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天倫燃气
TIANLUN GAS

Tian Lun Gas Holdings Limited

天倫燃气控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock code: 1600)

VOLUNTARY ANNOUNCEMENT
UNUSUAL PRICE AND TRADING VOLUME MOVEMENTS

This announcement is made by Tian Lun Gas Holdings Limited (the “**Company**”) voluntarily.

Reference is made to the announcement of the Company dated 21 February 2022 in relation to the top-up placing of existing shares and subscription of new shares under general mandate (the “**Top-up Placing Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Top-up Placing Announcement.

The Board noted the unusual fluctuations in the price and trading volume of the Shares on 22 February 2022. Having made all such enquiries with respect to the Company as is reasonable in the circumstances, the Board confirms that, save as to the Placing and the Subscription, it is not aware of any reasons for those price or trading volume movements or of any information that needs to be disclosed to avoid a false market in the Company’s securities or of any inside information that needs to be disclosed under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

As disclosed in the announcement, the Company would like to emphasis the reasons for the placing and use of proceeds as per below:

REASONS FOR THE PLACING AND THE SUBSCRIPTION

The Group is a public utility company principally engaged in the operation of urban pipeline gas. It focuses on the urban gas business, adheres to green and high-quality development, and continues to provide users with safe and economical natural gas products and services. In order to comply with market trends and contribute to China's carbon peak and carbon neutrality goals, the Group adheres to the mission of "developing clean energy and improving the living environment", aiming to become a first-class green and low-carbon energy supplier and service provider in China.

Groundbreaking Progress in Energy Business

Entering the "14th Five-Year Plan" period, the state and society have put forward higher requirements for the development of the energy industry. Against the backdrop of carbon peaking and carbon neutrality, we will adhere to safe, green and low-carbon development. In response to the call of the times, the Group effectively implements the 2022-2024 new development strategy outline of Tian Lun Gas that has been disclosed publicly. While continuing the high-quality development of the main business of urban gas, we will further expand and innovate the low-carbon energy business to promote the high-quality development of the Group.

As of 30 June 2021, the Group had deployed 69 urban gas projects in 16 provinces across the country, serving over 4.58 million piped gas users, including 2,880,000 urban residents and 34,000 industrial and commercial users. At the same time, since 2018, the Group has cooperated with Henan Zhongyuan Yuzi to fully promote the "rural gasification" project, serving 1,670,000 rural gas users. Based on a large number of user resources, while growing in the natural gas market, the Group will efficiently provide value-added and innovative services to various customers, and respond to the increasing demand for low-carbon energy services and safe and healthy living services.

According to the three-year strategic outline disclosed by the Group earlier, our strategic path includes: (i) high-quality organic growth of gas business;(ii) high-quality mergers and acquisitions of gas business; (iii) vigorously promoting the development of innovative business; (iv) increasing revenue and profit scale in a high-quality way; (v) improving safety management standards and enhancing ESG. Among them, regarding the development direction of innovative business, the Group targets to make the revenue from innovative business to reach 10% of the overall revenue of the Group by 2024. Within the innovative business, (i) the low-carbon energy services will be tailored to different energy needs of urban and rural users and resource endowments and the Group will flexibly promote the smart comprehensive application of different clean energy sources; (ii) as for safety and health services, we take different consumption needs and habits of urban and rural users into account, cultivate independent brands and cooperate with different industry alliances to provide users with gas safety value-added services, intelligent manufacturing of safety and health products, and safety and health life services, etc.

Since the announcement of the new strategic outline, the Group has actively explored business cooperation opportunities and has successively signed strategic development agreements with three energy companies, including that:

- (1) On 29 November 2021, the Group and the SPIC Henan Electric Power Co., Ltd. (“**SPIC Henan**”) reached a strategic cooperation on a number of green and low-carbon energy fields involving industry, urban and rural construction, transportation, and the circular development of industrial parks, and determined relevant cooperation issues. SPIC Henan is the most promising comprehensive energy supplier in Henan Province, with installed capacity reaching 9,735.7MW and clean energy accounting for 30% of the total installed capacity. Combing the “14th Five-Year Plan” and the county-wide photovoltaic promotion policy, the Group and SPIC Henan will select suitable areas (including but not limited to Henan, Gansu, Shaanxi, Yunnan) to carry out various development projects, such as county-wide rooftop distributed photovoltaic, industrial and commercial distributed photovoltaic, household photovoltaic, agricultural photovoltaic, wind power, energy storage and biomass gas, demonstrating the comprehensive application of multiple energy sources with innovation, and creating a new energy system based on clean energy.

- (2) On 29 December 2021, the Group and CECEP Building Energy Conservation Co., Ltd. (“CECEP”) jointly developed a new energy supply system and comprehensive energy services based on clean energy, so as to achieve complementary advantages and mutual benefits. CECEP is a second-tier wholly owned subsidiary of China Energy Conservation And Environmental Protection Group and a platform company of China Energy Conservation in the field of construction for energy conservation projects. Its major businesses involve two aspects: regional energy supply and building energy conservation technology services. In the field of regional energy business, CECEP has devoted its efforts on the leadership and development of urban low-carbon energy supply business, the application of advanced technology such as renewable energy, industrial residual heat and distributed energy according to local circumstances, as well as the maximum realization of low-carbon energy supply in urban buildings.
- (3) On 21 January 2022, the Group and POWERCHINA Henan Electric Power Survey & Design Institute Co., Ltd (中國電建集團河南省電力勘測設計院有限公司) (“POWERCHINA Henan”) decided to leverage their complementary advantages for cooperation and established cooperation. POWERCHINA Henan is an affiliate of Power Construction Corporation of China Ltd. (中國電力建設集團有限公司) which is one of the world’s top 500 enterprises. It is an A grade enterprise of the Group and a large-scale national integrated design enterprise with Engineering Design Integrated Qualification Class-A. With technology and management as its core competitiveness, the four principle businesses of POWERCHINA Henan are planning and consulting, survey and design, general project contracting, and investment and operation. The Group plans to cooperate with POWERCHINA Henan in the following four aspects: new energy, low-carbon industry, regional integrated energy and charging and battery swap stations.

During the period from 2 December 2021 to 21 January 2022, the Company has conducted an on-market buybacks of an aggregate of 43,588,000 Shares under the Repurchase Mandate at an average price of approximately HK\$8.36 per Share. The Company paid an aggregate of approximately HK\$365 million (exclusive of expenses such as commissions, trading fee and levies) for the said buybacks. The Directors were of view that, in light of the Company’s rapid development, the buyback led to an enhancement of the net asset value of the Company and its earnings per Share when the Company’s stock price was generally undervalued, which was conducive to the Company and the Shareholders as a whole.

Since the beginning of 2022, the Group has deployed its own resources and relevant experience with strategic partners to sort out existing and potential market opportunities in a swift manner, with intention to have a quick investment and expansion in two aspects. In terms of the rooftop photovoltaic business for rural residents and industrial and commercial users, the Group plans to accumulate project construction experience through partnerships and self-construction models in the early stage, and obtain necessary engineering installation qualifications, so as to promote a future replicable asset-light rapid development, with a goal to become one of the most competitive enterprises in the field of distributed photovoltaics in Henan Province. In terms of the clean energy heating services, the Group will tailor the strategy to develop the first batch of clean energy heating services business in Shangjie, Xuchang and Xiping Districts, Henan Province during the year to provide low-carbon and convenient heating services for residents and communities as well as industrial and commercial clients.

The Company noticed, in or around late January 2022, that business opportunities in relation to photovoltaic technology and clean energy arose. In order to ensure that the Group seized new and essential business opportunities and had quick launch in innovative business development, the Company considered now an appropriate time for the Placing and Subscription.

The Directors consider that the Placing and the Subscription represent an opportunity to raise capital for the Company's new projects while broadening its shareholder and capital base, which is conducive to the development of the Company. The Directors consider that the terms of each of the Placing Agreement and the Subscription Agreement (including the Placing Price and the Subscription Price) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

USE OF PROCEEDS

The gross proceeds under the Subscription are estimated to be approximately HK\$420 million and the net proceeds, after deducting related professional fees and all related expenses which will be borne by the Company, under the Subscription are estimated to be approximately HK\$414 million.

The Company intends to use the relevant net proceeds from the Subscription as follows:

- (i) Approximately HK\$289.8 million or 70% will be used for development of rooftop photovoltaics projects for rural residential users and commercial/industrial users;
- (ii) Approximately HK\$82.8 million or 20% will be used for the development of clean energy heating services;
- (iii) Approximately HK\$41.4 million or 10% will be used for working capital and general corporate purposes.

The Board wishes to reiterate that completion of the transactions contemplated under the Placing Agreement and Subscription Agreement are subject to the satisfaction of respective conditions thereunder and such agreements not being terminated in accordance with the terms thereof. Therefore, the Placing and/or the Subscription may or may not proceed to completion. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

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

Zhengzhou, the PRC, 22 February 2022

As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan (Chief Executive), Ms. Qin Ling, Mr. Liu Min and Ms. Li Tao; the non-executive Director is Ms. Chen Hong; and the independent non-executive Directors are Mr. Liu Jin, Mr. Li Liuqing, Ms. Zhao Jun and Ms. Ou Yaqun.