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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)**

## **VOLUNTARY ANNOUNCEMENT CAPITAL INJECTION**

The Board announces that Henan Tian Lun, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement with the Existing Target Company Shareholders on 31 March 2011, pursuant to which the Existing Target Company Shareholders agreed to the Capital Injection by Henan Tian Lun and Henan Tian Lun agreed to inject capital into the Target Company. Under the Cooperation Agreement, Henan Tian Lun will contribute RMB25,000,000, RMB23,330,000 of which to the registered capital and the remaining RMB1,670,000 to the capital reserve of the Target Company. Upon completion of the Capital Injection, Henan Tian Lun will hold 70% of the equity interests in the Target Company and the Existing Target Company Shareholders will hold 30% of the equity interests in the Target Company based on their existing capital contribution of RMB10,000,000 in the Target Company.

### **Introduction**

This announcement is made voluntarily by the Company to provide the investors and Shareholders with further information regarding the Group.

References are made to the announcements of the Company relating to the letter of intent regarding the Capital Injection dated 22 February 2011 and 24 March 2011 respectively.

The Board announces that Henan Tian Lun, a wholly-owned subsidiary of the Company, entered into the Cooperation Agreement on 31 March 2011 with the Existing Target Company Shareholders on 31 March 2011, pursuant to which the Existing Target Company Shareholders agreed to the Capital Injection by Henan Tian Lun and Henan Tian Lun agreed to inject capital into the Target Company.

# **The Cooperation Agreement**

## **1. Date: 31 March 2011**

## **2. Parties:**

(a) Existing Target Company Shareholders; and

(b) Henan Tian Lun

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, the Target Company and the Existing Target Company Shareholders are third parties independent from the Company and its subsidiaries as well as their respective directors, executive officers, substantial shareholders and their respective associates.

## **3. Capital Injection**

The registered capital of the Target Company will be increased from RMB10,000,000 to RMB33,330,000. Under the Cooperation Agreement, Henan Tian Lun will contribute RMB25,000,000, RMB23,373,000 of which to the registered capital and the remaining RMB1,670,000 to the capital reserve of the Target Company. Upon completion of the Capital Injection, Henan Tian Lun will hold 70% of the equity interests in the Target Company and the Existing Target Company Shareholders will hold 30% of the equity interests in the Target Company based on their existing capital contribution of RMB10,000,000 in the Target Company.

## **4. Net Assets of the Target Company**

The parties to the Cooperation Agreement agreed to conduct a review on the net assets of the Target Company as of the date of the Cooperation Agreement with reference to the amount of RMB10,000,000. The Existing Target Company Shareholders have undertaken to reimburse the Target Company the amount falling short of RMB10,000,000 and the Target Company shall reimburse the amount exceeding of RMB10,000,000 to the Existing Target Company Shareholders within 5 business days after the net assets value of the Target Company has been confirmed by Henan Tian Lun and the Existing Target Company Shareholders.

## **5. Compensation**

Henan Tian Lun will pay a compensation in the total amount of RMB12,000,000 to the Existing Target Company Shareholders as a recognition of their contribution in, inter alia, the obtaining of the Concession Rights for the Target Company and will be paid in the following manner:

- (1) RMB8,000,000 will be deposited into a bank account within 3 business days after signing of the Cooperation Agreement which will be controlled by both Henan Tian Lun and the Existing Target Company Shareholders and such amount will not be released for use by the Existing Target Company Shareholders until completion of the Capital Injection and the obtaining of a new business license by the Target Company;

- (2) RMB2,000,000 will be paid by Henan Tian Lun to the Existing Target Company Shareholders within 7 days after obtaining of approval for the construction of gas network by the sub-branch of the Target Company in Yucheng County (虞城縣); and
- (3) RMB2,000,000 will be paid by Henan Tian Lun to the Existing Target Company Shareholders within 7 days after obtaining of approval for transfer of land title and signing of the land transfer agreement with the local government by the sub-branch of the Target Company in Yucheng County.

## **6. Board of Directors**

Under the Cooperation Agreement, the new board of directors of the Target Company will comprise three directors, one of whom will be appointed by the Existing Target Company Shareholders and two of whom will be appointed by Henan Tian Lun.

## **7. Others**

The parties to the Cooperation Agreement have adopted a new articles of the Target Company on the date of the Cooperation Agreement which contains, among others, the pre-emptive rights of the existing shareholders (which include the Existing Target Company Shareholders and Henan Tian Lun) for future transfer of their interests in the Target Company. The said articles will be effective upon completion of the registration procedures for the Capital Injection with the relevant Administration for Industry and Commerce Bureau. The parties to the Cooperation Agreement will appoint the Target Company to handle the registration procedures for the Capital Injection with the relevant Administration for Industry and Commerce Bureau in the PRC within 5 days after completion of the capital verification of the Capital Injection.

## **Consideration**

The amount of RMB25,000,000 for the Capital Injection is determined among the parties to the Cooperation Agreement after arm's length negotiation with reference to the potential growth of the Target Company. The compensation amount of RMB12,000,000 under the Cooperation Agreement is determined among the parties to the Cooperation Agreement after arm's length negotiation with reference to the efforts contributed by the Existing Target Company Shareholders for, inter alia, the obtaining of the Concession Rights by the Target Company.

## **Source of Fund**

The consideration under the Cooperation Agreement will be settled by the proceeds of the global offering of the Company in accordance with the proposed use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 27 October 2010.

## **The Target Company**

The Target Company is established in the PRC with limited liability and is principally engaged in urban gas business in Shangqiu City (商丘市), Henan with the Concession Rights. Apart from urban gas business, the Target Company also operates one vehicle-use gas filling station in each of Shangqiu City and Minquan County (民權縣).

## **Reasons and Benefits of the Cooperation Agreement**

After completion of the Capital Injection, the Group, through holding the controlling interest in the Target Company, will obtain the Concession Rights which have been granted to the Target Company and therefore, will further expand the regions in which the Group has gas operation.

Shangqiu City is situated at the conjunction of the Yudong Line (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 of the Target Company. Shangqiu City is an important industrial city in eastern Henan. Minquan County is an important production base of freezer trucks and Yucheng is a production base of agricultural by-products of Henan. The industrial bases lays a solid foundation for the long-term development of the Target Company.

The Board is of the view that acquiring the controlling equity interests in the Target Company will provide the Group with opportunities of investing in urban gas business and vehicle-use gas business in Shangqiu City. The geographic coverage of the operations of the Company will also expand. The customer base and social resources of the urban gas and vehicle-use gas business in Shangqiu City will facilitate the Group to further develop its gas business in the eastern Henan.

The Directors are of the view that the terms and conditions of the Cooperation Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **General Information**

The Group is principally engaged in investment in, operation and management of gas pipeline construction, distribution and sales of pipelined gas, and CNG filling stations in the PRC.

## **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
“Capital Injection”	a capital injection of RMB25,000,000 by Henan Tian Lun to the Target Company under the Cooperation Agreement

“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
“Concession Rights”	the exclusive concession for operation of urban gas business and vehicle-use gas business in Minquan County and Yucheng County of Shangqiu City for 30 years from 2008 of the Target Company
“Cooperation Agreement”	the cooperation agreement entered into between the Company and the Existing Target Company Shareholders on 31 March 2011 in relation to the Capital Injection
“Director(s)”	the directors of our Company
“Existing 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 before completion of the Capital Injection
“Henan Tian Lun”	Henan Tian Lun Gas Group Limited (河南天倫燃氣集團有限公司) (formerly known as Hebi Tian Lun Gas Limited) (鶴壁市天倫燃氣有限公司), a wholly-owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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”	the holders of the Share(s)
“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 Existing Target Company Shareholders before completion of the Capital Injection

“%”

per cent

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

Hong Kong, 31 March 2011

*As at the date of this announcement, the executive Directors are Mr. Zhang Yingcen (Chairman), Mr. Xian Zhenyuan, Mr. Feng Yi and 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.*