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CHINA LNG GROUP LIMITED

中國天然氣集團有限公司*

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 931)

VOLUNTARY ANNOUNCEMENT COOPERATION FRAMEWORK AGREEMENT

This is a voluntary announcement made by China LNG Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) to provide the shareholders and potential investors of the Company an update on the latest business development of the Group.

The board of directors of the Company (the “**Board**”) is pleased to announce that on 28 September 2023, CLNG Investment (Zhuhai) Co., Limited* (港能投資(珠海)有限公司) (“**CLNG Investment**”), an indirect wholly owned subsidiary of the Company has entered into a non-legally binding strategic cooperation framework agreement (the “**Framework Agreement**”) with Shaanxi Jingbei Thermal Power Company Limited (陝西涇北熱力有限公司) (the “**Shaanxi JB**”) and its direct wholly owned subsidiary Shaanxi Hezhi Zexi New Energy Technology Company Limited (陝西合智澤熙新能源科技有限公司) (the “**Shaanxi HZ**”). Pursuant to the Framework Agreement, the Parties are committed to establishing a comprehensive and long-term partnership, subject to further negotiations. The Group will leverage its strong capital and exclusive core technologies, including but not limited to the ECO Smart Heating System, while Shaanxi Hezhi will actively utilize its market resources and regional advantages in team operation and management experience. The parties will collaborate closely to carry out low-carbon transformation in the distributed centralized heating market in Xian and Shaanxi province. This transformation aims to significantly improve the energy efficiency of natural gas utilization, achieve energy conservation, emission reduction, and carbon reduction, and make a positive contribution to the air pollution control in the Fenwei Plain.

SCOPE OF COOPERATION

The scope of cooperation between the parties focuses on the Group’s business layout and strategic plan in Shaanxi centralized heating market. Upon the signing of the Framework Agreement, the management team of Shaanxi HZ will register and establish a cooperative enterprise in the PRC (the “**Prospective Partner**”) which together with CLNG Investment are to become shareholders of Shaanxi HZ.

Pursuant to the Framework Agreement, it is contemplated that in relation to the proposed project and upon the signing of a legally binding formal agreement between CLNG Investment and Shaanxi HZ, Shaanxi JB will unconditionally and at nil consideration transfer its entire shareholding interests in Shaanxi HZ as to 70% to CLNG Investment and 30% to the Prospective Partner (the “**Shaanxi HZ Transfer**”). Upon the completion of the Shaanxi HZ Transfer, the authorised share capital of Shaanxi HZ will increase to RMB100 million.

When the actual supply area of Shaanxi HZ accumulated reaches 5 million sq.m. or the contractual supply area accumulated reaches 10 million sq.m., the Prospective Partner will have the right to exercise its option to acquire 10% shareholding interest in Shaanxi HZ from CLNG Investment at a price based on the paid-in capital made by CLNG Investment. When the actual supply area of Shaanxi HZ accumulated reaches 10 million sq.m. or the contractual supply area accumulated reaches 15 million sq.m., the Prospective Partner will have the right to exercise its option to acquire a further 9% shareholding interest in Shaanxi HZ from CLNG Investment at a price based on the paid-in capital made by CLNG Investment.

Subject to the sustained profitability of Shaanxi HZ, CLNG Investment and the Prospective Partner will be entitled to receive annual dividends in accordance with the provisions of the PRC Company Law and such dividend is to be applied and used in priority to increase the capital of Shaanxi HZ.

BACKGROUND OF THE PROSPECTIVE PARTNER

According to the information currently available to the Group, Shaanxi JB is a company established in the PRC with limited liability and is principally engaged in the renovation and upgrading of centralized heating market in Shaanxi region, it currently holds the entire share capital of the Shaanxi HZ which is a holder of Xian Central Heating Business License. The Prospective Partner refers to the current management team of Shaanxi JB, who have ultimate control over Shaanxi HZ.

To the best of the Directors’ knowledge, information and belief having made reasonable enquiries, Shaanxi JB and its ultimate beneficial owners are independent third parties of the Group and they are not connected persons of the Group (as defined in the Rules Governing the Listing of Securities on of The Stock Exchange of Hong Kong Limited) (the “**Listing Rules**”).

REASONS FOR AND BENEFITS OF THE COOPERATION

Shaanxi JB and the Prospective Partner has entered into the central heating industry since March 2019. The Group has been actively exploring new business opportunities in order to diversity its income source, and eventually to maximise the return to the shareholders of the Company. The Board considers that the Group can leverage the technologies of the Prospective Partner and the integration of the experience and business licence advantages of Shaanxi HZ in central heating market to explore more business opportunities and earning potentials of the Group.

The Board considers that the terms of the Framework Agreement are based on normal commercial terms and are fair and reasonable and in the interests of the Group and its shareholders as a whole. The Board expects that the cooperation, if materialised, will present a good business opportunity for the Group to utilise its resources and insights and will diversify the Group's revenue base and business scale. The Group will leverage on its advantages in industrial chains, and through cooperation with the Prospective Partner, it will provide support for cooperation projects between the parties in terms of industrial chain coverage, and foreign capital injection. The parties will leverage on their respective advantages in project development, investment, research, and operation stages, and realize project cooperation by means of mutually beneficial sharing of resources.

GENERAL

The Framework Agreement only involves the cooperation framework between the Company and the strategic partner. Implementation of the transactions contemplated under the Framework Agreement is conditional upon the entering into of a formal agreement and may not materialize. If any formal agreement is entered into in relation to the Framework Agreement, the Company will make further announcement in accordance with the Listing Rules as and when appropriate.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
China LNG Group Limited
Kan Che Kin, Billy Albert
Chairman

Hong Kong, 2 October 2023

As at the date of this announcement, the Board comprises three executive Directors, namely Dr. Kan Che Kin, Billy Albert (Chairman), Mr. Deng Yaobo (chief executive officer) and Mr. Li Kai Yien, Arthur Albert; and three non-executive Directors, namely Dr. Lam, Lee G., Mr. Simon Murray and Mr. Xiao Cong; and three independent non-executive Directors, namely Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.

* *For identification purpose only*