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China Tian Lun Gas Holdings Limited **中國天倫燃氣控股有限公司**

(incorporated in the Cayman Islands with limited liability)

(Stock code: 01600)

LETTER OF INTENT IN RESPECT OF POSSIBLE CAPITAL INJECTION

This announcement is made by the Company pursuant to Rule 13.09 of the Listing Rule.

LETTER OF INTENT IN RESPECT OF POSSIBLE CAPITAL INJECTION

The Board announces that on 22 February 2011, the Company entered into the non-legally binding Letter of Intent with the Target Company Shareholders in relation to the Possible Capital Injection.

The Target Company is a company established in the PRC with limited liability which is principally engaged in gas business in Minquan County and Yucheng County and vehicle-use gas business in Shangqiu City and Minquan County. The Target Company had obtained exclusive concession rights for operation of gas business and exclusive operation rights for operation of vehicle-use gas business in Minquan County and Yucheng County in 2008 which last for 30 years. The Target Company has also operated one vehicle-use gas filling station in Shangqiu City and Minquan County respectively.

The Board wishes to emphasize that no legally binding agreement in relation to the Possible Capital Injection has been entered into as at the date of this announcement. As such, the Possible Capital Injection may or may not proceed. If the Possible Capital Injection is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Capital Injection will be made by the Company in the event when the Formal Agreement has been signed.

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The Board announces that on 22 February 2011, the Company entered into the non-legally binding Letter of Intent with the Target Company Shareholders in relation to the Possible Capital Injection.

Letter of Intent

Date: 22 February 2011

Parties: The Company; and

The Target Company Shareholders

The Target Company is a company established in the PRC with limited liability which is principally engaged in gas business in Minquan County (民權縣) (“**Minquan County**”) and Yucheng County (虞城縣) (“**Yucheng County**”) of Shangqiu City (商丘市) (“**Shangqiu City**”) of Henan Province, the PRC and vehicle-use gas business in Shangqiu City and Minquan County. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Target Company Shareholders and their respective associates, are not connected persons of the Company and are independent third parties not connected with the Company and its connected persons.

Major terms of the Letter of Intent

Under the Letter of Intent:

- (i) the Company (or any member of the Group) agrees to contribute a capital of RMB25 million to the Target Company, after which, the total registered capital of the Target Company will be RMB35 million;
- (ii) the capital injection of RMB25 million will be paid by the Company (or any member of the Group) in cash which after the capital injection, the Company (or any member of the Group) will hold 70% of the equity interests in the Target Company while the Target Company Shareholders will hold 30% of the equity interests in the Target Company through their initial capital contribution in the Target Company in the amount of RMB10 million; and
- (iii) the Company (or any member of the Group) agrees to pay the Target Company Shareholders an amount of RMB12 million as compensation.

Within one month upon signing of the Letter of Intent or such other date as agreed between the parties thereto, the parties to the Letter of Intent will negotiate and enter into the Formal Agreement in respect of the Possible Capital Injection. The entering into of the Formal Agreement will be subject to (among other matters) the results of the due diligence to be carried out by the Group on the Target Company. From the date of the Letter of Intent to the signing of the Formal Agreement,

any party to the Letter of Intent may terminate the Letter of Intent by giving written notice to the other party.

The Target Company Shareholders have undertaken that they will not negotiate with any other party for the Possible Capital Injection from the date of the Letter of Intent to the signing of the Formal Agreement.

The Letter of Intent does not constitute legally-binding commitment in respect of the Possible Capital Injection. The Possible Capital Injection is subject to the execution and completion of the Formal Agreement.

In the event that the entering into of the Formal Agreement and the transactions thereunder will constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules, the Company will comply with the reporting, disclosure and/or Shareholders' approval requirements under the Listing Rules.

Reasons for the Possible Capital Injection

The Target Company is a company established in the PRC with limited liability which is principally engaged in gas business in Minquan County and Yucheng County and vehicle-use gas business in Shangqiu City and Minquan County.

The Target Company had obtained exclusive concession rights for operation of gas business and exclusive operation rights for operation of vehicle-use gas business in Minquan County and Yucheng County in 2008 which last for 30 years. The Target Company has also operated one vehicle-use gas filling station in Shangqiu City and Minquan County respectively.

Shangqiu City is situated at the conjunction of the Yudong Sub-branch (豫東支線) of the second pipeline of the West-East Natural Gas Transmission Projects (西氣東輸二線) (the largest gas pipeline in the PRC) which ensures a stable supply of gas. The gross product of Shangqiu City in 2009 amounted to over RMB100 Billion. Shangqiu City has been an important industrial district of eastern Henan Province. Minquan County has been an important production base of freezer trucks in Henan Province. Yucheng County has been a production base of agricultural by-products. The Board is of the view that the Target Company has a promising future for its exclusive thirty-year concession rights and operation rights to operation gas business and vehicle-use gas business in Minquan County and Yucheng County and its existing vehicle-use gas business in Shangqiu City and Minquan County.

The Board is of the view that acquiring the controlling equity interests in the Target Company will provide the Group with an opportunity of investing in gas business and vehicle-use gas business in China, and thus expand the geographic coverage of its operations. In the future, leveraging on a large number of customers and social resources accumulated from the gas and vehicle-use gas business in Shangqiu City, it will provide the Group with opportunities and convenience to further develop its gas business.

The Board wishes to emphasize that no legally binding agreement in relation to the Possible Capital Injection has been entered into as at the date of this announcement. As such, the Possible Capital Injection may or may not proceed. If the Possible Capital Injection is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Capital Injection will be made by the Company in the event when the Formal Agreement has been signed.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors from time to time
“Company”	China Tian Lun Gas Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal capital injection agreement which may or may not be entered into in relation to the Possible Capital Injection
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Letter of Intent”	the letter of intent entered into between the Company and the Target Company Shareholders on 22 February 2011 in relation to the Possible Capital Injection
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Possible Capital Injection”	the possible capital injection by the Group to the Target Company as contemplated under the Letter of Intent
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	河南綠源燃氣有限公司(Henan Luyuan Gas Limited), a company established in the PRC with limited liability, the entire registered capital of which is owned by the Target Company Shareholders
“Target Company Shareholders”	The existing shareholders of the Target Company, who consist of five individuals and in aggregate own the entire registered capital of the Target Company
“%”	per cent

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

Hong Kong, 22 February 2011

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi, Mr. Sun Heng; the non-executive Director is Mr. Zhang Daoyuan and the independent non-executive Directors are Mr. Chang Zongxian, Mr. Li Liuqing, Mr. Zhang Jiaming and Ms. Zhao Jun.