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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)

DISCLOSEABLE TRANSACTION
ACQUISITION OF 100% EQUITY INTEREST IN
SICHUAN JINTANG COUNTY GAS COMPANY

THE ACQUISITION AGREEMENT

On 12 May 2017 (after trading hour), Xuchang Tian Lun (an indirect wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Vendors, pursuant to which, Xuchang Tian Lun agreed to acquire 100% equity interest in the Target Company at the Consideration of RMB500,000,000.

Upon Completion, the Target Company will be directly owned by Xuchang Tian Lun and the financial results of the Target Company will be consolidated into the accounts of the Group.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under the Listing Rules in respect of the transaction as contemplated under the Acquisition Agreement exceeds 5% but is less than 25%, the entering into of the Acquisition Agreement constitutes a discloseable transaction on the part of the Company and is therefore subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

THE ACQUISITION AGREEMENT

The Board is pleased to announce that on 12 May 2017 (after trading hour), Xuchang Tian Lun (an indirect wholly-owned subsidiary of the Company) entered into the Acquisition Agreement with the Vendors. The principal terms of the Acquisition Agreement are set out as follows:

Date:

12 May 2017 (after trading hour)

Parties:

- (i) Xuchang Tian Lun, as purchaser; and
- (ii) the Vendors, as vendors.

To the best knowledge, information and belief of the Board having made all reasonable enquiries, each of the Vendors, are Independent Third Parties.

Subject Matter:

Under the Acquisition Agreement, the subject to be acquired includes the following:

1. 100% equity interest in the Target Company and related rights attaching thereto, including but not limited to the right of profit sharing, shareholder's rights, voting right, right of appointment and removal of personnel and other rights;
2. gas related assets and other assets owned and/or controlled by the Target Company; and
3. pipeline gas operation franchise in seven regions in Jintang County, Chengdu owned by the Target Company.

Upon Completion, the Target Company will become an indirect wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the consolidated financial statements of the Group.

Consideration:

The total consideration payable by Xuchang Tian Lun pursuant to the Acquisition Agreement is RMB500,000,000, and shall be settled in the following manner:

- (a) Within seven business days after the signing of the agreement, Xuchang Tian Lun shall pay the Deposit of RMB10,000,000 to the account designated by the Vendors.

The Vendor shall (i) refund the Deposit to Xuchang Tian Lun; (ii) compensate the Xuchang Tian Lun with a sum equivalent to the Deposit and (iii) pay a fund utilisation fee for the period of fund utilisation at the benchmark loan interest rate adopted by the People's Bank of China for the same period, if material default(s) in respect of the following undertakings by the Vendors occur(s) which cause(s) the Acquisition Agreement unable to be enforced:

- (i) there being no obvious defects in the gas operation franchise of the Target Company, and there being no major issues or risks relating to the market, operation and financial conditions of the Target Company;
- (ii) the Target Company confirming that it owns the gas operation franchise to conduct pipeline business in seven regions in Jintang County, Chengdu, and such franchise was effective from a date no earlier than 31 December 2008 and was valid for 30 years;
- (iii) the total consideration for the Acquisition is RMB500,000,000, unless otherwise provided in the agreement, Xuchang Tian Lun is not required to make any other payment to the Vendors.
- (b) Within seven Business Days after the a joint bank account being opened by Xuchang Tian Lun and the Vendors after the signing of the Acquisition Agreement, Xuchang Tian Lun shall pay the first instalment of RMB140,000,000 to such joint bank account. The parties shall submit the application for registration of change of ownership of equity interest in the Target Company and the change of directors, supervisors, managers and legal representatives of the Target Company to and complete such registration with the relevant industrial and commerce authorities within seven Business Days thereafter (as evidenced by the obtaining of the new business license of the Target Company upon registration of change in equity interest). Upon fulfillment of such condition, Xuchang Tian Lun shall cooperate with the Vendors to release the joint custodian of the down payment of RMB140,000,000 in the aforesaid joint bank account. The Deposit shall be utilised as settlement of the Consideration.

- (c) Within seven Business Days after completion of the registration stated in the paragraph (b) above and the Target Company has obtained the new business license, Xuchang Tian Lun shall pay the second instalment of RMB150,000,000 to the Vendors.
- (d) Within seven Business Days after completion of the Handover of Assets and Management and the financial documents check of the Target Company, Xuchang Tian Lun shall pay the third instalment of RMB150,000,000 to the bank account designated by the Vendors.
- (e) If no shareholding-related issue of the Target Company which was inconsistent with those disclosed on the Benchmark Date arises and no non-disclosed liability which had arisen before the Benchmark Date is discovered during the twelve months after completion of the Handover of Assets and Management and the financial documents check of the Target Company aforesaid, Xuchang Tian Lun shall pay the final instalment of RMB50,000,000 to the Vendors within the seven Business Days thereafter.

Conditions Precedent:

Completion is conditional upon, among others, the fulfilment of the following conditions:

- (a) the Vendors having convened the shareholders' meeting of the Target Company and procure a valid shareholders' resolutions approving the Acquisition; and
- (b) the Board's approval and all necessary approvals and consents required by the Listing Rules in respect of the Acquisition being obtained.

Effectiveness:

The Acquisition Agreement shall become effective after the signing of the Acquisition Agreement.

BASIS FOR DETERMINATION OF THE CONSIDERATION

The Consideration was determined by Xuchang Tian Lun and the Vendors after arm's length negotiations, taking into consideration the existing size of assets, area of operation and customer base for gas business and profitability of the Target Company as well as the potential operational growth of the Target Company.

INFORMATION ON THE GROUP AND THE TARGET COMPANY

Information on the Group

The Group is principally engaged in the operation of gas pipeline connection, gas sales, gas refilling stations investment and operation, and LNG plant investment and operation in the PRC. Xuchang Tian Lun is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. It is principally engaged in, among others, the business of wholesale and retail of natural gas and liquefied petroleum gas, development and application of new gas technology, and investment in gas business.

Information on the Target Company

The Target Company is a company incorporated in the PRC in May 1993 with limited liability, with a registered capital of RMB51,144,960, and is principally engaged in the sale of natural gas and the design, installation and maintenance of gas stoves and pipes. As the Target Company was converted from a state-owned enterprise into a private enterprise, its entire equity interest is jointly held by 252 natural person shareholders.

The consolidated financial information of the Target Company for the two financial years ended 31 December 2016 are as follows:

	For the year ended 31 December 2015	For the year ended 31 December 2016
	<i>RMB</i>	<i>RMB</i>
	(audited)	(audited)
Profit before taxation and extraordinary items	46,890,965.25	51,129,514.59
Profit after taxation and extraordinary items	39,857,320.46	43,460,087.40
Total assets	140,644,524.83	183,143,768.61

REASONS FOR AND BENEFIT OF ENTERING INTO THE ACQUISITION AGREEMENT

Jintang County, where the Target Company operates, is in the core area of the Chengdu-Chongqing economic circle and only 42 kilometres from the central urban area of Chengdu. It is a key development area in the Chengdu Plain economic circle and a key development zone for characteristics industries in Chengdu. Local property business in Jintang Country is at a stage of rapid growth, with a large number of properties under construction and to be developed and land available for development. With its unique location advantage, the Chengdu-Jintang subway, which is under construction, will also be completed for traffic in 2020. With the improving

transportation network, urban population will maintain fast growth, and local civil gas market has broad development prospects. The “Da Zhi Zao” (大智造) industrial park, which has a planned area of 330 kilometres and has commenced construction, will focus on the development into an industrial cluster area for energy-saving and environmental protection, general aviation, new energy vehicles, new materials, high-end equipment, and biological medicine industries, and it’s a “trillion level industrial new town” and a “national development zone” in Chengdu. The completed Chengdu-Aba Industrial Park focuses on the development of energy-saving and environmental protection, resources recycling and electronics industry cluster and has introduced over 100 large-scale industrial projects. It strives to develop into a first-class energy-saving and environmentally-friendly industry demonstration park in the PRC. In addition, Jintang County government vigorously promotes the development of local tourism industry and focuses on the development of a number of demonstration tourism projects including the largest children’s theme park in Southwest China, China’s first big data football base and a hot spring resort of China Travel Service (Hong Kong). The improving urban systems, growing urban area and population, and developing industrial park and key investment projects will all facilitate the future market expansion and development of the Target Company.

The Target Company has a stable and mature business operation and over 110,000 residential users, more than 2,200 commercial users and 230 industrial users. It has gas supplied by both China Petroleum and Chemical Corporation, Southwest Oil and Gas Branch and PetroChina Company Limited, Southwest Natural Gas Sales Branch, which further ensures its future steady growth. The project is only 30 kilometers from Xindu District where Sichuan Ming Sheng operates. The Acquisition will further expand the business size of the Group in Southwest China, improve the operational synergies generated by the Group’s urban gas projects in Sichuan Province, Gansu Province, Shaanxi Province and Yunnan Province, and have strategic values and play an important role in the Group’s presence in Sichuan Province and further increase in its market share in Southwest China.

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

LISTING RULES IMPLICATIONS

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DEFINITIONS

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

“Aquisition”	the aquisition of 100% equity interest in the Target Company pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 12 May 2017 entered into among the Vendors and Xuchang Tian Lun in respect of the Acquisition
“Benchmark Date”	30 April 2017
“Board”	the board of Directors
“Business Days”	a day on which financial institutions in the PRC are open for public business as regulated by the State Council of the PRC
“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 main board of the Stock Exchange
“Completion”	the completion of the Acquisition
“Consideration”	the total consideration for the Acquisition in the sum of RMB500,000,000
“Deposit”	RMB10,000,000
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Handover of Assets and Management”	the handover of the assets and management of the Target Company from the Vendors to Xuchang Tian Lun

“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	third party(ies) independent of the Company and connected persons (as defined under the Listing Rules) of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Sichuan Jintang County Gas Company * (四川省金堂縣燃氣公司), a company incorporated in the PRC with limited liability
“Vendors”	Collectively, 252 natural person shareholders and their authorized representatives, each of them being a PRC citizen
“Xuchang Tian Lun”	Xuchang Tian Lun Gas Limited (許昌市天倫燃氣有限公司), a company incorporated in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Zhengzhou, the PRC, 12 May 2017

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi, Mr. Sun Heng and Ms. Li Tao; the non-executive Director is Mr. Wang Jiansheng and the independent non-executive Directors are Mr. Li Liuqing, Mr. Yeung Yui Yuen Michael, Ms. Zhao Jun and Mr. Cao Zhibin.

** for identification purpose only*