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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 THE TARGET COMPANIES**

DISCLOSEABLE TRANSACTION

On 22 October 2020, Henan Tian Lun (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into the Equity Transfer Agreement I with the Vendor IA and the Vendor IB (as vendors), Chongqing Jindi (as guarantor) and the Target Company I, whereby Henan Tian Lun agreed to acquire 39% and 61% equity interest of the Target Company I from the Vendor IA and the Vendor IB, respectively at the Consideration I of RMB233,300,000.

The Board is pleased to announce that on 25 December 2020, Henan Tian Lun (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into the Equity Transfer Agreement II with the Vendor IIA and the Vendor IIB (as vendors), Chongqing Jindi (as guarantor) and the Target Companies II, whereby Henan Tian Lun agreed to acquire 60% and 40% equity interest of the Target Company IIA from the Vendor IIA and the Vendor IIB, respectively (and subsequently acquire 100% equity interest in each of the Target Company IIB, the Target Company IIC, the Target Company IID and the Target Company IIE upon completion of the Reorganisation) at the Consideration II of RMB832,760,000.

The net profit after tax of the Target Company I for the year ended 31 December 2019 and the seven months ended 31 July 2020 was approximately RMB7,562,948 and RMB5,045,673, respectively.

The aggregated net profit after tax of the Target Company IIB, the Target Company IIC, the Target Company IID and the Target Company IIE for the year ended 31 December 2019 and the nine months ended 30 September 2020 was approximately RMB47,743,301 and RMB44,715,803, respectively.

Upon completion of the Acquisitions, the Target Companies will become wholly-owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the financial statement of the Group.

LISTING RULES IMPLICATIONS

At the time when the Equity Transfer Agreement I was entered into, as none of the applicable percentage ratios exceeded 5%, the transaction contemplated thereunder did not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As shown in the section headed “**INFORMATION ABOUT THE TARGET COMPANIES**”, by reason of the intertwined equity interest holdings by the current ultimate beneficial owners of the Target Companies (prior to the completion of the Reorganisation) and the Vendors, the Company consider the Vendors I and the Vendors II are connected or otherwise associated with each other. As the transactions contemplated under the Equity Transfer Agreement I and the Equity Transfer Agreement II are conducted within a 12-month period, the transactions shall be aggregated under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition I under the Equity Transfer Agreement I and the Acquisitions II under the Equity Transfer Agreement II on an aggregated basis is/are more than 5% but less than 25%, the entering into of the Equity Transfer Agreement I and Equity Transfer Agreement II in aggregate constitute a discloseable transaction of the Company and are thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

On 22 October 2020, Henan Tian Lun (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into the Equity Transfer Agreement I with the Vendor IA and the Vendor IB (as vendors), Chongqing Jindi (as guarantor) and the Target Company I, whereby Henan Tian Lun agreed to acquire 39% and 61% equity interest of the Target Company I from the Vendor IA and the Vendor IB, respectively at the Consideration I of RMB233,300,000.

The Board is pleased to announce that on 25 December 2020, Henan Tian Lun (an indirect wholly-owned subsidiary of the Company) (as purchaser) entered into the Equity Transfer Agreement II with the Vendor IIA and the Vendor IIB (as vendors), Chongqing Jindi (as guarantor) and the Target Companies II, whereby Henan Tian Lun agreed to acquire 60% and 40% equity interest of

the Target Company IIA from the Vendor IIA and the Vendor IIB, respectively (and subsequently acquire 100% equity interest in each of the Target Company IIB, the Target Company IIC, the Target Company IID and the Target Company IIE upon completion of the Reorganisation) at the Consideration II of RMB832,760,000.

Upon completion of the Acquisitions, the Target Companies will become wholly-owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the financial statement of the Group.

THE EQUITY TRANSFER AGREEMENTS

The salient terms of the Equity Transfer Agreements are set out as follows:

The Equity Transfer Agreement I

Date

22 October 2020

Parties

1. Henan Tian Lun (an indirect wholly-owned subsidiary of the Company) (as purchaser);
2. Vendor IA;
3. Vendor IB;
4. Chongqing Jindi (as guarantor); and
5. the Target Company I

Subject of the transaction

1. 100% equity interest in the Target Company I and related rights attached thereto;
2. gas related assets and other assets owned and/or controlled by the Target Company I; and
3. pipeline gas operation franchise in the designated areas in Jingyuan County, Baiyin City, Gansu Province.

Consideration I

The aggregate Consideration I payable by Henan Tian Lun for the Acquisition I is RMB233,300,000 which was determined with reference to, among other things, the financial statements of the Target Company I as at 31 July 2020 (including but not limited to the net asset value), area of operation and customer base for gas business and profitability of the Target Company I as well as the potential operational growth of the Target Company I.

The Consideration I will be payable by Henan Tian Lun in cash as described below:

1. First Instalment of RMB46,660,000 (20% of the Consideration I)

- (1) The Vendors I and Chongqing Jindi agreed and are responsible for obtaining a written confirmation issued by the People's Government of Jingyuan County after the execution of the Equity Transfer Agreement I, which shall include its consent to the Acquisition I and the change of legal representative of the Target Company I, and the confirmation that the Target Company I shall be entitled to the rights and obligations of Chongqing Jindi under the Jingyuan County Piped Gas Franchise Agreement*(靖遠縣管道燃氣特許經營協定).
- (2) Within 3 business days upon the execution of the Equity Transfer Agreement I, the Vendors I and Henan Tian Lun shall jointly open a bank account (the "**Joint Account I**") in Zhengzhou City in the name of the Vendor IB. Within 5 business days after the opening of the Joint Account I, Henan Tian Lun shall pay the first instalment of RMB46,660,000 to the Joint Account I.

2. Second Instalment of RMB69,990,000 (30% of the Consideration I)

- (1) Within 7 business days upon the payment of the first instalment in the manner as described in 1 above, the Vendors I and Henan Tian Lun shall jointly submit to the relevant administration of industry and commerce the application materials for the transfer of equity interest in the Target Company I and the change of legal representatives, directors, supervisors, managers, etc. of the Target Company I, which must comply with the rules/regulations of the state administration of industry and commerce.
- (2) Within 5 business days upon completion of all agreed arrangement as set out in 2(1) above, Henan Tian Lun shall pay the second instalment of RMB69,990,000 to the Joint Account I.

- (3) With 5 business days upon the completion of the registration of the transfer of equity interest in the Target Company I and the change of legal representatives, directors, supervisors, managers, etc. of the Target Company I with the relevant administration of industry and commerce and the obtain of the new business license of the Target Company I, the Vendors I and Henan Tian Lun shall jointly release the joint management of the Joint Account I.

3. Third Instalment of RMB93,320,000 (40% of the Consideration I)

- (1) On the same day of completion of all agreed arrangement as set out in 2(3) above, the Vendors I and Henan Tian Lun shall commence the following arrangements (which shall be completed within 15 business days from the date of commencement): (i) the completion of the transfer of management rights of the Target Company I; and (ii) the completion of the transfer of the assets and the financial account confirmation of the Target Company I.
- (2) Within 5 business days upon completion of all agreed arrangement as set out in 3(1) above, if the transfer of the assets and the financial account confirmation of the Target Company I are not in dispute, Henan Tian Lun shall pay the third instalment of RMB93,320,000 to the account designated by the Vendors I.

4. Fourth Instalment of RMB23,330,000 (10% of the Consideration I)

- (1) If within 12 months after the Benchmark Date I, there is (i) no dispute over the ownership of the equity interest of the Target Company I, (ii) no undisclosed debt/contingent debt incurred prior to the Benchmark Date I, and (iii) no breach of the Equity Transfer Agreement I by the Vendors I, then within 5 business days, Henan Tian Lun shall pay the fourth instalment of RMB23,330,000 to the account designated by the Vendors I.
- (2) If within 12 months after the Benchmark Date I, there is (i) dispute over the ownership of the equity interest of the Target Company I, or (ii) undisclosed debt/contingent debt incurred prior to the Benchmark Date I, Henan Tian Lun can deduct the corresponding amount from the fourth instalment of the Consideration I and pay the balance to the Vendors I.

The Consideration I will be funded partly by internal resources of the Group and partly by financing from bank(s) and/or financial institution(s).

Profit sharing

If the Transition Period I is not more than 3 months, the profits generated by the Target Company I during the Transition Period I shall be distributed to Henan Tian Lun; if the Transition Period I is more than 3 months, the profits generated by the Target Company I during the Transition Period I shall be distributed as to 50% and 50% to the Vendors I and Henan Tian Lun respectively.

Events of default

1. If any party neglects to fulfill its obligations for registration with the relevant administration of industry and commerce or fails to fulfill its payment obligations (in whole or in part) as agreed in Equity Transfer Agreement I, and still fails to do so within 10 business days after the written reminder from the non-defaulting party, the non-defaulting party has the right to unilaterally terminate the Equity Transfer Agreement I (all the other parties to the Equity Transfer Agreement I must be notified in writing). Afterwards, if Henan Tian Lun defaults, the first instalment of the Consideration I shall be set off against the liquidated damages and Henan Tian Lun shall compensate the Vendors I for the corresponding losses. If any of the Vendors I defaults, the Vendors I shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 20% of the Consideration I and compensate Henan Tian Lun for the corresponding losses.
2. If any party does not cooperate with the handover of the Target Company I and still fails to do so within 10 business days after the written reminder from other party/ies, the non-defaulting party shall have the right to unilaterally terminate the Equity Transfer Agreement I. If Henan Tian Lun defaults, the first instalment of the Consideration I shall be set off against the liquidated damages and Henan Tian Lun shall compensate the Vendors I for the corresponding losses. If any of the Vendors I defaults, the Vendors I shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 20% of the Consideration I and compensate Henan Tian Lun for the corresponding losses.
3. Upon the execution of the Equity Transfer Agreement I, the Vendors I and the Target Company I shall not approach any other third party regarding the transfer of equity interest and assets of the Target Company I and sign any agreement, memorandum and other documents or transfer all or part of the equity interest of the Target Company I to a third party in any way without the consent of Henan Tian Lun. In the event of the above, Henan Tian Lun has the right to unilaterally terminate the Equity Transfer Agreement I, and the Vendors I shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 20% of the Consideration I and compensate Henan Tian Lun for the losses.

4. If, prior to the payment of the last instalment of the Consideration I, the Target Company I loses its gas franchise due to the Vendors I, the Vendors I conceal that the government is about to withdraw the franchise or that the government has awarded/intends to award the franchise to another company, the Vendors I conceal that the Government was re-tendering the franchise, the Vendors I materially breach each of the representations, warranties, undertakings, and obligations under the Equity Transfer Agreement I resulting in the failure to achieve the purposes of the transactions contemplated by Henan Tian Lun, then Henan Tian Lun will have the right to unilaterally terminate the Equity Transfer Agreement I, and the Vendors I shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 20% of the Consideration I and compensate Henan Tian Lun for the losses.
5. If the Vendors I have not previously disclosed in writing to Henan Tian Lun and the amount of the Target Company I's debt exceeds 10% of the Consideration I without Henan Tian Lun's written approval, then Henan Tian Lun will have the right to unilaterally terminate the Equity Transfer Agreement I, and the Vendors I shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 20% of the Consideration I and compensate Henan Tian Lun for the losses.
6. If the Vendors I breach their representations and warranties under the Equity Transfer Agreement I and cause Henan Tian Lun or the Target Company I a loss of more than RMB5,000,000 and fails to effectively remedy the loss within a reasonable remediation period, then Henan Tian Lun will have the right to unilaterally terminate the Equity Transfer Agreement I, and the Vendors I shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 20% of the Consideration I and compensate Henan Tian Lun for the losses.
7. If the Vendors I and Henan Tian Lun have material disagreement affecting the achievement of the purpose of the Equity Transfer Agreement I, and after the parties have reached a supplementary agreement in writing to terminate the Equity Transfer Agreement I, the Vendors I shall return the amount paid by Henan Tian Lun. If the registration of the equity transfer of the Target Company I with the relevant administration of industry and commerce has been completed after the said return of the payment, Henan Tian Lun shall cooperate with the Vendors I to return the equity interest and complete the registration with the relevant administration of industry and commerce. If the handover of the Target Company I has been completed after the said return of the payment, Henan Tian Lun guarantees that the management power of the Target Company I will be transferred to the Vendors I and that the carrying amount equity attributable to owners of the company of the Target Company I at the time of the said transfer will not be lower than the one recorded on the Benchmark Date I.

The Equity Transfer Agreement II

Date

25 December 2020

Parties

1. Henan Tian Lun (an indirect wholly-owned subsidiary of the Company) (as purchaser);
2. Vendor IIA;
3. Vendor IIB;
4. Chongqing Jindi (as guarantor); and
5. the Target Companies II

Subject of the transaction

1. 100% equity interest in the Target Companies II and related rights attached thereto;
2. gas related assets and other assets owned and/or controlled by the Target Companies II; and
3. pipeline gas operation franchise in the designated areas in Datong County, Xining City and Huzhu County, Haidong City, Qinghai Province.

Consideration II

The aggregate Consideration II payable by Henan Tian Lun for the Acquisitions II is RMB832,760,000 which was determined with reference to, among other things, the financial statements of the Target Companies II as at 30 September 2020 (including but not limited to the net asset value), the area of operation and customer base for gas business and profitability of the Target Companies II as well as the potential operational growth of the Target Companies II.

The Consideration II is subject to adjustment according to the following circumstances:

- (1) Prior to the execution of the Equity Transfer Agreement II and after the Benchmark Date II, the Vendors II, Chongqing Jindi and the Target Companies II made additional disclosure of the net debt of RMB20,500,000 for the completed connection works (payment unsettled) as at the Benchmark Date II, such amount of the net debt was assumed by the Target Companies II. The parties to the Equity Transfer Agreement II agreed to jointly confirm the above net amount prior to the payment of the fourth instalment of the Consideration II and if it is different from RMB20,500,000, the Consideration II will be adjusted accordingly at the time of the payment of the fourth instalment of the Consideration II.
- (2) In order to complete the Reorganisation, the Vendors II will inject RMB88,500,000 of its own funds into the Target Company IIA, and through capital increases into the Target Company IIB, the Target Company IIC and the Target Company IID, respectively, resulting in a net increase of RMB88,500,000 in the carrying amount of cash of the Target Companies. The parties to the Equity Transfer Agreement II confirmed that the net increase of RMB88,500,000 in the carrying amount of cash of the Target Companies II as a result of the Reorganisation is included in the Consideration II. If at the date of completion of the Reorganisation, the increase in the carrying amount of cash of the Target Companies II as a result of the Reorganisation is different from RMB88,500,000, the Consideration II will be adjusted accordingly at the time of the payment of the third instalment of the Consideration II.
- (3) In order to complete the Reorganisation, the Vendors II and Chongqing Jindi undertook to first reduce the capital of the Target Company IIC by RMB74,670,000 in accordance with the relevant law, and distribute such capital reduction to the former equity holder(s) of the Target Company IIC in the form of cash capital reduction in accordance with the relevant law. The reduction of the equity attributable to owners of the Target Company IIC as a result of this arrangement has been included into the Consideration II.
- (4) The Vendors II and Chongqing Jindi undertook to repay the amount of RMB44,135,778.60 owed by the related party/ies to the Target Companies II prior to the payment of the third instalment of the Consideration II. If prior to the payment of the third instalment of the Consideration II, the actual repayment of the non-operating occupancy amount of the related party/ies by the Vendors II and Chongqing Jindi is different from the committed repayment amount, the Consideration II will be adjusted accordingly at the time of the payment of the third instalment of the Consideration II. The Vendors II and Chongqing Jindi undertook that after the above adjustment, the net non-operating debts and liabilities of the Target Companies II and the related party/ies will be substantially cleared, and if so, the Target Companies shall have no further claim against the Vendors II and its related party/ies in respect of the aforesaid debt.

The Consideration II will be payable by Henan Tian Lun in cash as described below:

1. First Instalment of RMB166,552,000 (20% of the Consideration II)

- (1) Within 3 business days upon the execution of the Equity Transfer Agreement II, the Vendors II and Henan Tian Lun shall jointly open a bank account (the “**Joint Account II**”) in Zhengzhou City in the name of the Vendor IIB.
- (2) Within 5 business days upon completion of all agreed arrangement as set out in 1(1) above, Henan Tian Lun shall pay the first instalment of RMB166,552,000 to the Joint Account II.

On the same day when the first instalment of the Consideration II is paid to the Joint Account II, RMB88,500,000 will be released from the Joint Account II as the deposit (the “**Deposit**”). If the Equity Transfer Agreement II is terminated for the reason of Henan Tian Lun, the Deposit will not be refunded; if the Equity Transfer Agreement II is terminated for the reason of the Vendors II, the Vendors II shall double refund the Deposit; if the government does not agree to the Reorganisation (i.e. in respect of the acquisition of 100% equity interest in each of the Target Company IIB and the Target Company IIC by the Target Company IIA, written approval cannot be obtained from the county-level people’s government or any entity authorised by it) as set out in the Equity Transfer Agreement II, the Vendors II shall refund the Deposit and other payments made by Henan Tian Lun pursuant to the terms and conditions of the Equity Transfer Agreement II.

- (3) On the same day upon completion of all agreed arrangement as set out in 1(2) above, the Vendors II and Henan Tian Lun shall commence the following arrangements (which shall be completed within 15 business days from the date of commencement): (i) the completion of the transfer of management rights of the Target Company IIA; and (ii) the completion of the transfer of the assets and the financial account confirmation of the Target Company IIA.

If the transfer of the assets and the financial account confirmation of the Target Company IIA are in dispute, the Vendors II and Henan Tian Lun agree to suspend the payment of the equivalent amount of the disputed part (which will be agreed and verified by both parties within 5 business days), and the payment of the undisputed part shall be made according to the terms and conditions of the Equity Transfer Agreement II.

2. Second Instalment of RMB249,828,000 (30% of the Consideration II)

- (1) Within 7 business days upon completion of the Reorganisation, the Vendors II and Henan Tian Lun shall jointly submit to the relevant administration of industry and commerce the application materials for the transfer of equity interest in the Target Companies II and the change of legal representatives, directors, supervisors, managers, etc. of the Target Companies II, which must comply with the rules/regulations of the state administration of industry and commerce.
- (2) Within 5 business days upon completion of all agreed arrangements as set out in 2(1) above, Henan Tian Lun shall pay the second instalment of RMB249,828,000 to the Joint Account II.

3. Third Instalment of RMB333,104,000 (40% of the Consideration II)

- (1) Within 3 business days upon the completion of the registration of the transfer of equity interest in the Target Companies II and the change of legal representatives, directors, supervisors, managers, etc. of the Target Companies II with the relevant administration of industry and commerce and the obtain of the new business license of the Target Companies II, the Vendors II and Henan Tian Lun shall jointly release the joint management of the Joint Account II.
- (2) Within 5 business days upon the completion of the registration of the transfer of equity interest in the Target Companies II and the change of legal representatives, directors, supervisors, managers, etc. of the Target Companies II with the relevant administration of industry and commerce and the obtain of the new business license of the Target Companies II, Henan Tian Lun shall pay the third instalment of RMB333,104,000 to the account designated by the Vendors II.

4. Fourth Instalment of RMB83,276,000 (10% of the Consideration II)

- (1) If within 12 months after the Benchmark Date II, there is (i) no dispute over the ownership of the equity interest of the Target Companies II, (ii) no undisclosed debt/contingent debt incurred prior to the Benchmark Date II, and (iii) no breach of the Equity Transfer Agreement II by the Vendors II, then within 5 business days, Henan Tian Lun shall pay the fourth instalment of RMB83,276,000 to the account designated by the Vendors II.

- (2) If within 12 months after the Benchmark Date II, there is (i) dispute over the ownership of the equity interest of the Target Companies II, or (ii) undisclosed debt/contingent debt incurred prior to the Benchmark Date II, Henan Tian Lun can deduct the corresponding amount from the fourth instalment of the Consideration II and pay the balance to the account designated by the Vendors II.
- (3) Prior to the payment of the fourth instalment of the Consideration II by Henan Tian Lun, the Vendors II shall produce documents proving that it has paid full tax according to the Consideration II in accordance with the relevant law.

The Consideration II will be funded partly by internal resources of the Group and partly by financing from bank(s) and/or financial institution(s).

Profit sharing

If the transfer of management rights of the Target Companies II is completed no later than 31 January 2021, the profits or loss of the Target Companies II during the Transition Period II shall be distributed to Henan Tian Lun; if the transfer of management rights of the Target Companies II is completed after 31 January 2021, the profits or loss of the Target Companies II from the Benchmark Date II to 31 January 2021 shall be distributed to Henan Tian Lun and the profits or loss of the Target Companies II after 1 February 2021 shall be distributed as to 50% and 50% to the Vendors II and Henan Tian Lun respectively. If the Transition Period II is delayed due to the Vendors II, the profit or loss of the Target Companies II during such delayed period shall be distributed to Henan Tian Lun.

The Vendors II and Chongqing Jindi undertook to complete the Reorganisation according to the terms and conditions of the Equity Transfer Agreement II.

Events of default

1. If any party neglects to fulfill its obligations for registration with the relevant administration of industry and commerce or fails to fulfill its payment obligations (in whole or in part) as agreed in Equity Transfer Agreement II, and still fails to do so within 10 business days after the written reminder from the non-defaulting party, the non-defaulting party has the right to unilaterally terminate the Equity Transfer Agreement II (all the other parties to the Equity Transfer Agreement II must be notified in writing). After the non-defaulting party unilaterally terminates the Equity Transfer Agreement II, if Henan Tian Lun defaults, 50% of the first instalment of the Consideration II shall be set off against the liquidated damages and Henan Tian Lun shall compensate the Vendors II for the corresponding losses. If any of the Vendors II defaults, the Vendors II shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 10% of the Consideration II and compensate Henan Tian Lun for the corresponding losses.
2. If any party does not cooperate with the handover of the Target Companies II and still fails to do so within 10 business days after the written reminder by the other party/ies, the non-defaulting party shall have the right to unilaterally terminate the Equity Transfer Agreement II. If Henan Tian Lun defaults, 50% of the first instalment of the Consideration II shall be set off against the liquidated damages and Henan Tian Lun shall compensate the Vendors II for the corresponding losses, if the equity interest in the Target Companies II has been transferred to Henan Tian Lun, then such equity interest shall be returned to the Vendors II. If any of the Vendors II defaults, the Vendors II shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 10% of the Consideration II and compensate Henan Tian Lun for the corresponding losses, if the equity interest in the Target Companies II has been transferred to Henan Tian Lun, then such equity interest shall be returned to the Vendors II.
3. Upon the execution of the Equity Transfer Agreement II, the Vendors II and the Target Companies II shall not approach any other third party regarding the transfer of equity interest and assets of the Target Companies II and sign any agreement, memorandum and other documents or transfer all or part of the equity interest of the Target Companies II to a third party in any way without the consent of Henan Tian Lun. In the event of the above, Henan Tian Lun has the right to unilaterally terminate the Equity Transfer Agreement II, and the Vendors II shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 10% of the Consideration II and compensate Henan Tian Lun for the losses.

4. If, prior to the payment of the last instalment of the Consideration II, the Target Companies II loses its gas franchise due to the Vendors II, the Vendors II conceal that the government is about to withdraw the franchise or that the government has awarded/intends to award the franchise to another company, the Vendors II conceal that the government was re-tendering the franchise, the Vendors II materially breach each of the representations, warranties, undertakings and obligations under the Equity Transfer Agreement II resulting in the failure to achieve the purposes of the transactions contemplated by Henan Tian Lun, then Henan Tian Lun will have the right to unilaterally terminate the Equity Transfer Agreement II, and the Vendors II shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 10% of the Consideration II and compensate Henan Tian Lun for the losses, if the equity interest in the Target Companies II has been transferred to Henan Tian Lun, then such equity interest shall be returned to the Vendors II.
5. If the Vendors II have not previously disclosed in writing to Henan Tian Lun and the amount of the Target Companies II's debt exceeds 10% of the Consideration II without Henan Tian Lun's written approval, then Henan Tian Lun will have the right to unilaterally terminate the Equity Transfer Agreement II, and the Vendors II shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 10% of the Consideration II and compensate Henan Tian Lun for the losses, if the equity interest in the Target Companies II has been transferred to Henan Tian Lun, then such equity interest shall be returned to the Vendors II.
6. If the Vendors II breach their representations and warranties under the Equity Transfer Agreement II and cause Henan Tian Lun or the Target Companies II a loss of more than RMB2,000,000 and fails to effectively remedy the loss within a reasonable remediation period, then Henan Tian Lun will have the right to unilaterally terminate the Equity Transfer Agreement II, and the Vendors II shall return the amount paid by Henan Tian Lun, pay liquidated damages equal to 10% of the Consideration II and compensate Henan Tian Lun for the losses, if the equity interest in the Target Companies II has been transferred to Henan Tian Lun, then such equity interest shall be returned to the Vendors II.
7. If the Vendors II and Henan Tian Lun have material disagreement affecting the achievement of the purpose of the Equity Transfer Agreement II, and after the parties have reached a supplementary agreement in writing to terminate the Equity Transfer Agreement II, the Vendors II shall return the amount paid by Henan Tian Lun. If the registration of the equity transfer of the Target Companies II with the relevant administration of industry and commerce has been completed after the said return of the payment, Henan Tian Lun shall cooperate with the Vendors II to return the equity interest and complete the registration with the relevant administration of industry and commerce within 15 days. If the handover of the Target Companies II has been completed after the said return of the payment, Henan Tian Lun guarantees that the management power of the Target Companies II will be transferred

to the Vendors II and that the carrying amount equity attributable to owners of the company of the Target Companies II at the time of the said transfer will not be lower than the one recorded on the completion date of the Acquisitions II, and the operating interest after the Benchmark Date II is fully owned by the Target Companies II.

8. If the Vendors II and Chongqing Jindi unable to complete the Reorganisation within 90 days from the execution of the Equity Transfer Agreement II according to the terms and conditions of the Equity Transfer Agreement II, and as a result, Henan Tian Lun was unable to achieve the purpose of indirect acquiring 100% equity interest in each of the Target Company IIB, the Target Company IIC, the Target Company IID and the Target Company IIE, by way of acquiring 100% equity interest in the Target Company IIA held by the Vendors II, then Henan Tian Lun shall have the right to terminate the Equity Transfer Agreement II or request the Vendors II to complete the Reorganisation within a certain period (if the Reorganisation is not completed within such extended period, the Equity Transfer Agreement II shall be terminated). Within 5 business days from the date of receipt of the written notice of termination of the Equity Transfer Agreement II, the Vendors II shall return the amount paid by Henan Tian Lun and pay interest calculated at the rate of 8% per annum from the date of payment to the date of refund, based on the amount paid by Henan Tian Lun.

If the Equity Transfer Agreement II is terminated for the reasons above, within one year from the date of the Equity Transfer Agreement II, the Vendors II, Chongqing Jindi and the Target Companies II guarantee not to carry out any form of equity cooperation with other investors in the Target Companies II in any way, thereby causing a change in the actual controller of each of the Target Company IIB, the Target Company IIC, the Target Company IID and the Target Company IIE. Otherwise, the Vendors II, Chongqing Jindi and the Target Companies II shall be in default and shall pay 8% of the amount paid by Henan Tian Lun pursuant to the Equity Transfer Agreement II as liquidated damages and compensate Henan Tian Lun for the corresponding losses.

30% equity interest of the Target Company IIE is held by Huzhu Weiyuan (as defined below) as at the date hereof, if the Target Company IIA is unable to acquire the said 30% equity interest of the Target Company IIE, then a deduction of RMB4,370,000 shall be made from the Consideration II. The parties to the Equity Transfer Agreement II agreed that, after the said deduction, the circumstance does not constitute a breach of the Equity Transfer Agreement II by the Vendors II and Chongqing Jindi.

9. The Deposit will be converted as part of the Consideration II upon completion of the registration of 100% equity interest transfer of the Target Companies II with the relevant administration of industry and commerce by the Vendors II and Henan Tian Lun. The arrangement in relation to the Deposit as set out in 1(2) of the sub-section headed “The Equity Transfer Agreement II — Consideration II — 1. First Instalment of RMB166,552,000 (20% of the Consideration II)” in this announcement does not apply simultaneously with the arrangement on liability for breach of contract as set out in the sub-section headed “The Equity Transfer Agreement II — Events of default” in this announcement.

Completion

The completion of the Acquisition I shall take place upon completion of the registration of 100% equity interest transfer of the Target Company I with the relevant administration of industry and commerce. The completion of the Acquisitions II shall take place upon completion of (i) the registration of 100% equity interest transfer of the Target Companies II with the relevant administration of industry and commerce, and (ii) the transfer of the assets and management rights of the Target Companies II.

Upon completion of the Acquisitions, the Target Companies will become wholly-owned subsidiaries of the Company and the financial results of the Target Companies will be consolidated into the financial statement of the Group.

The completion under each of the Equity Transfer Agreement I and the Equity Transfer Agreement II is not inter-conditional upon each other.

INFORMATION ABOUT THE PARTIES TO THE EQUITY TRANSFER AGREEMENTS

The Company and Henan Tian Lun

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. Henan Tian Lun is an indirect wholly-owned subsidiary of the Company.

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

The Vendor IA

The Vendor IA is a limited partnership established in the PRC and is principally engaged in business management, business management consulting, marketing planning, information consulting services (excluding licensing information consulting services), conference and exhibition services, network technology services and engineering management services. Accounting to the public information, as at the date hereof, the Vendor IA is ultimately held as to 53.85% by Xiang Guihua (向貴花), 15.38% by Wang Yuanding (王元定), 12.82% by Mu Weidong (穆維東), 12.82% by You Qiang (游強) and 5.13% by Zhong Zhun (鍾准), five PRC merchants.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor IA and its ultimate beneficial owners are Independent Third Parties.

The Vendor IB

The Vendor IB is a limited partnership established in the PRC and is principally engaged in business management, marketing planning, business management consulting, conference and exhibition services, network technology services, engineering management services and information consulting services (excluding licensing information consulting services). Accounting to the public information, as at the date hereof, the Vendor IB is ultimately held as to 59.02% by Zhu Xuehui (朱雪輝) and 40.98% by Tan Zhigang (譚志剛), two PRC merchants.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor IB and its ultimate beneficial owners are Independent Third Parties.

The Vendor IIA

The Vendor IIA is a limited partnership established in the PRC and is principally engaged in business management consulting, business management, marketing planning, conference and exhibition services, network technology services, engineering management services and information consulting services. Accounting to the public information, as at the date hereof, the Vendor IIA is ultimately held as to 91.67% by Zheng Gang (鄭崗) and 8.33% by Zhu Shangjian (朱尚建), two PRC merchants.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor IIA and its ultimate beneficial owners are Independent Third Parties.

The Vendor IIB

The Vendor IIB is a limited partnership established in the PRC and is principally engaged in business management consulting, business management, marketing planning, conference and exhibition services, network technology services, engineering management services and information consulting services. Accounting to the public information, as at the date hereof, the Vendor IIB is ultimately held as to 32.5% by Zheng Lixin (鄭力新), 20% by Fei Xiaobo (費小波), 15% by Tang Rensheng (唐仁勝), 12.5% by Mu Weili (穆維禮), 12.5% by You Chao (游超), 5% by Zhong Ke (鍾科) and 2.5% by Zheng Chao (鄭超), seven PRC merchants.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, the Vendor IIB and its ultimate beneficial owners are Independent Third Parties.

Chongqing Jindi

Chongqing Jindi is a company established in the PRC with limited liability and is principally engaged in investment in city gas, coal mine, water, water and electricity, sewage treatment, hospital projects; sales of gas equipment; business management consulting; gas engineering design, pre-determination and construction; engineering management consulting, retail of communications technology, retail of hardware products, retail of paints, retail of construction and decoration materials, wholesale of rubber products, other chemical products, metal materials, machinery and equipment, metal products, instruments and meters, sales of precision heavy-duty bearings, sales of high-speed precision gear transmission devices, sales of intelligent transmission and distribution and control equipment and wholesale of construction materials. Accounting to the public information, as at the date hereof, Chongqing Jindi is ultimately held as to 55% by Zheng Gang (鄭崗), 13% by Zheng Lixin (鄭力新), 8% by Fei Xiaobo (費小波), 6% by Tang Rensheng (唐仁勝), 5% by Zhu Shangjian (朱尚建), 5% by Mu Weili (穆維禮), 5% by You Chao (游超), 2% by Zhong Ke (鍾科) and 1% by Zheng Chao (鄭超), nine PRC merchants.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, Chongqing Jindi and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ABOUT THE TARGET COMPANIES

The Target Company I

As at the date of this announcement, the Target Company I had a registered capital of RMB30,000,000, which has been fully paid up. It is principally engaged in pipeline gas operation, pipeline transportation, gas pipeline network engineering installation, sales of mechanical and electrical equipment, steel pipes and fittings, polyethylene pipes and fittings, hardware accessories, chemical anti-corrosion materials, gas combustion appliances, provision of gas facilities maintenance and testing services and housing rental. The equity interest of the Target Company I is held as to 39% and 61% by the Vendor IA and the Vendor IB, respectively.

Set out below is the unaudited financial information of the Target Company I for the two years ended 31 December 2018 and 2019 and the seven months ended 31 July 2020 prepared according to the PRC accounting standards:

	For the seven months ended 31 July 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net profit before tax	6,292,597	8,758,321	7,510,855
Net profit after tax	5,045,673	7,562,948	6,420,424

The total asset value of the Target Company I as at 31 July 2020 was approximately RMB143,165,619.

The Target Company IIA

As at the date of this announcement, the Target Company IIA had a registered capital of RMB55,000,000. It is principally engaged in Sales of combustion appliances (wall mounted boilers, water heaters, etc.), gas equipment sales, city gas business. As at the date hereof, the equity interest of the Target Company IIA is held as to 60% and 40% by the Vendor IIA and the Vendor IIB, respectively.

The Target Company IIA was established in 9 December 2020 and has not yet generated any revenue or profit since its establishment. The Target Company IIA does not have any asset as at the date of this announcement.

The Target Company IIB

As at the date of this announcement, the Target Company IIB had a registered capital of RMB3,000,000, which has been fully paid up. It is principally engaged in city gas investment and development, gas pipeline installation and maintenance, gas and combustion appliances sales, automobile refueling station operation (branches are only allowed to operate under license). The entire equity interest of the Target Company IIB is held by Chongqing Jindi. Upon completion of the Reorganisation, Target Company IIB shall become an immediate subsidiary of Target Company IIA.

Set out below is the unaudited financial information of the Target Company IIB for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 prepared according to the PRC accounting standards:

	For the nine months ended 30 September 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net profit before tax	25,133,278	14,626,011	40,734,445
Net profit after tax	21,363,286	12,392,968	34,239,324

The total asset value of the Target Company IIB as at 30 September 2020 was approximately RMB121,037,328.

The Target Company IIC

As at the date of this announcement, the Target Company IIC had a registered capital of RMB73,000,000, which has been fully paid up. It is principally engaged in city gas investment and development, installation and maintenance of gas pipelines, sales of gas and combustion appliances and operation of automobile refueling stations. The equity interest of the Target Company IIC is held as to 69% by Xizang Jindi Gas Co., Ltd.* (西藏金地燃氣有限公司) (“**Xizang Jindi**”) and 31% by Youyang County Gedun Gas Service Center (Limited Partnership)* (酉陽縣戈頓燃氣服務中心(有限合夥)) (“**Youyang County Gedun**”), respectively. According to the public information, as at the date hereof, the equity interest of Xizang Jindi is held as to 100% by Chongqing Jindi, the equity interest of Youyang County Gedun is ultimately held as to 55% by Zheng Gang (鄭崗), 13% by Zheng Lixin (鄭力新), 8% by Fei Xiaobo (費小波), 6% by Tang Rensheng (唐仁勝), 5% by You Chao (游超), 5% by Mu Weili (穆維禮), 5% by Zhu Shangjian (朱尚建), 2% by Zhong Ke (鍾科) and 1% by Zheng Chao (鄭超), nine PRC merchants. Upon completion of the Reorganisation, Target Company IIC shall become an immediate subsidiary of Target Company IIA.

Set out below is the unaudited financial information of the Target Company IIC for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 prepared according to the PRC accounting standards:

	For the nine months ended 30 September 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net profit before tax	23,395,873	33,861,329	20,914,293
Net profit after tax	19,906,203	28,782,130	17,145,164

The total asset value of the Target Company IIC as at 30 September 2020 was approximately RMB231,758,664.

The Target Company IID

As at the date of this announcement, the Target Company IID had a registered capital of RMB1,000,000, which has been fully paid up. It is principally engaged in compressed gas and liquefied gas, natural gas retail. As at the date hereof, Chongqing Jindi hold 5% equity interest of the Target Company IID. The remaining 95% equity interest of the Target Company IID is ultimately held as to 55% by Zheng Gang (鄭崗), 13% by Zheng Lixin (鄭力新), 6% by Tang Rensheng (唐仁勝), 5% by Mu Weili (穆維禮), 5% by Fei Xiaobo (費小波), 5% by Zhu Shangjian (朱尚建), 5% by You Chao (游超) and 1% by Zheng Chao (鄭超), eight PRC merchants. Upon completion of the Reorganisation, Target Company IID shall become an immediate subsidiary of Target Company IIA.

Set out below is the unaudited financial information of the Target Company IID for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 prepared according to the PRC accounting standards:

	For the nine months ended 30 September 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net profit before tax	4,136,150	6,331,896	5,593,014
Net profit after tax	3,515,727	5,382,112	4,754,061

The total asset value of the Target Company IID as at 30 September 2020 was approximately RMB7,549,610.

The Target Company IIE

As at the date of this announcement, the Target Company IIE had a registered capital of RMB3,000,000, which has been fully paid up. It is principally engaged in sales of vehicle CNG gas and CNG vehicle conversion. The equity interest of the Target Company IIE is held as to 42% by Xizang Jindi, 28% by Youyang County Gedun and 30% by Haiyun Group Huzhu Weiyuan Motor Transport Co., Ltd.* (海運集團互助威遠汽車運輸有限責任公司) (“**Huzhu Weiyuan**”). According to the public information, as at the date hereof, the equity interest of Huzhu Weiyuan is ultimately held as to 22.34% by Wang Yurong (汪玉榮), 12.34% by Cao Weishan (曹偉山), 12.34% by La Yonggui (拉永貴), 4.48% by Cao Chengguo (曹成國), 4.35% by Hu Yongmei (虎永梅), 3.98% by Cai Jinsen (蔡進森), 3.28% by Wang Yuanren (王元仁), 3.06% by Su Shoucai (蘇守財), 2.94% by Zhao Dehai (趙得海), 2.56% by Li Mingju (李明菊), 2.53% by Chen Yuxiong (陳玉雄), 2.35% by Cai Jinfu (蔡進甫), 2.35% by Duan Rongzhong (段榮忠), 2.3% by Hu Fawang (胡發旺), 2.19% by Da Mingshou (達明壽), 2.02% by Liu Yongtai (劉永泰), 2% by Xu Shengmei (許生梅), 1.91% by Xie Chengge (解成娥), 1.43% by Li Falan (李發蘭), 1.42% by Chen Jiang (陳江), 1.2% by Li Yanfu (李延福), 1.2% by Song Xiaojuan (宋小娟), 1.15% by Yang Quanpeng (楊全鵬), 1.15% by Bai Zhanqing (白占慶), 0.99% by Da Mingxu (達明旭), 0.81% by He Shengping (賀生萍), 0.55% by Luo Shuzhang (羅淑章), 0.55% by Qi Zhishun (祁志順) and 0.25% by Dan Cunji (丹存吉), 29 PRC merchants. Upon completion of the Reorganisation, Target Company IIE shall become an immediate subsidiary of Target Company IIA.

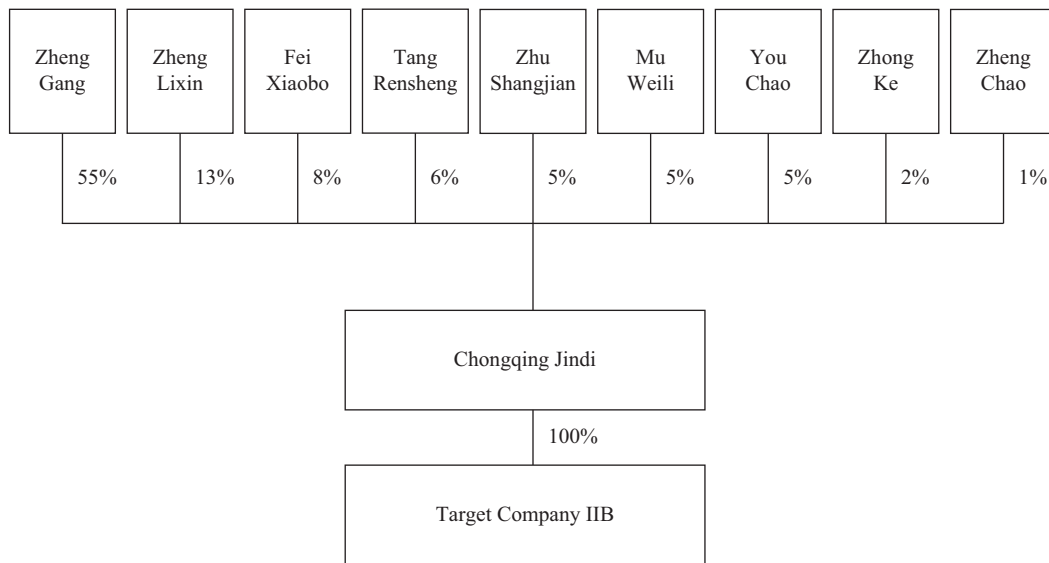
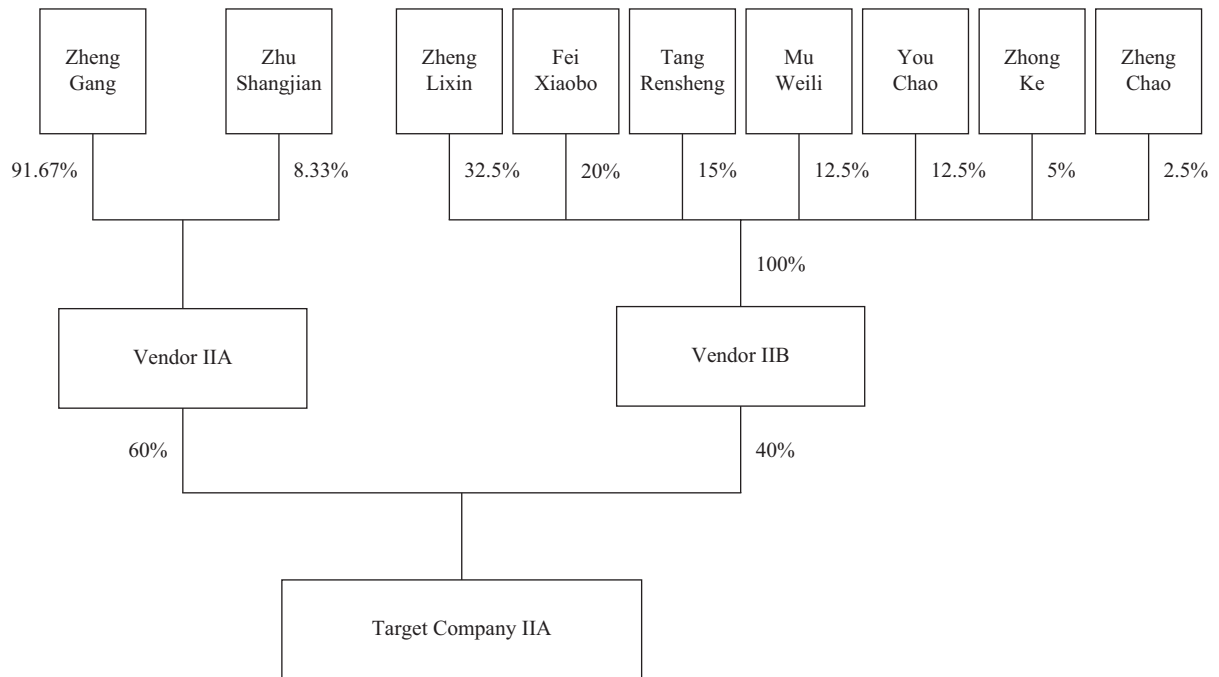
Set out below is the unaudited financial information of the Target Company IIE for the two years ended 31 December 2018 and 2019 and the nine months ended 30 September 2020 prepared according to the PRC accounting standards:

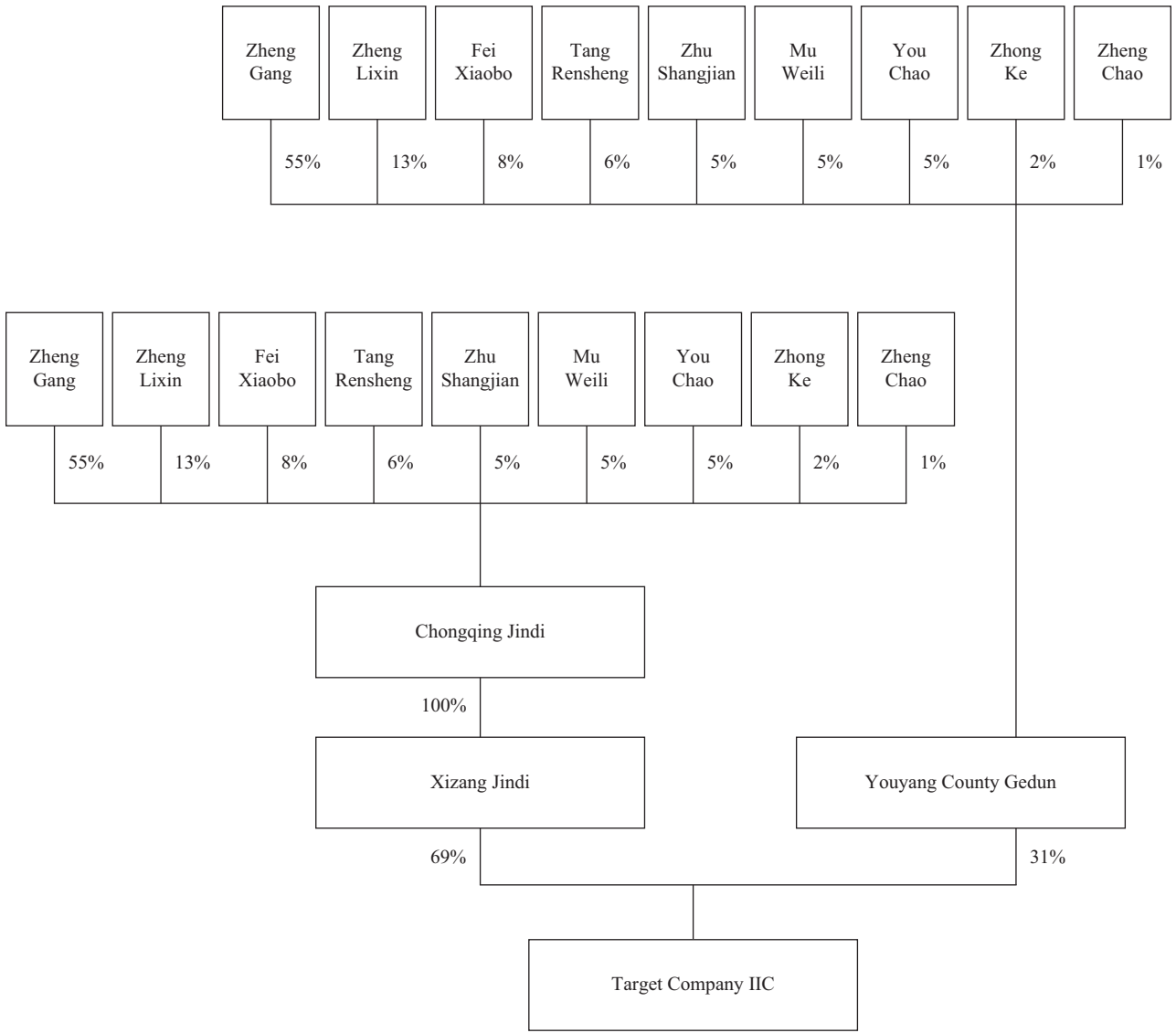
	For the nine months ended 30 September 2020	For the year ended 31 December 2019	For the year ended 31 December 2018
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Net profit/(loss) before tax	(69,413)	1,395,401	1,610,230
Net profit/(loss) after tax	(69,413)	1,186,091	1,297,999

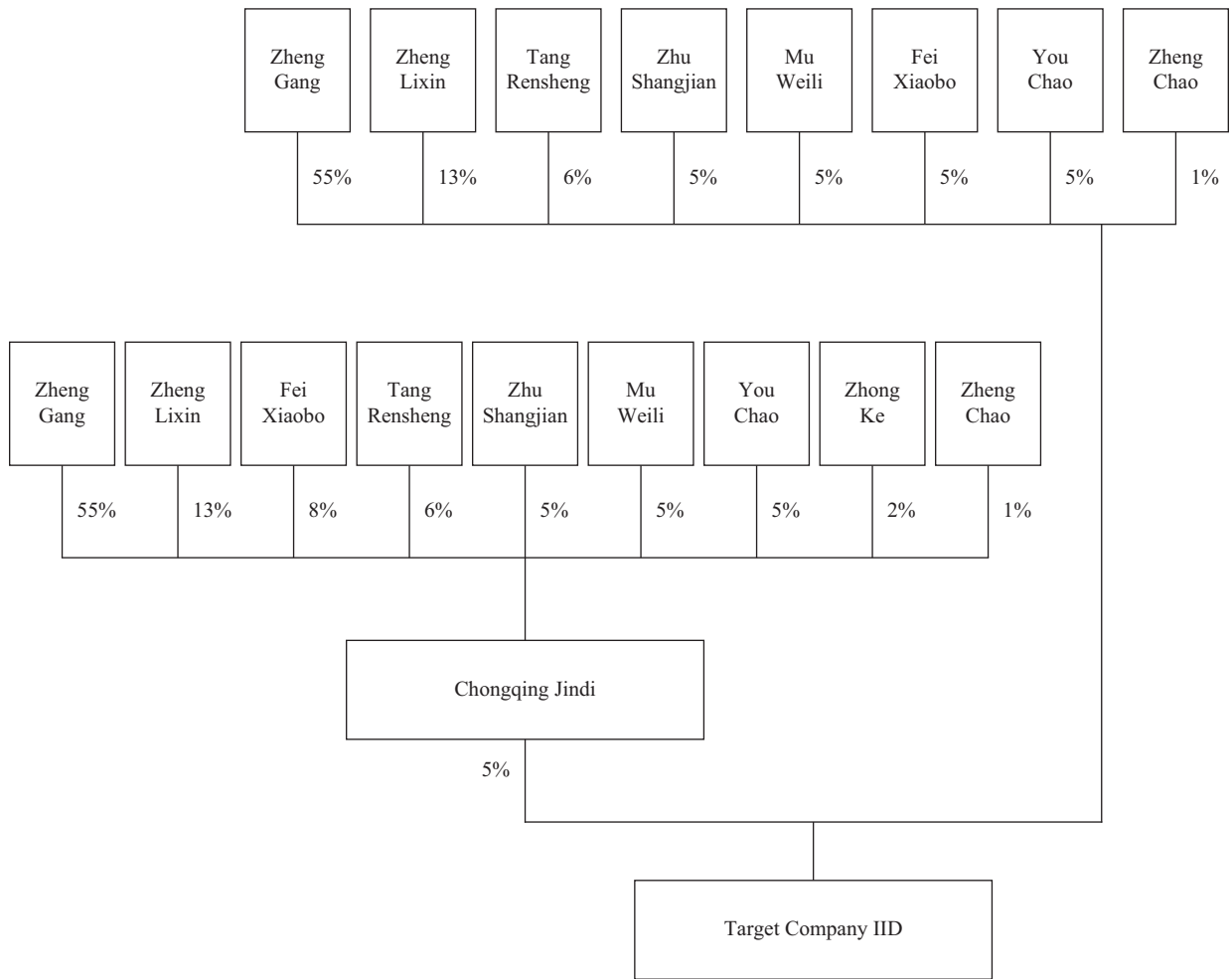
The total asset value of the Target Company IIE as at 30 September 2020 was approximately RMB9,868,201.

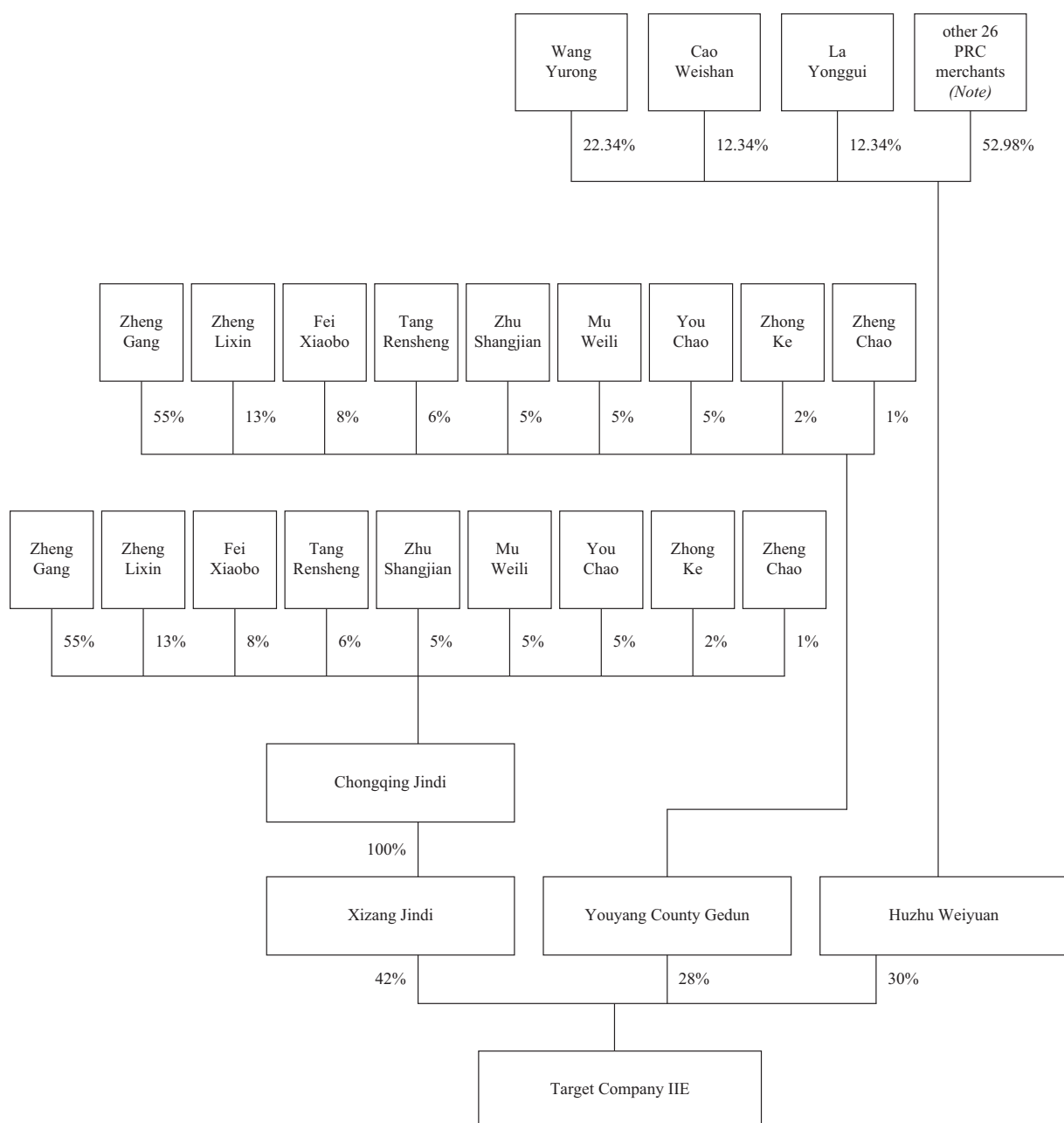
The aggregated net profit after tax of the Target Company IIB, the Target Company IIC, the Target Company IID and the Target Company IIE for the year ended 31 December 2019 and the nine months ended 30 September 2020 was approximately RMB47,743,301 and RMB44,715,803, respectively.

Shareholding structure of The Target Companies II prior to the Reorganisation





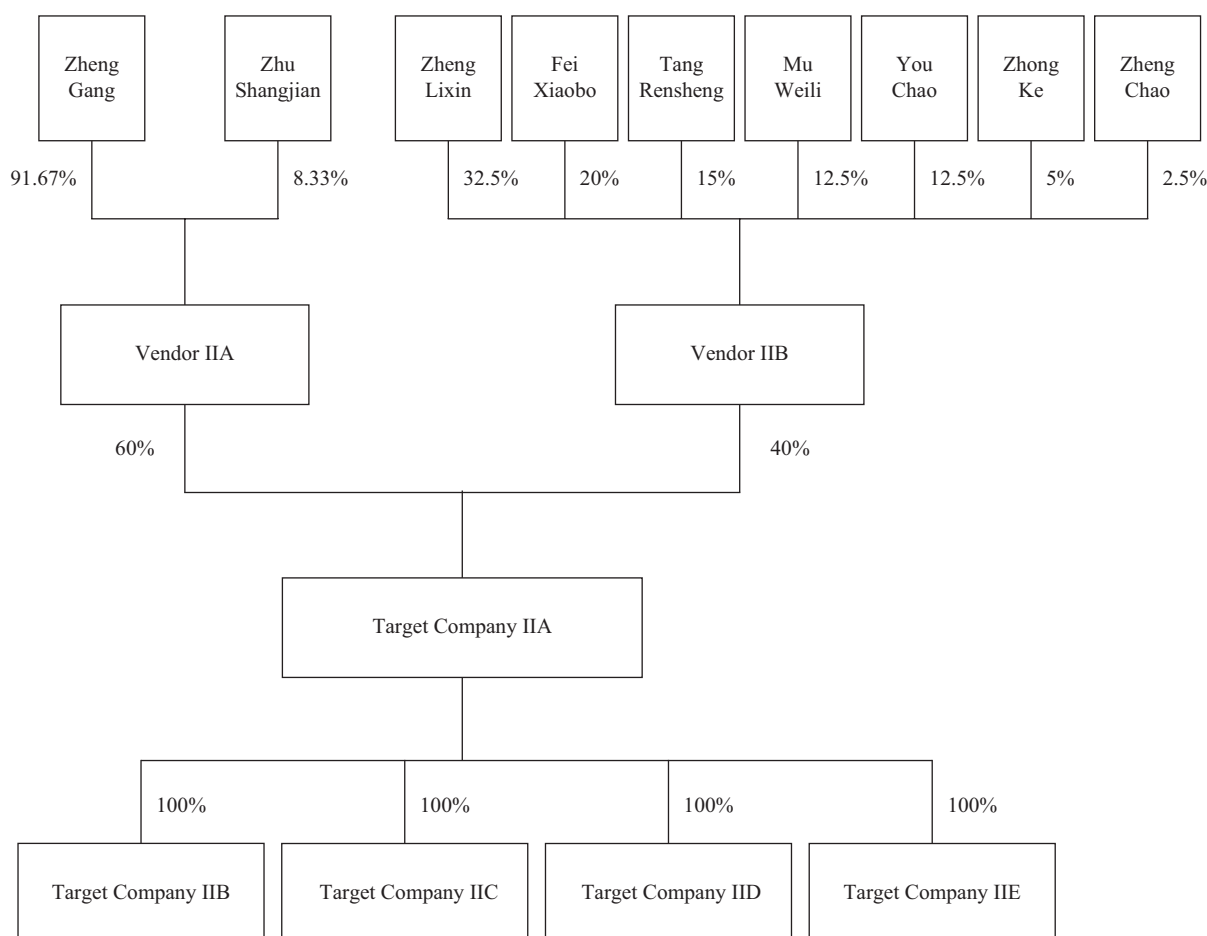




Note:

The 52.98% equity interest of Huzhu Weiyuan is held as to 4.48% by Cao Chengguo (曹成國), 4.35% by Hu Yongmei (虎永梅), 3.98% by Cai Jinsen (蔡進森), 3.28% by Wang Yuanren (王元仁), 3.06% by Su Shoucai (蘇守財), 2.94% by Zhao Dehai (趙得海), 2.56% by Li Mingju (李明菊), 2.53% by Chen Yuxiong (陳玉雄), 2.35% by Cai Jinfu (蔡進甫), 2.35% by Duan Rongzhong (段榮忠), 2.3% by Hu Fawang (胡發旺), 2.19% by Da Mingshou (達明壽), 2.02% by Liu Yongtai (劉永泰), 2% by Xu Shengmei (許生梅), 1.91% by Xie Chengge (解成娥), 1.43% by Li Falan (李發蘭), 1.42% by Chen Jiang (陳江), 1.2% by Li Yanfu (李延福), 1.2% by Song Xiaojuan (宋小娟), 1.15% by Yang Quanpeng (楊全鵬), 1.15% by Bai Zhanqing (白占慶), 0.99% by Da Mingxu (達明旭), 0.81% by He Shengping (賀生萍), 0.55% by Luo Shuzhang (羅淑章), 0.55% by Qi Zhishun (祁志順) and 0.25% by Dan Cunji (丹存吉).

Shareholding structure of The Target Companies II after the Reorganisation



REASONS FOR AND BENEFIT OF ENTERING INTO THE EQUITY TRANSFER AGREEMENTS

To maintain rapid business growth, the Company resorts to various measures to ensure an organic and stable development, while simultaneously launches high-quality project mergers and acquisitions (acquiring 100% equity interest in five target companies, being Datong Jindi, Huzhu Jindi, Datong Compressed, Huzhu Compressed and Jingyuan Jindi). These measures serve to continuously expand the service coverage of the Company's gas business.

Among the Target Companies, four of which (being Datong Jingdi and Datong Compressed, Huzhu Jindi and Huzhu Compressed) are situated in Datong County in Xining City (the provincial capital) and Huzhu County in Haidong City, Qinghai province, respectively. These locations comprise a large residential population, while the combined population of these two counties accounts for 14% of the total population of Qinghai Province. Furthermore, both counties also have distinct advantages, as they are positioned within the developmental grid of the Lanzhou-Xining city cluster. Both counties are adjacent to and near urban areas of Xining City, of which

Datong County is situated within a 35 km distance from Xining City, while Huzhu County is situated within a 40 km distance from Xining City. With convenient traffic links and excellent positioning, more long-term residents and business enterprises are expected to be brought to the counties where the said four target companies locate in the future.

The said four target companies are now in a stable and matured state. In 2019, the net profit amounted to approximately RMB47.74 million. Their combined gas sales volume reached 153 million m³, and revenue from gas sales accounted for 88.90% of the operating income of the year. Also, due to the impact of natural environment, the counties have a six-month-long annual local heat supply season, thus the said four target companies could be assured of sufficient overall business growth, with steadily hiking gas sales volume and well-tuned gas consumption patterns of the population. On the industrial side, within the operating area of Datong Jindi there includes the relatively developed Beichuan Industrial Park, a provincial-level industrial park which brought in a total of 270 enterprises, among which 37 are above-the-scale industrial enterprises. On the other hand, within the operating area of Huzhu Jindi there includes the Tangchuan Industrial Park, the Green Industrial Park (a provincial-level industrial park under construction) and the Pingbei Industrial Park. On the business side, both Datong County and Huzhu County boast excellent ecological environments with abundant tourism resources. Datong County features several tourist destinations such as the Laoyeshan National 4A-level Scenic Area and the National Forest Park Yaozigou Scenic Area. Huzhu County also features a national 5A-level tourist attraction — the Tujia Homeland. The abundance in cultural and ecological landscapes are expected to draw sufficient visitor traffic to both counties which set to promote commercial gathering and development. Meanwhile, Datong Jindi and Huzhu Jindi focus on the replacement of commercial use coal-fired boilers and the promotion of commercial gas-fired boilers, of which Datong Jindi has completed the conversion plan.

In terms of residential connection, there exhibits a strong space for growth of connection businesses, as the latest overall urban development plans of the local governments demonstrate that, as of 2030, the total population of Datong County is expected to reach 690,000 (with a current population of 468,300), while the total population of Huzhu County will reach 450,000 (with a current population of 401,600). The operating areas of Datong Jindi and Huzhu Jindi are situated in comparatively flat terrains with relatively concentrated population and with only moderate difficulty in installation and connection. Moreover, the urban and rural population in the two counties tend to be more accommodative of natural gas in general with good gas consumption patterns but low in connection ratio. Therefore, the local overall gasification rate is expected to see growth in the long run. Steadily growing gas user population will also foster the launch of value-added businesses. Currently, Datong Jindi and Huzhu Jindi have created more developed value-added business segments that include businesses in conversion, sales of wall-hanging gas heaters and insurance, etc. Looking ahead, the said two target companies will continue to further cultivate the development potential of value-added businesses.

In terms of gas sources, an A-grade open gas source is presented along the Ninglan trunk line on the national pipelines network, while the Target Companies have established long-term and stable gas source procurement cooperation. At the same time, the gas infrastructures of projects in Datong County and Huzhu County are relatively well equipped. Datong Compressed and Huzhu Compressed operate one gas refuelling station each, alongside the installation of a 96-kilometre high-pressure pipeline in Datong County and a 157-km high-pressure pipeline in Huzhu County. It is expected that the gas transmission capacity of pipeline networks and the stations are sufficient for the future, without further necessity in large-scale investment and construction.

Situated in Jingyuan County of Baiyin City, Gansu Province, Jingyuan Jindi enjoys abundant gas resources, a large population, a solid industrial base and three well-developed large-scale industrial parks. Furthermore, Jingyuan Jindi locates within the metropolitan circle of Lanbai Economic Zone and within 67 km from the metropolitan area of the Baiyin City, which allows synergies with the Baiyin City and Gulang County which are covered by the Gansu Province operation of our Group and hence enhancing profitability. All in all, it will lay a solid foundation for the Company's further expansion of its gas business coverage in Gansu Province.

In 2019, the total population of the counties where Jingyuan Jindi operated was over 500,000, among them 130,000 were urban population. As per the Jingyuan County Urban-rural Master Plan, the urban population of Jingyuan County is expected to reach 190,000 in 2030. In the meantime, the gasification rate of residents is relatively low, and therefore creates a relatively strong market potential for the domestic gas sales business and value-added business in the future. In the industrial sector, the operating area of Jingyuan Jindi covers Liuchuan Industrial Concentration Zone, Jingyuan County Dongwan Agricultural High-Tech Park and Jingyuan County Silver Triangle Concentration Zone with maturing industrial development. In 2019, approximately 24.5 million m³ of gas sales volume was achieved. Among them, Silver Triangle Industrial Concentration Zone has an asphalt mixing plant. Liuchuan Industrial Concentration Zone focuses on the development of manufacturing of fluorochemical products and the processing and manufacturing of rare earth, metal materials, fine chemical products and chemical products. In the future, the further development of emerging industries such as the manufacturing of new materials, fine chemicals, mineral products and special equipment shall provide strong support for future industrial gas consumption.

Besides, Jingyuan Jindi already deployed pipelines that cover the towns of Liuchuan, Dongwan, Wulan (the key urban District) and Yutan, with an overall length of 126 km of high and medium pressure pipelines deploying over the main urban operating areas, and with less investment required in subsequent projects. They are set to quickly achieve a good scale of connection and installation work. Currently, Jingyuan Jindi has laid 96 km of high-pressure and secondary high-pressure pipelines, which can meet the gas demand of the Group's project in Baiyin City and provide gas supply services to many other projects in neighbouring areas. At the same time,

Jingyuan Jindi has entered into a long-term gas supply cooperation initiative with the natural gas sales Gansu branch of CNPC, henceforth supplying an abundant amount of gas source which provides strong assurance for the future operation of the company.

The three urban gas projects and two compressed natural gas projects of this acquisition were all situated within the economic zone of the Lanzhou-Xining city cluster, which is a key cross-provincial city cluster in western China. New urbanization construction is looking to advance in the area under governmental guidance, which shall push forward coordinated regional development. The Company has expanded its gas business coverage for the first time into two high-quality counties in Qinghai province. These initiatives will contribute a solid foundation for the continued expansion of gas supply and services in the region, and by leveraging on the policy advantages of the development in Lanzhou-Xining city cluster, they will also achieve cross-region synergies between the newly acquired project and the existing matured projects in Gansu Province. All together they will provide high-quality gas supply service to more residents and enterprises. As at the date of this announcement, the Company had 67 urban gas supply projects in 16 provinces.

The Board is of the view that the terms of the Equity Transfer Agreements are on normal commercial terms after arm's length negotiations between the parties, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

At the time when the Equity Transfer Agreement I was entered into, as none of the applicable percentage ratios exceeded 5%, the transaction contemplated thereunder did not constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules. As shown in the section headed “**INFORMATION ABOUT THE TARGET COMPANIES**”, by reason of the intertwined equity interest holdings by the current ultimate beneficial owners of the Target Companies (prior to the completion of the Reorganisation) and the Vendors, the Company consider the Vendors I and the Vendors II are connected or otherwise associated with each other. As the transactions contemplated under the Equity Transfer Agreement I and the Equity Transfer Agreement II are conducted within a 12-month period, the transactions shall be aggregated under Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratio(s) calculated in accordance with Rule 14.07 of the Listing Rules in respect of the Acquisition I under the Equity Transfer Agreement I and the Acquisitions II under the Equity Transfer Agreement II on an aggregated basis is/are more than 5% but less than 25%, the entering into of the Equity Transfer Agreement I and Equity Transfer Agreement II in aggregate constitute a discloseable transaction of the Company and are thus subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Acquisitions”	collectively, the Acquisition I and the Acquisitions II
“Acquisition I”	the proposed acquisition of the entire equity interest of the Target Company I pursuant to the terms and conditions of the Equity Transfer Agreement I
“Acquisitions II”	the proposed acquisitions of the entire equity interest of each of the Target Companies II pursuant to the terms and conditions of the Equity Transfer Agreement II
“Benchmark Date I”	31 July 2020
“Benchmark Date II”	30 September 2020
“Board”	the board of Directors
“Chongqing Jindi”	Chongqing Jindi Gas Group Co., Ltd.*(重慶金地燃氣集團有限公司), a company established in the PRC with limited liability
“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
“Consideration I”	the consideration payable by Henan Tian Lun for the Acquisition I in the amount of RMB233,300,000
“Consideration II”	the consideration payable by Henan Tian Lun for the Acquisitions II in the amount of RMB832,760,000
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreements”	collectively, the Equity Transfer Agreement I and the Equity Transfer Agreement II

“Equity Transfer Agreement I”	the equity transfer agreement dated 22 October 2020 entered into between Henan Tian Lun (an indirect wholly-owned subsidiary of the Company) (as purchaser), the Vendor IA and the Vendor IB (as vendors), Chongqing Jindi (as guarantor) and the Target Company I, relating to the Acquisition I
“Equity Transfer Agreement II”	the equity transfer agreement dated 25 December 2020 entered into between Henan Tian Lun (an indirect wholly-owned subsidiary of the Company) (as purchaser), the Vendor IIA and the Vendor IIB (as vendors), Chongqing Jindi (as guarantor) and the Target Companies II, relating to the Acquisitions II
“Group”	the Company and its subsidiaries
“Henan Tian Lun”	Henan Tian Lun Gas Group Limited* (河南天倫燃氣集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and are not 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
“Reorganisation”	the reorganisation to be conducted in the following steps: (i) within 90 days from the execution of the Equity Transfer Agreement II, Target Company IIA shall legally acquire 100% of the equity interest in each of the Target Company IIB, the Target Company IIC, the Target Company IID and the Target Company IIE; and (ii) within 90 days from the execution of the Equity Transfer Agreement II, in respect of the acquisition of 100% equity interest in each of the Target Company IIB and the Target Company IIC by the Target Company IIA, written approval has been obtained respectively from the county-level people’s government or any entity authorised by it

“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	holders of the Shares
“Shares”	the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Companies”	collectively, the Target Company I and the Target Companies II
“Target Company I” or “Jingyuan Jindi”	Jingyuan County Jindi Gas Co., Ltd.* (靖遠縣金地燃氣有限公司), a company established in the PRC with limited liability
“Target Companies II”	collectively, the Target Company IIA, the Target Company IIB, the Target Company IIC, the Target Company IID and the Target Company IIE
“Target Company IIA”	Gansu Jindi New Energy Co., Ltd.* (甘肅金地新能源有限公司), a company established in the PRC with limited liability
“Target Company IIB” or “Datong Jindi”	Datong County Jindi Gas Co., Ltd.* (大通縣金地燃氣有限公司), a company established in the PRC with limited liability
“Target Company IIC” or “Huzhu Jindi”	Huzhu County Jindi Gas Co., Ltd.* (互助縣金地燃氣有限公司), a company established in the PRC with limited liability
“Target Company IID” or “Datong Compressed”	Datong County Jindi Compressed Natural Gas Co., Ltd.* (大通縣金地壓縮天然氣有限公司), a company established in the PRC with limited liability
“Target Company IIE” or “Huzhu Compressed”	Huzhu County Limin Compressed Natural Gas Co., Ltd.* (互助縣利民壓縮天然氣有限公司), a company established in the PRC with limited liability
“Transition Period I”	the period from the day after the Benchmark Date I to the date on which the transfer of management rights of the Target Company I is completed

“Transition Period II”	the period from the day after the Benchmark Date II to the date on which the transfer of management rights of the Target Companies II is completed
“Vendors I”	collectively, the Vendor IA and the Vendor IB
“Vendor IA”	Wenzhou Hongen Enterprise Management Partnership (Limited Partnership)* (溫州鴻恩企業管理合夥企業(有限合夥)), a limited partnership established in the PRC
“Vendor IB”	Wenzhou Sanguju Enterprise Management Partnership (Limited Partnership)* (溫州三顧居企業管理合夥企業(有限合夥)), a limited partnership established in the PRC
“Vendors II”	collectively, the Vendor IIA and the Vendor IIB
“Vendor IIA”	Chongqing Cosman Enterprise Management Consulting Partnership (Limited Partnership)* (重慶克斯曼企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC
“Vendor IIB”	Chongqing Weiest Enterprise Management Consulting Partnership (Limited Partnership)* (重慶維艾斯特企業管理諮詢合夥企業(有限合夥)), a limited partnership established in the PRC
“%”	per cent.

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

Zhengzhou, the PRC, 25 December 2020

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), Mr. Liu Min and Ms. Li Tao; and the independent non-executive Directors are Mr. Liu Jin, Mr. Li Liuqing, Mr. Yeung Yui Yuen Michael and Ms. Zhao Jun.

** For identification purpose only*