five consecutive trading days prior to the relevant last trading day (“Premium/(Discount) — Five Days”)
18/12/2014	China Star Cultural Media Group Limited	8172	(71.43%)	(64.35%)
17/12/2014	Sau San Tong Holdings Limited	8200	(11.73%)	(14.88%)
21/11/2014	National Agricultural Holdings Limited	1236	13.20%	12.87%
20/11/2014	Louis XIII Holdings Limited	577	(23.50%)	(25.20%)
	(Note 3)			
		Maximum:	20.93%	26.83%
		Minimum:	(71.43%)	(64.35%)
		Median:	(19.76%)	(19.68%)
		Average:	(19.95%)	(18.52%)
	Subscription Agreement		(19.60%)	(20.60%)

Notes:

- For illustrative purpose, amounts denominated in RMB have been converted to HK\$ at a rate of HK\$1.0000 to RMB0.8004.
- As mentioned in the announcement of Haitong Securities Co., Ltd (stock code: 6837) dated 21 January 2015, the initial subscription price was HK\$15.62 per share subject to adjustment. For illustrative purpose, the subscription price of HK\$15.62 per share was used in our calculation.
- According to the announcement of Louis XIII Holdings Limited (stock code: 577) dated 20 November 2015, the placing price of shares would range from HK\$3.00 to HK\$4.00 per share. Subsequently, on 16 January 2015, Louis XIII Holdings Limited announced that the placing price was determined at HK\$3.00 per placing share.

As illustrated in Table 3 above, the Premium/(Discount) — Last Day represented by the issue prices of the Comparable Issues ranged from a discount of 71.43% to a premium of approximately 20.93%, with an average of a discount of approximately 19.95%. The Premium/(Discount) — Last Day represented by the Subscription Price falls within the range of the Premium/(Discount) — Last Day represented by the issue prices of the Comparable Issues.

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Furthermore, the Premium/(Discount) — Five Days represented by the issue prices of the Comparable Issues ranged from a discount of approximately 64.35% to a premium of approximately 26.83%, with an average of a discount of approximately 18.52%. The Premium/(Discount) — Five Days represented by the Subscription Price falls within the range of the Premium/(Discount) — Five Days represented by the issue prices of the Comparable Issues.

(d) Conclusion

Although the Subscription Price is lower than the closing price of the Shares throughout the Review Period, having considered the facts that:

- (i) the Premium/(Discount) — Last Day represented by the Subscription Price falls within the range of the Premium/(Discount) — Last Day represented by the issue prices of the Comparable Issues;
- (ii) the Premium/(Discount) — Five Days represented by the Subscription Price falls within the range of the Premium/(Discount) — Five Days represented by the issue prices of the Comparable Issues;
- (iii) the trading volume of the Shares is relatively thin during the Review Period; and
- (iv) the potential benefits of the entering into of the Subscription Agreement as analysed in the paragraph headed “*III. Background of, reasons for and benefits of the entering into of the Subscription Agreement and the Sponsors’ Agreement*” above,

we are of the view that the Subscription Price is commercially justifiable.

Lock-up undertaking

Pursuant to the Subscription Agreement, at all times during the period commencing on the Subscription Date and ending on the first anniversary thereof, each Investor has undertaken to the Company not to, without the prior written consent of the Company, transfer, sell, lease or pledge to any person any of the Subscription Shares for which it has subscribed on the Subscription Date.

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Given the fact that the Investors will become the second largest Shareholders after Completion, any disposal of the Subscription Shares by the Investors thereafter might trigger an instant fluctuation on the Share price. We consider that the arrangement of the lock-up period could effectively prevent any unfavorable and unusual price movement of the Shares provoked by the disposal of the Subscription Shares by the Investors in the short-term period. In addition, as mentioned above, the Directors would like to leverage on IFC's extensive experience to further enhance the Company's capability in the areas of environment, social and corporate governance. The arrangement of lock-up period can procure and ensure the commitment of the Investors to the Group's development. As such, we are of the view that the arrangement of the lock-up period is in the interests of the Company and the Shareholders as a whole.

Conclusion

In view of the above, we are of the view that the terms of the Subscription Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

B. Principal terms of the Sponsors' Agreement

Pursuant to the Sponsors' Agreement, the Grantors grant to each Investor the Put Option entitling the Investors to require the Grantors to, jointly and severally, purchase from the Investors the Put Shares at the Put Price during the Put Period.

(i) Put Price

The aggregate Put Price at which the Grantors will purchase Put Shares from an Investor exercising its Put Option is calculated by multiplying (a) the higher of the amount in HK Dollars per Put Share that (i) provides that Investor an agreed return on each Put Share; and (ii) based on the fair market price of one Share as of the date when the Put Option is exercised, by (b) the number of Put Shares.

The Put Price and the terms of the Sponsors' Agreement were arrived at after arm's length negotiations between the parties thereto. Having considered that the Put Price is a commercial term agreed between the Investors and the Grantors, we are of the view that this term would not have material impacts on the operation and financial position of the Group.

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(ii) *Exercise of the Put Option*

Provided that the exercise of the Put Option would not (i) obligate any or all the Grantors to make a mandatory offer (as defined in the Code on Takeovers and Mergers); or (ii) results in the Company being unable to satisfy the public float requirements under the Listing Rules, each Investor may exercise its Put Option during the Put Period following the occurrence of any of the following triggering events:

(a) Specific Pipeline Project Put Trigger Event

Due to the Investors' unwillingness to support coal-gasification related projects on environmental ground, any of the proposed pipeline projects, details of which have been disclosed by the Company in its announcement dated 28 September 2014 (the "**Specific Pipeline Projects**"), is used or intended to be used to transmit gas produced from coal-gasification plants for more than 20% of the total throughput of the pipelines.

The Investors may elect to waive their rights to exercise the Put Option with respect to any of the Specific Pipeline Projects (and upon election, such Put Option will terminate) after 2 years from the date of the Sponsors' Agreement, provided that the Investors are satisfied with the operation or plan in relation to Specific Pipeline Projects.

(b) Additional Pipeline Project Put Trigger Event

Other than the Specific Pipeline Projects or any other pipeline project approved by the Shareholders, the construction, development or operation by the Group of any gas pipeline project dedicated to transmit gas with source from coal gasification plants.

The Investors can only exercise the Put Option following the occurrence of the aforesaid event during the Put Period if at the time of the occurrence of such event, the Grantors, as a group, hold the legal and beneficial ownership of 50% or more of the then total issued share capital of the Company on a fully-diluted basis.

(c) Policy Put Trigger Event

(1) The failure of the Company to perform certain obligations under the Amended and Restated Policy Agreement or in respect of its obligations in relation to the Sanctionable Practices, resolutions issued by the United Nations Security Council under Chapter VII of the UN Charter, U.S. Office of Foreign Assets and Control and Shell Banks; (2) the failure of the Company in any material manner to perform (in the sole opinion of the Investors) any

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of its obligations under the Amended and Restated Policy Agreement in relation to the affirmative environmental covenants and negative environmental covenants, such failure is incapable of remedy in the reasonable opinion of the Investors or, if capable of remedy but has not been remedied to the satisfaction of the Investors within 30 days following notice of such failure served from either Investor; (3) the failure of any Grantor to perform certain obligations under the Sponsors' Agreement; or (4) any representation and warranty made or deemed to be made by any Grantor in the Sponsors' Agreement is incorrect or misleading.

(d) Voting Threshold Put Trigger Event

For so long as the Grantors, the Management and any of their respective associates (as defined in the Listing Rules), as a group, hold more than 45% of the then issued share capital of the Company, any or all of these persons casting their votes in respect of more than 45% of their voting rights in any resolution at any general meeting of the Shareholders to approve any notifiable transaction (as defined in the Listing Rules) which requires shareholders' approval under the Listing Rules.

Given that the above triggering events are commercial terms strictly between the Grantors and the Investors with an aim to determine the timing for the exercise of the Put Option, we are of the view that this term has no material impacts on the operation and financial position of the Group.

(iii) *Share retention*

At all times during the period commencing on the Subscription Date and ending on the fifth anniversary thereof, for so long as the Investors, as a group, hold the legal and beneficial ownership of 10% or more of the total issued Shares on a fully-diluted basis (among others):

- (a) the Sponsors shall, as a group, maintain, directly or indirectly, the legal and beneficial ownership of not less than 100% of the total issued share capital of each Sponsor SPVs on a fully-diluted basis free from all Prohibited Transfers;
- (b) no Sponsor shall transfer any share of any Sponsor SPVs if, after giving effect to such transfer, Mr. Zhang maintains, directly or indirectly, the legal and beneficial ownership of less than 50% of the total issued share capital of any Sponsor SPVs on a fully-diluted basis; and
- (c) the Sponsor SPVs shall, as a group, maintain, directly or indirectly, the legal and beneficial ownership of not less than 33% of the total issued share capital of the Company on a fully-diluted basis.

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We are of the view that the share retention arrangement is designed to maintain the beneficial interest of the Grantors at a certain level which in turn demonstrates the commitment and devotion of the Grantors to the Company. Such arrangement might have a positive impact on the confidence of the existing Shareholders and potential investors on the Group's prospect.

(iv) *Tag-along right*

So long as the Investors, as a group, hold 5% of more of the then issued share capital of the Company, if any Grantor (or any group of Grantors together) proposes to transfer its Shares to any person (other than where the transferee is a Grantor or where a transfer is made on-market) (the “**Relevant Transfer**”), each Investor will be entitled to transfer their respective Eligible Equity Securities in proportion to the amount of the Equity Securities to be transferred by such Grantor under the Relevant Transfer(s) to such transferee on the same terms.

Given that the tag-along right relates to interest of the Investors, the Grantors and such transferee, we are of the view that this term has no material impacts on the operation and financial position of the Group.

(v) *Grantor's undertakings*

Pursuant to the Sponsors' Agreement, the Grantors shall:

- (a) procure that the Company shall comply with all of its obligations under the Amended and Restated Policy Agreement;
- (b) in any general meeting of the Shareholders:
 - (aa) not vote in favor or against any resolution of such shareholders in each case that would result in the Company's failure to comply with any of its obligations under the Amended and Restated Policy Agreement; and
 - (bb) for so long as the Investors, as a group, hold the legal and beneficial ownership of 5% or more of the total issued Shares on a fully-diluted basis, vote in favor of any resolution of such shareholders to approve the appointment of the Investors' Nominee Director;
- (c) for so long as the Grantors, the Management and any of their respective associates, as a group, hold the legal and beneficial ownership of more than 45% of the total issued Shares on a fully-diluted basis, not cast their votes (and procure that each such management member or associate shall not cast their votes) in respect of more than 45% of their ownership of such total

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issued Shares in any resolution of the Shareholders at a general meeting to approve any notifiable transaction (as defined in the Listing Rules) requiring approval of the Shareholders pursuant to Chapter 14 of the Listing Rules provided that this obligation shall only become effective on and from the Subscription Date and cease to have any effect once neither investor holds any legal and beneficial ownership of any issued Shares.

Given (i) the Amended and Restated Policy Agreement sets a higher standard on corporate governance and social and environmental sustainability to the Group which is favorable to the Group's operation in long term and may bring a positive impact on the Group's brand image; (ii) the absence of voting by the Grantors on any resolution that would result in the Company's failure to comply with its obligations under the Amended and Restated Policy Agreement would, to a certain extent, lower the probability of the Group's discontinuance of the corporate governance and social and environmental sustainability; (iii) the voting by the Grantors in favor of any resolution relating to the approval of the appointment of the Investors' Nominee Director would promote the communication between the Company and the Investors which is essential and beneficial for the effectiveness of the Investors' ongoing monitoring on the Group pursuant to the terms of the Amended and Restated Policy Agreement; and (iv) the absence of voting by the Grantors in any resolution relating to any notifiable transaction would in turn strengthen the voting power of the minority Shareholders; we are of the view that the Grantor's undertakings are in the interest of the Company and the Shareholders as a whole.

In view of the above, we are of the view that the terms of the Sponsors' Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

V. Potential dilution effect on shareholding in the Company

According to the Letter from the Board, the following table sets forth the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately after Completion (assuming that there is no other change in the shareholding structure of the Company before Completion); and (iii) immediately after Completion and the exercise of the Put Option by the Investors (assuming that the Put Option is exercised in full and that there is no other Shares or other equity securities issued or distributed in respect of such Shares by way of stock dividend, stock split or distribution, or in connection with a combination of shares, recapitalization, reorganization, merger or consolidation or otherwise):

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Table 4: Shareholding structure of the Company

	As at the Latest Practicable Date		Immediately after Completion		Immediately after Completion and the exercise of the Put Option by the Investors (assuming that the Put Option is exercised in full)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
The Grantors (Note 1)	532,748,300	64.35	532,748,300	52.77	714,490,700	70.77
Pleasant New Limited (Note 2)	12,829,450	1.55	12,829,450	1.27	12,829,450	1.27
IFC	—	—	90,871,200	9.00	—	—
IFC Fund	—	—	90,871,200	9.00	—	—
Public Shareholders	282,347,250	34.10	282,347,250	27.96	282,347,250	27.96
	<u>827,925,000</u>	<u>100.00</u>	<u>1,009,667,400</u>	<u>100.00</u>	<u>1,009,667,400</u>	<u>100.00</u>

Notes:

- Gold Shine Development Limited is interested in 463,297,800 Shares through its wholly-owned subsidiary, namely Tian Lun Group Limited. 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 held by Tian Lun Group Limited for the purposes of the SFO.

Chequers Development Limited is wholly-owned by Mr. Zhang, which is interested in 63,687,000 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares held by Chequers Development Limited for the purposes of the SFO.

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 Shares interested by Ms. Sun for the purpose of the SFO.

- Mr. Xian Zhenyuan, an executive Director and the sole director of Pleasant New Limited, beneficially owns 90.00% of the issued share capital of Pleasant New Limited, which in turn owns 12,829,450 Shares. Therefore, Mr. Xian Zhenyuan is deemed or taken to be interested in all the Shares held by Pleasant New Limited for the purpose of the SFO.

As shown in Table 4 above, the shareholding of the existing public Shareholders will be diluted from approximately 34.10% of the issued share capital of the Company as at the Latest Practicable Date to approximately 27.96% immediately after Completion (assuming that there is no other change in the shareholding structure of the Company before Completion). Having considered the reasons for and benefits of the entering into of the Subscription Agreement and

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the Sponsors' Agreement as detailed in the section headed "*III. Background of, reasons for and benefits of the entering into of the Subscription Agreement and the Sponsors' Agreement*" above, including but not limited to (i) the entering into of the Sponsors' Agreement is one of the conditions precedent to Completion; (ii) the introduction of IFC and IFC Fund, as the second largest Shareholders, to the Company will bring a positive impact on the Group's brand image and reputation in the international finance market; (iii) the issue of the Subscription Shares will enlarge the capital base of the Company and moderate the Group's gearing level thereby strengthening the Group's financial position; (iv) the Amended and Restated Policy Agreement sets a higher standard on corporate governance and social and environmental sustainability to the Group which is favorable to the Group's operation in long term; and (v) the Sponsors' Agreement serves as a guarantee of the Grantors that the Grantors shall procure the Company to fully comply with certain undertakings and covenants as stipulated in the Subscription Agreement and the Amended and Restated Policy Agreement, we are of the view that such dilution effect is acceptable and commercially justifiable.

VI. Possible financial effects of the entering into of the Subscription Agreement and the Sponsors' Agreement

A. Effect on net asset value

According to the 2014 Annual Results Announcement, the net assets of the Group as at 31 December 2014 was approximately RMB1,475.8 million. Upon Completion, the net assets of the Group will increase by the net proceeds from the issue of the Subscription Shares of approximately HK\$1,159.7 million. As such, the entering into of the Subscription Agreement is expected to have a positive impact on the financial position of the Group.

B. Effect on liquidity

It is expected that the liquidity position of the Group will enhance by the net proceeds from the issue of the Subscription Shares of approximately HK\$1,159.7 million upon Completion. Accordingly, the entering into of the Subscription Agreement is expected to have a positive impact on the current ratio of the Group.

C. Effect on cash flow

According to the 2014 Annual Results Announcement, the cash and cash equivalents of the Group as at 31 December 2014 amounted to approximately RMB263.6 million. Upon Completion, the cash level of the Group will increase by the net proceeds from the issue of the Subscription Shares of approximately HK\$1,159.7 million. Accordingly, the entering into of the Subscription Agreement is expected to have a positive impact on the cash flow position of the Group.

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D. Effect on gearing ratio

Upon Completion, the Group's total liabilities will remain unchanged while the Group's total assets will increase by the net proceeds from the issue of the Subscription Shares of approximately HK\$1,159.7 million. Therefore, it is expected that the gearing ratio of the Group will improve.

In respect of the Sponsors' Agreement, it is expected that there will be no material financial impact on the Group.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon Completion.

OPINION

Having taken into account the above principal factors and reasons, we are of the view that although the entering into of the Subscription Agreement and the Sponsors' Agreement is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement and the Sponsors' Agreement are on normal commercial terms, and fair and reasonable as far as the Independent Shareholders are concerned, and the entering into of the Subscription Agreement and the Sponsors' Agreement is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise, and ourselves recommend, the Independent Shareholders to vote in favor of the relevant resolution at the EGM to approve the entering into of the Subscription Agreement and the Sponsors' Agreement and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
Astrum Capital Management Limited
Hidulf Kwan **Rebecca Mak**
Executive Director *Associate Director*

1. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date were, and immediately after the issue of the Subscription Shares will be (assuming that save for the issue of the Subscription Shares, no new Shares will be issued from the Latest Practicable Date to the Completion) as follows:

Authorised capital:		HK\$
<u>2,000,000,000</u>	ordinary Shares of HK\$0.01 each	<u>20,000,000</u>
Issued and fully paid or credited as fully paid:		
827,925,000	Shares in issued as at the Latest Practicable Date	8,279,250
181,742,000	Subscription Shares to be issued at the Completion	1,817,420
<u>1,009,667,000</u>		<u>10,096,670</u>

2. DISCLOSURE OF INTERESTS**Interest of Directors and chief executive of the Company**

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and 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 interests which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares

Name	Capacity/ Nature of Interest	Number of Shares Held	Number of underlying Shares Held	Approximate percentage of the Company's total issued share capital
Mr. Zhang Yingcen (Note 1)	Beneficial Interest	—	181,742,000 (Note 4)	21.95%
	Interest of controlled corporation	527,025,800 (Note 1)	545,226,000 (Note 5)	129.51%
	Interest of spouse	5,722,500 (Note 1)	181,742,000 (Note 6)	22.64%
Mr. Xian Zhenyuan (Note 2)	Interest of controlled corporation	12,829,500	—	1.55%
	Beneficial owner (Note 3)	4,000,000	—	0.48%
Mr. Feng Yi	Beneficial owner (Note 3)	600,000	—	0.07%
Mr. Hu Xiaoming	Beneficial owner (Note 3)	1,500,000	—	0.18%
Ms. Li Tao	Beneficial owner (Note 3)	600,000	—	0.07%
Mr. Sun Heng	Beneficial owner (Note 3)	600,000	—	0.07%

Notes:

1. Gold Shine Development Limited is interested in 463,297,800 Shares through its wholly-owned subsidiary, namely Tian Lun Group Limited. 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 held by Tian Lun Group Limited for the purposes of the SFO.

Chequers Development Limited is wholly-owned by Mr. Zhang, which is interested in 63,687,000 Shares. Therefore, Mr. Zhang is also deemed or taken to be interested in all the Shares held by Chequers Development Limited for the purposes of the SFO.

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 Shares interested by Ms. Sun for the purpose of the SFO.

Mr. Zhang is the director of Gold Shine Development Limited, Tian Lun Group Limited and Chequers Development Limited.

2. Mr. Xian Zhenyuan beneficially owns 80.0% of the issued share capital of Pleasant New Limited, which in turn owned 16,829,500 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.
3. These long positions represent the share options granted to the respective Directors under the share option scheme of the Company. Each share option shall entitle the holder thereof to subscribe for one Share.
4. The Grantors (including Mr. Zhang) 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 Mr. Zhang only, Mr. Zhang is obliged to purchase the Put Shares, being 181,742,000 Shares.
5. The Grantors (including the Sponsor SPVs) 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 Sponsor SPVs only, the Sponsor SPVs, as a group, is obliged to purchase the Put Shares, being 181,742,000 Shares. Such underlying 545,226,000 Shares represent the aggregation of the maximum number of the Put Shares that may be sold by the Investors to each of the Sponsor SPVs in such circumstances.
6. The Grantors (including Ms. Sun, being Mr. Zhang's spouse) 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 181,742,000 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and 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 which they were taken or deemed to have under such provisions of the SFO), or were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

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

4. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinions, letters or advice contained in this circular:

Name	Qualification
Astrum Capital Management	a licensed corporation to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 6 (advising on corporate finance), and type 9 (asset management) regulated activities under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion therein of its letter and/or reference to its name, in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of any member of the Group nor had any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group, nor did it have any interest, either directly or indirectly, in the assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

6. DIRECTORS' COMPETING INTERESTS

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors nor their respective close associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, as if each of them was a controlling Shareholder.

7. DIRECTORS' INTEREST IN CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, certain Directors were materially interested in the following contracts or arrangements which were subsisting as at the Latest Practicable Date:

- (i) the Subscription Agreement;
- (ii) the Amended and Restated Policy Agreement; and
- (iii) the Sponsors' Agreement.

Save for the abovesaid, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interests in any assets which have been acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. GENERAL

- (a) the registered office of the Company is at Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, George KY1-1108, Cayman Islands;
- (b) the head office and principal place of business of the Company in Hong Kong is at unit 1603, 16th Floor, 100 Queen's Road Central, Central, Hong Kong;
- (c) the company secretary of the Company is Mr. Hung, Man Yuk Dison. Mr. Hung was the qualified accountant and company secretary of Zhongtian International Limited (Stock Code: 2379). He is currently the General Manager of Lead & Partners Limited, a secretarial company in Hong Kong; a director of the Professional Consultancy and Advisory Services Department of LEAD CPA Limited, a chartered public accountant firm in Hong Kong; and the company secretary of Come Sure Group (Holdings) Limited (Stock Code: 794). Mr. Hung obtained a master's degree majoring in Finance from Curtin University of Technology in 2002. Mr. Hung was admitted as an associate member of Hong Kong Institute of Certified Public Accountants in 2004 and a fellow member of the Association of Chartered Certified Accountants in United Kingdom in 2006.
- (d) 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; and
- (e) the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be 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 from the date of this circular up to and including the date of the EGM:

- (a) the memorandum of association of the Company and the Articles;
- (b) the letter from the Independent Board Committee, the text of which is set out on page 27 of this circular;

- (c) the letter from the Independent Financial Adviser, the text of which is set out on pages 28 to 50 of this circular;
- (d) the written consent referred to in the section headed “Expert and Consent” in this appendix;
- (e) the Subscription Agreement;
- (f) the Amended and Restated Policy Agreement;
- (g) the Sponsors’ Agreement; and
- (h) this circular.

NOTICE OF EGM



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (“**EGM**”) of China Tian Lun Gas Holdings Limited (the “**Company**”) will be held at 10:00 a.m. on Thursday, 7 May 2015 at The Conference Room, 6th Floor, Tian Lun Group Building, No. 6 Huang He East Road, Zheng Dong Xin District, Zhengzhou City, Henan Province, the People’s Republic of China to consider and, if thought fit, pass the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT**

- (a) the subscription agreement dated 11 February 2015 (the “**Subscription Agreement**”) (a copy of which is marked “**A**” now produced to the EGM and initialled by the chairman of the EGM (the “**Chairman**”) for the purpose of identification) entered into between the Company and International Financial Corporation and IFC Global Infrastructure Fund, LP (together, the “**Investors**”) in respect of the issue of an aggregate of 181,742,400 fully paid new shares (the “**Subscription Shares**”) of the Company, the amended and restated policy agreement dated 20 March 2015 (the “**Amended and Restated Policy Agreement**”) (a copy of which is marked “**B**” now produced to the EGM and initialled by the Chairman for the purpose of identification), the sponsors’ agreement dated 27 March 2015 (the “**Sponsors’ Agreement**”) (a copy of which is marked “**C**” now produced to the EGM and initialed by the Chairman for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified;
- (b) subject to fulfilment of the conditions precedent set out in the Subscription Agreement, the allotment and issue of the Subscription Shares in accordance with the terms and conditions of the Subscription Agreement be and is hereby approved;

NOTICE OF EGM

- (c) the directors of the Company (the “**Directors**”) be and are hereby granted a specific mandate (the “**Specific Mandate**”) to exercise the powers of the Company to allot and issue the Subscription Shares pursuant to the terms and conditions of the Subscription Agreement, the Subscription Shares shall rank pari passu in all respects among themselves and with all fully paid ordinary shares of the Company in issue as at the date of allotment and issue. The Specific Mandate is in addition to, and shall not prejudice nor revoke any general or specific mandate(s) which has/have been granted or may from time to time be granted to the Directors prior to the passing of this resolution; and
- (d) any one Director, or any two Directors or any one Director and the company secretary of the Company if the affixation of the common seal of the Company is necessary, be and is hereby authorised to execute all documents and to do all such things and take all such other steps which, in his/her opinion, may be necessary or desirable in connection with the matters contemplated in the Subscription Agreement or the Amended and Restated Policy Agreement, as the case may be.”

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

Zhengzhou, the PRC, 21 April 2015

Notes:

1. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his/her proxy to attend and vote instead of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.
3. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting or any adjournment thereof.
4. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.

NOTICE OF EGM

5. Where there are joint holders of any shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint holding.
6. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.
7. The transfer books and register of members of the Company will be closed from Tuesday, 5 May 2015 to Thursday, 7 May 2015 (both days inclusive) during which period no transfer of share(s) will be effected. In order to determine the entitlement to attend and vote at the EGM, all transfer of share(s), accompanied by the relevant share certificate(s) with the properly completed transfer form(s) either overleaf or separately, must be lodged with the branch share registrar and transfer office of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at Room 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 May 2015.
8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English version shall prevail.
9. A form of proxy for use at the EGM is enclosed.
10. As required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), the above resolution will be decided by way of poll.
11. The resolution at the meeting will be taken by poll pursuant to the Listing Rules and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
12. As at the date of this notice, 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.