

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

DISCLOSEABLE TRANSACTION INVESTMENT COOPERATION AGREEMENT FOR SHAANXI DISTRIBUTED CENTRAL HEATING PROJECT

THE INVESTMENT COOPERATION AGREEMENT

On 16 October 2023, Gang Neng Investment, an indirect wholly owned subsidiary of the Company, entered into the Investment Cooperation Agreement with the Partnership Enterprise, pursuant to which (i) Gang Neng Investment agreed to invest in the Project Company with an amount of RMB100 million (equivalent to approximately HK\$109 million); and (ii) the Partnership Enterprise agreed to assist the Project Company to manage and implement its projects including to achieve the performance targets.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Project is/are more than 5% but less than 25%, the entering into of the Investment Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

THE INVESTMENT COOPERATION AGREEMENT

On 16 October 2023, the Project Company, an indirect wholly owned subsidiary of the Company, entered into the Investment Cooperation Agreement with the Partnership Enterprise, pursuant to which (i) Gang Neng Investment agreed to invest in the Project Company with an amount of RMB100 million (equivalent to approximately HK\$109 million); and (ii) the Partnership Enterprise agreed to assist the Project Company to implement its projects including to achieve the performance targets.

The principal terms of the Investment Cooperation Agreement are set out below:

Date: 16 October 2023

Parties: (a) Gang Neng Investment;
(b) The Partnership Enterprise;
(c) The Project Company; and
(d) Shaanxi JB.

Transfer of equity interest of the Project Company

According to the terms agreed, Shaanxi JB will transfer, within 7 business days after the signing of the Investment Cooperation Agreement, the entire equity interests in Project Company as to 70% to Gang Neng Investment and 30% to the Partnership Enterprise at a nominal consideration of RMB1 respectively. Upon the completion of the transfer, the authorized share capital of Project Company will increase to RMB100 million, the Project Company will become a subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company.

The Partnership Enterprise acquires 30% equity interest in Project Company based on the industry advantages of its core management team and the Centralized Heating Operation Licence of Xian City held by the Project Company, Gang Neng Investment will provide the entire capital amount and the Partnership Enterprise is not obligated to repay the capital investment to Gang Neng Investment.

The 30% equity interest in Project Company owns by the Partnership Enterprise were corresponding to dividend rights for three performance periods under the Investment Cooperation Agreement. If the Project Company fails to meet the performance target for respective financial year, 10% of the dividend right corresponding to the equity interest shall forfeit and assign by the Partnership Enterprise to Gang Neng Investment. The assignment of dividend rights does not affect the Partnership Enterprise's entitlement to other shareholder rights, such as voting rights.

Investment In the Project Company

The investment amount shall be approximately RMB100 million (equivalent to HK\$109 million), of which approximately RMB20 million is expected be invested upon completion of the change in the equity structure of the Project Company, approximately RMB80 million is expected to be invested gradually upon the working capital requirement of the Project Company. The amount was determined with reference to, among others, the estimated fees required for the achievement of performance targets of the Project Company.

It is expected that the actual total amount to be made by the Group in the Project Company shall not be significantly greater than RMB100 million (equivalent to approximately HK\$109 million). The Company will make further announcement (at the time if material increase in the amount of investment is incurred) with respect to different classification of the transaction under the Investment Cooperation Agreement if and as required under the Listing Rules.

Performance Undertaking

The Partnership Enterprise has undertaken to ensure Gang Neng Investment that the operational performance of Project Company shall not be less than the performance targets for each of the relevant years during the performance period, as set out in the following table:

Performance Period	Accumulated actual supply area	Accumulated contractual supply area
For the year ending 31 March 2024	2 million square meters	3 million square meters
For the year ending 31 March 2025	5 million square meters	10 million square meters
For the year ending 31 March 2026	10 million square meters	15 million square meters

The Project Company is currently tracking and discussing 52 new projects with an estimated contractual supply area of over 17 million square meters, among which it is projected that over RMB38 million revenue will be realized and contribute to the Company for the year ending 31 March 2024.

When the actual supply area of Project Company accumulated to 5 million square meters or the contractual supply area accumulated to 10 million square meters, the Partnership Enterprise will have the right to exercise its option to acquire 10% equity interest in Project Company from Gang Neng Investment at a price based on the paid-in capital made by Gang Neng Investment. When the actual supply area of Project Company accumulated to 10 million square meters or the contractual supply area accumulated to 15 million square meters, the Partnership Enterprise will have the right to exercise its option to acquire a further 9% equity interest in Project Company from Gang Neng Investment at a price based on the paid-in capital made by Gang Neng Investment.

The Partnership Enterprise has agreed to guarantee the prompt complete performance targets by all its obligations and undertake with Gang Neng Investment that if it fails on the performance target for the finance year ending on 31 March 2026 under the Investment Cooperation Agreement, the Partnership Enterprise, shall forthwith in 10 days on demand of Gang Neng Investment, perform such obligations of transfer back the 10% increased equity interest in Project Company that due to the fulfillment of the performance target for the year ended 31 March 2025, at the price acquired.

Pursuant to the Investment Cooperation Agreement, the Project Company and its management team undertake exert their best efforts to fulfill the performance targets and to generate profits for the Project Company. Subject to the sustained profitability of Project Company, after setting aside compulsory statutory reserve funds and discretionary reserve funds, dividends will be distributed to the shareholders. The dividend percentage will not be less than 50% of the annual net profit.

Management of the Project Company

The board of directors of the Project Company shall consist of five directors, of which the Gang Neng Investment shall be entitled to appoint three directors and the other two directors shall be appointed by the Partnership Enterprise. The chairman of the board of directors of the Project Company shall be appointed by the Gang Neng Investment.

Non-compete undertaking

Each of the Partnership Enterprise and Gang Neng Investment has undertaken not to engage in the same or any similar business that may compete with the Project Company or solicit the current projects of the Project Company in Shaanxi Province after the signing of the Investment Cooperation Agreement.

INFORMATION ON THE PARTIES

Partnership Enterprise

The Partnership Enterprise was established under the laws of the PRC with limited partners on 11 October 2023 for investment holding purposes, it was incorporated by a team who has been engaged in the heating industry for nearly 20 years and possesses excellent marketing and development capabilities as well as extensive market experience.

Shaanxi JB

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 Province. As at the date of this announcement, it owns the entire equity interest of the Project Company.

The Project Company

The Project Company is a direct wholly owned subsidiary of Shaanxi JB, established in the PRC with limited liability and is principally engaged in (i) designing, evaluation and implementation of energy-saving and energy-management services; (ii) Heating and cooling supply services; (iii) sales and lease of heating and cooling system equipment and materials; and (iv) related consulting and technology services. As at the date of this announcement, the Project Company has obtained two district centralized heating licences in Xian City and completed registration for four districts.

As at the date of this announcement, to the best of knowledge, information and belief of the Directors, having made all reasonable enquiry, each of the Partnership Enterprise, Shaanxi JB and the Project Company is an Independent Third Party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE INVESTMENT COOPERATION AGREEMENT

The Group is principally engaged in (i) the sales and distribution of LNG in the PRC, including the point-to-point supply of natural gas through industrial gasification stations, dewar bottle filling stations and automobile gas stations, the regional gas pipeline networks that provide pipeline natural gas for rural industrial, commercial and civilian, the supplement supply to the national natural gas pipeline networks and the distribution of natural gas (logistics) services; and (ii) financial services business, including the provision of finance leasing services for LNG vehicles and equipment as approved by Chinese Ministry of Foreign Trade and Economic Cooperation, Type 9 (asset management) regulated activities with the licences issued by the Securities and Futures Commission (“SFC”) under the Securities and Futures Ordinance (“SFO”) and money lending business through a valid money lenders licence under the Money Lenders Ordinance in Hong Kong.

With the development of society and economy, the continuous improvement of people’s living standards and the gradual enhancement of environmental protection awareness, the clean energy and energy efficiency issues have become a significant environmental concern of many countries including the PRC. On October 2022, in the Report to the 20th National Congress of the Communist Party of China, it focused on the importance of the use of clean, low-carbon and high-efficiency energy, greater efforts will be made to accelerate the planning and development of the new energy system in an orderly manner, further strengthen the systems for energy production, supply, storage and marketing to ensure energy security.

The Project Company will introduce innovative technologies and systems to enhance the efficiency and effectiveness of central heating solutions, lead to improved heating performance and reduced energy consumption as well as reduce the costs for consumers. The project will contribute to the development of cleaner and energy saving methods for heating, thereby promoting environmental protection and reducing pollution. The scale and expertise of the Project Company will result in increased competition in the heating market, encouraging existing companies to enhance their products and attracting new entrants to the industry, which will provide consumers with a wider range of heating options in low cost. The impact of this on the northern China heating market is expected to be substantial, bring about positive changes in energy efficiency and affordability.

The cooperation signifies the Group’s expansion into the central heating market in the PRC with the support of local partners, the Group believes tapping into the Shaanxi central heating market brings in tremendous business growth potential to the Group and also better diversifies the Group’s business in China. With regard to the aforementioned, the Directors consider that the terms and conditions of the Investment Cooperation Agreement are fair and reasonable and the transaction contemplated thereunder is on normal commercial terms and is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) in respect of the Project is/are more than 5% but less than 25%, the entering into of the Investment Cooperation Agreement and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under the Listing Rules and are therefore subject to the reporting and announcement requirements but exempt from the Shareholders’ approval requirement under Chapter 14 of the Listing Rules.

DEFINITIONS

Unless the context otherwise requires, capitalized terms used in this announcement shall have the following meanings:

“Board”	the board of Directors
“Business Day(s)”	any day(s) other than a Saturday, Sunday or statutory holiday in the PRC
“Company”	China LNG Group Limited, a company incorporated in the Cayman Islands with limited liability and whose Shares are listed on the Main Board of the Stock Exchange (stock code: 931)
“Gang Neng Investment”	Gang Neng Investment (SZ) Company Limited# (港能投資(深圳)有限公司), formerly named Gang Neng Investment (Zhuhai) Company Limited# (港能投資(珠海)有限公司), a company established in the PRC with limited liability, which is an indirect wholly owned subsidiary of the Company as at the date of this announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any person or company and its ultimate beneficial owner(s), to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, is/are not connected person(s) of the Company and is/are third party(ies) independent of the Company and its connected person(s) in accordance with the Listing Rules
“Investment Cooperation Agreement”	the investment cooperation agreement dated 16 October 2023, entered into between the Partnership Enterprise and Gang Neng Investment in relation to the investment, development and operation of the Project Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Partnership Enterprise”	Xian Shengsen Thermal Technology Partnership (Limited Partner)# 西安盛森熱力科技合夥企業(有限公司), a limited partnership established under the laws of the PRC on 11 October 2023 for investment holding purposes, it was incorporated by a team who has been engaged in the heating industry for nearly 20 years and possesses excellent marketing and development capabilities as well as extensive market experience

“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Project Company”	Shaanxi Hezhi Zexi New Energy Technology Company Limited# (陝西合智澤熙新能源科技有限公司), a company established in the PRC with limited liability, which is a direct wholly owned subsidiary of Shaanxi JB as at the date of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Shaanxi JB”	Shaanxi Jingbei Thermal Power Company Limited# (陝西涇北熱力有限公司), 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 owns entire equity interest of the Project Company as at the date of this announcement
“Share(s)”	ordinary share(s) of the Company of HK\$0.02 each
“Shareholder(s)”	holder(s) of issued Share(s) from time to time
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

the English translation of Chinese names or words in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English translation of such Chinese names or words.

For the purpose of this announcement, unless otherwise indicated, conversion of Renminbi into Hong Kong dollars is calculated at the approximate exchange rate of RMB1 to HK\$1.09. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 16 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