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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)

DISCLOSEABLE TRANSACTION CAPITAL INJECTION

The Board announces that Henan Tian Lun, a wholly-owned subsidiary of the Company, entered into the Agreement with the Target Company Existing Shareholders on 2 April 2011, pursuant to which Henan Tian Lun and the Target Company Existing Shareholders agreed to inject capital into the Target Company.

Under the Agreement, Henan Tian Lun will contribute RMB25,500,000 while Hunan Guangda, Sichuan Jinxing and Yunnan Datong, in addition to their existing capital contribution, will contribute RMB1,550,000, RMB1,400,000 and RMB1,550,000 respectively to the registered capital of the Target Company. After completion of the Capital Injection, the registered capital of the Target Company will be increased from RMB20,000,000 to RMB50,000,000 while the equity interests in the Target Company will be held by Henan Tian Lun, Hunan Guangda, Sichuan Jinxing and Yunnan Datong as to 51%, 16.3%, 16.4% and 16.3% respectively. In addition, Henan Tian Lun also agreed to (i) make a subsequent investment in the Target Company which is capped at RMB82,450,000 and (ii) pay the Compensation of RMB70,000,000 to the Target Company Existing Shareholders.

As the applicable percentage ratios under the Listing Rules in respect of the transactions under the Agreement exceed 5% but are less than 25%, the transactions under the Agreement constitute a discloseable transaction of the Company under the Listing Rules.

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THE AGREEMENT

Date: 2 April 2011

Parties: Henan Tian Lun; and

Target Company Existing Shareholders

To the best of the knowledge, information and belief of the Board, having made all reasonable enquiries, the Target Company, each of the Target Company Existing Shareholders and their respective ultimate 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.

Capital Injection

As at the date of this announcement, the registered capital of the Target Company was RMB20,000,000 which were contributed by Hunan Guangda, Sichuan Jinxing and Yunnan Datong as to RMB6,600,000, RMB6,800,000 and RMB6,600,000 respectively. Under the Agreement, Henan Tian Lun will contribute RMB25,500,000 while Hunan Guangda, Sichuan Jinxing and Yunnan Datong, in addition to their existing capital contribution, will contribute RMB1,550,000, RMB1,400,000 and RMB1,550,000 respectively to the registered capital of the Target Company. After completion of the Capital Injection, the registered capital of the Target Company will be increased from RMB20,000,000 to RMB50,000,000 while the equity interests in the Target Company will be held by Henan Tian Lun, Hunan Guangda, Sichuan Jinxing and Yunnan Datong as to 51%, 16.3%, 16.4% and 16.3% respectively.

Under the Agreement, a capital verification account will be opened within 5 business days upon signing of the Agreement. The parties to the Agreement will deposit their respective capital contributions under the Capital Injection into the capital verification account within 5 business days upon set up of such account. The parties to the 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 business days upon the settlement of the first payment of the Compensation by Henan Tian Lun, further details of the Compensation are set out in the paragraph headed "Compensation" below.

Subsequent Investment by Henan Tian Lun

Under the Agreement, it is agreed that subsequent investment in the Target Company shall be made by Henan Tian Lun and shall be calculated in the following manner:

Subsequent investment = (Audited Result – Existing Registered Capital) x 51/49 + RMB20,000,000

RMB20,000,000 of the aforesaid subsequent investment to be made by Henan Tian Lun will be contributed to the capital reserve of the Target Company while the remaining, which will be capped at RMB62,450,000, will be treated as investment in the Target Company by Henan Tian Lun. A bank account to be controlled by Henan Tian Lun and the Target Company will be opened within 5 business days upon signing of the Agreement. Henan Tian Lun will deposit RMB20,000,000 into the bank account within 5 business days upon opening of the bank account and the amount will be paid to the capital reserve of the Target Company after completion of the Audit Report.

In the event that the amount arising from the Audited Result minus the Existing Registered Capital is equal to or more than RMB18,000,000, the Target Company shall repay RMB18,000,000 to the Target Company Existing Shareholders as the repayment of the loan to the Target Company by the Target Company Existing Shareholders within 5 business days upon completion of the registration procedures for the Capital Injection with the relevant Administration for Industry and Commerce Bureau.

In the event that the amount arising from the Audited Result minus the Existing Registered Capital is less than RMB18,000,000, the Target Company shall repay an amount equivalent to the amount arising from the Audited Result minus the Existing Registered Capital to the Target Company Existing Shareholders as the repayment of the loan to the Target Company by the Target Company Existing Shareholders within 5 business days upon completion of the registration procedures for the Capital Injection with the relevant Administration for Industry and Commerce Bureau.

Compensation

The parties to the Agreement agreed that Henan Tian Lun will pay the Compensation of RMB70,000,000 to the Target Company Existing Shareholders as a recognition of their past contribution in the Target Company, further details of which are set out in the paragraph headed “The Target Company” below. The Compensation is separated into three payments and will be settled in the following manner:

- (1) The first payment: RMB5,000,000 will be paid by Henan Tian Lun to Yunnan Datong within 5 business days upon signing of the Agreement. A bank account to be controlled by Henan Tian Lun and the Target Company will be opened within 5 business days upon signing of the Agreement. Henan Tian Lun will deposit RMB20,000,000 into the bank account within 5 business days upon opening of the bank account and such amount will be released for use by the Target Company Existing Shareholders upon completion of the registration procedures for the Capital Injection with the relevant Administration for Industry and Commerce Bureau;

- (2) The second payment: RMB20,000,000 will be paid by Henan Tian Lun to the Target Company Existing Shareholders within 7 business days upon signing of the supply of 90,000,000m³ per annum of gas agreement between the Target Company and natural gas fields in northwest Sichuan of the Southwest Branch of China National Petroleum Corporation (中國石油西南油氣田分公司川西北氣礦) (“China National Petroleum”) or China Petroleum & Chemical Corporation (中國石油化工股份有限公司) and its subsidiaries (collectively, “China Petroleum and Chemical”) which is expected to be signed two months before commencement of the first phase of production of the Target Company; and
- (3) The third payment: RMB25,000,000 will be paid by Henan Tian Lun to the Target Company Existing Shareholders within 7 business days upon signing of the supply of 390,000,000m³ per annum (including the supply of 90,000,000m³ per annum of gas as mentioned in item (2) above) agreement between the Target Company and China National Petroleum or China Petroleum and Chemical which is expected to be signed two months before commencement of the second phase of production of the Target Company.

It is a term under the Agreement that, among others, if the signing of the aforesaid gas supply agreements cannot be achieved or the supply of gas cannot be achieved as contemplated under the aforesaid gas supply agreements (if signed), the Target Company Existing Shareholders shall refund to Henan Tian Lun the amount already paid by Henan Tian Lun under the Compensation and Henan Tian Lun will have no obligation to pay the Target Company Existing Shareholders any remaining amount under the Compensation (if applicable) and shall have the right to claim for losses suffered.

It is estimated that the Target Company will commence its first phase of production in the second half of 2011. The commencement of the second phase of production of the Target Company will depend on the results of its first phase of production.

Board of Directors

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

Shareholders' Approval

It is provided in the Agreement that, among others, any external investment, guarantee, loan, decision relating to the research and development of the Target Company and decision of not to distribute annual profit of the Target Company shall be approved by the shareholders of the Target Company holding more than two-thirds of the voting rights.

Other

Under the Agreement, within 5 years upon completion of the Capital Injection, no party to the Agreement can transfer any of its equity interests in the Target Company to a party other than a party to the Agreement without prior consent by all other parties to the Agreement. After 5 years upon completion of the Capital Injection, the parties to the Agreement will have pre-emptive rights when a party to the Agreement elects to transfer its equity interest in the Target Company.

BASIS OF CONSIDERATION

The total considerations for the transactions under the Agreement to be paid by Henan Tian Lun which include the Capital Injection of RMB25,500,000, the maximum subsequent investment of RMB82,450,000 and the Compensation of RMB70,000,000 were determined after arm's length negotiations among the parties to the Agreement with reference to: (a) the potential growth of the Target Company, in particular, the LNG business in the PRC; (b) the investment in the Target Company by the Target Company Existing Shareholders and the expenses incurred by them in connection with the Target Company; and (c) the Target Company Existing Shareholders' contributions in the Target Company and their efforts in having the Project (as defined below) approved by the relevant governmental authority, further details of the Project are set out in the paragraph headed "The Target Company" below .

THE TARGET COMPANY

The Target Company is a company established in the PRC principally engaged in the investment in, development and construction of consolidated use projects for natural gas. As at the date of this announcement, the Target Company had not commenced any operation. On 25 January 2010, the Target Company entered into an investment agreement with The Management Committee of the Industrial Zone for Consolidated Use of Natural Gas of Guangyuan City (廣元市天然氣綜合利用工業園區管委會) and The People's Government of Cangxi County (蒼溪縣人民政府) regarding the "Combined Welding-cutting Gas (Consolidated Use Project for LNG) (合成焊割氣 (液態天然氣綜合利用項目) " (the "Project"). The Target Company Existing Shareholders have undertaken to Henan Tian Lun that the Target Company will enter into supply of gas agreement(s) for the supply of 390,000,000m³ per annum of gas with China National Petroleum or China Petroleum and Chemical.

Financial information of the Target Company

The Target Company has not commenced any operation as at the date of this announcement with most of its assets are under construction. For the two years ended 31 December 2010, the net profit (both before and after taxation and extraordinary items) of the Target Company was Nil and Nil respectively. The audited net assets value of the Target Company as at 31 December 2010 as stated in the audit accounts of the Target Company prepared in accordance with the PRC Accounting Standards amounted to RMB20,000,000.

HUNAN GUANGDA, SICHUAN JINXING AND YUNNAN DATONG

Hunan Guangda is a company established in the PRC principally engaged in investment in infrastructures for urban gas.

Sichuan Jinxing is a company established in the PRC principally engaged in manufacture and sales of gas equipments.

Yunnan Datong is a company established in the PRC principally engaged in development and application of natural gas technology.

THE GROUP

The Group is principally engaged in the gas pipeline connections operation and the transportation and sales of pipelined gas operation in the PRC.

SOURCE OF FUND

The funding required under the Capital Injection, the Compensation and the subsequent investment to be made by Henan Tian Lun will be from the proceeds of the global offering of the Company, internal funding from operation of the Group and bank loans (if required).

REASONS AND BENEFITS OF THE CAPITAL INJECTION

The Project has been approved by the relevant governmental authority while the Target Company is expected to commence its operation in the second half of 2011 which will contribute to the results of the Group.

The product of the Target Company will be combined welding-cutting gas or LNG. It is estimated that the annual production capacity of the Target Company upon its full operation will be approximately 390,000,000m³ of combined welding-cutting gas or 270,000 tons (approximately production of 1,200,000m³ per day) of LNG which will rank the Target Company amongst the leading producers of combined welding-cutting gas and LNG in the PRC.

Welding-cutting gas is widely applied in metallurgy, ship-building, manufacture of machinery and the engineering of large-scale steel structures. Combined welding-cutting gas made of LNG is considered as environmental-friendly and its cost of production is half to that of the conventional welding-cutting gas made of Acetylene and Propane. LNG is one of the sources of gas for urban gas and gas-filling stations, and is not required to be distributed in gas pipelines which is convenient in transportation.

The Target Company is situated at one of the most important bases for supply of gas in the PRC. The supply of gas from China National Petroleum and China Petroleum and Chemical will guarantee a stable and adequate supply of gas to the Target Company. The Directors are of the view that the Target Company will provide the Group with huge competitive advantages for the Group to expand its gas business in adjacent regions. Through the Project, the Group will emerge in the upper stream of the gas industry as a combined welding-cutting gas and LNG supplier, and has strategic importance to the future development of the Group.

The Directors (including all the independent non-executive Directors) are of the view that the terms and condition of the Agreement are fair and reasonable and the transactions under the Agreement are in the interest of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios under the Listing Rules in respect of the transactions under the Agreement exceed 5% but are less than 25%, the transactions under the Agreement constitute a discloseable transaction of the Company under the Listing Rules.

DEFINITIONS

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

“Agreement”	the capital injection and cooperation agreement entered into between Henan Tian Lun and the Target Company Existing Shareholders on 2 April 2011 in connection with, inter alia, the Capital Injection
“associates ”	has the meaning ascribed to this term under the Listing Rules
“Audit Report”	the audit report to be prepared by an accounting firm appointed by Henan Tian Lun and the Target Company Existing Shareholders on (i) the investment made by the Target Company Existing Shareholders in the Target Company; (ii) the expenses incurred by the Target Company Existing Shareholders in respect of the Target Company; and (iii) the liabilities between the Target Company Existing Shareholders and the Target Company as at the date of the Agreement
“Audited Result”	the actual investment amount made by the Target Company Existing Shareholders in the Target Company prior to the date of the Agreement to be stated in the Audit Report
“Board”	the board of Directors from time to time

“Capital Injection”	the capital injection of RMB30,000,000 by Henan Tian Lun and the Target Company Existing Shareholders to the Target Company under the 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
“Compensation”	a compensation of RMB70,000,000 to be paid by Henan Tian Lun to the Target Company Existing Shareholders under the Agreement
“Director(s)”	director(s) of the Company
“Existing Registered Capital”	the fully paid-up registered capital of the Target Company i.e. RMB20,000,000 as at the data of this announcement
“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) (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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hunan Guangda”	Hunan Zhongyou Guangda Gas Limited (湖南中油光大燃氣有限公司), a company established in the PRC and one of the Target Company Existing Shareholders
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“LNG”	Liquefied Natural Gas
“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
“Sichuan Jinxing”	Sichuan Jinxing Petrochemical and Machinery Limited (四川金星石油化工機械設備有限公司), a company established in the PRC and one of the Target Company Existing Shareholders
“Shareholders”	holder(s) of the issued ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Cangxi County Datong Natural Gas and Investment Limited (蒼溪縣大通天然氣投資有限公司), a company established in the PRC, the entire registered capital of which is owned by the Target Company Existing Shareholders before completion of the Capital Injection
“Target Company Existing Shareholders”	Hunan Guangda, Sichuan Jinxing and Yunnan Datong
“Yunnan Datong”	Yunnan Datong Natural Gas Limited (雲南大通天然氣有限公司), a company established in the PRC and one of the Target Company Existing Shareholders
“%”	per cent

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

Hong Kong, 3 April 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.