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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)**

### **DISCLOSEABLE TRANSACTION IN RELATION TO THE DISPOSAL AND OPERATING LEASE ARRANGEMENT OF LNG TANK CONTAINERS**

#### **REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTION**

In view of the Company's business development needs in mainland China and the establishment of a comprehensive strategic cooperation with China National Machinery Export & Import Corporation, an enterprise managed by the central government, after consideration, the Board has agreed to operate LNG tank containers in the form of sale and operating leases, this can help to increase cash flow flexibility and reduce capital usage, the Company can invest resources to develop other natural gas projects at the same time. Besides, the establishment of business cooperation with China National Machinery Export & Import Corporation, including but not limited to, importing LNG from overseas through LNG tank containers, which helps both parties to enter the field of clean energy, and will have great potential benefits for the future development of the Company.

Therefore, the Company entered into the sale and purchase agreement and the leasing agreement with Ruiji Energy Technology (Tianjin) Co., Ltd.\* (瑞機能源技術(天津)有限公司) (a holding subsidiary of China National Machinery Export & Import Corporation). The LNG tank containers were sold to Ruiji Energy, and then the LNG tank container sold to Ruiji Energy was leased in an operational manner.

In addition, in order to maintain a long-term strategic partnership, the Company entered into the framework agreement with Ruiji Energy to extend the lease period of LNG tank containers in the future.

## **THE SALE AND PURCHASE AGREEMENTS**

On 26 October 2019, the Company entered into the sale and purchase agreements of LNG tank containers with Ruiji Energy Technology (Tianjin) Co., Ltd.\* (瑞機能源技術(天津)有限公司) through Ningbo Ganglin Co., Ltd., and Gangzong Trade (Shanghai) Co., Ltd., both being a wholly-owned subsidiary of the Company, respectively. A total of 275 units of LNG tank containers would be sold for a total value of RMB119,700,000 (equivalent to approximately HK\$131,800,000).

As at 26 October 2019, the net value of the 275 units of LNG tank containers was RMB106,254,978 and the Company recorded gains on the disposal of LNG tank containers of RMB13,445,022.

## **THE LEASING AGREEMENT**

On 26 October 2019, the Company entered into the leasing agreement of LNG tank containers with Ruiji Energy Technology (Tianjin) Co., Ltd.\* through Great Trend Investment Management (Shanghai) Co., Ltd.\*, a wholly-owned subsidiary of the Company. A total of 275 units of LNG tank containers would be leased to Ruiji Energy in operating lease with a term of 3 years.

## **THE FRAMEWORK AGREEMENT**

On 25 October 2019, the Company, Great Trend Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, entered into the framework agreement of LNG tank containers with Ruiji Energy Technology (Tianjin) Co., Ltd. with a term of 6 years.

## **LISTING RULES IMPLICATIONS**

As each applicable percentage ratio(s) of the transactions under the sale and purchase agreement and the leasing agreement in aggregate basis exceeds 5% but are less than 25%, such transaction constitutes a discloseable transaction of the Company under Rule 14.07 of the Listing Rules and accordingly subject to the announcement requirement under Chapter 14 of the Listing Rules.

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### **Principal Terms of the Agreements**

Date of entering: 26 October 2019

Vendor: Ningbo Ganglin Co., Ltd.\*/Gangzong Trade (Shanghai) Co., Ltd.\*

Purchaser: Ruiji Energy Technology (Tianjin) Co., Ltd.\*

### **Assets to be disposed**

LNG tank containers.

### **Price of assets to be disposed**

According to the terms of the agreement, Ningbo Ganglin Co., Ltd.\* and Gangzong Trade (Shanghai) Co., Ltd.\* would sell 50 units and 225 units of LNG tank containers to Ruiji Energy Technology (Tianjin) Co., Ltd.\* respectively. The considerations are RMB21,800,000 and RMB97,900,000 respectively with total value of RMB119,700,000 (equivalent to approximately HK\$131,800,000).

As at 26 October 2019, the net value of the 275 units of LNG tank containers was RMB106,254,978 and the Company recorded gains on the disposal of LNG tank containers of RMB13,445,022.

## **Transportation and delivery**

### **For Ningbo Ganglin Co., Ltd.\***

Both parties shall complete the inspection and acceptance procedures for all 50 units of LNG tank containers before 15 December 2019 as specified in the sale and purchase agreement.

### **For Gangzong Trade (Shanghai) Co., Ltd.\***

Both parties shall complete the inspection and acceptance procedures for all 225 units of LNG tank containers before 15 December 2019 as specified in the sale and purchase agreement.

## **Method and timing of Settlement**

### **For Ningbo Ganglin Co., Ltd.\***

The sum of RMB13,928,736.00 for the first 32 units of LNG tank containers shall be paid by the purchaser with a single payment within 7 working days after the purchaser accepted the delivery and signed on the acceptance certificate issued by a third-party inspection institution for confirmation. The vendor shall issue the 100% value-added tax special invoice before the purchaser made the payment.

The sum of RMB7,834,914.00 for the remaining 18 units of LNG tank containers shall be paid by the purchaser with a single payment within 7 working days after the purchaser accepted the delivery and signed on the acceptance certificate issued by a third-party inspection institution for confirmation. The vendor shall issue the 100% value-added tax special invoice before the purchaser made the payment.

### **For Gangzong Trade (Shanghai) Co., Ltd.\***

The sum of RMB67,032,042.00 for the first 154 units of LNG tank containers shall be paid by the purchaser with a single payment within 7 working days after the purchaser accepted the delivery and signed on the acceptance certificate issued by a third-party inspection institution for confirmation. The vendor shall issue the 100% value-added tax special invoice before the purchaser made the payment.

The sum of RMB30,904,383.00 for the remaining 71 units of LNG tank containers shall be paid by the purchaser with a single payment within 7 working days after the purchaser accepted the delivery and signed on the acceptance certificate issued by a third-party inspection institution for confirmation. The vendor shall issue the 100% value-added tax special invoice before the purchaser made the payment.

## **THE LEASING AGREEMENT**

On 26 October 2019, the Company entered into the leasing agreement of LNG tank containers with Ruiji Energy Technology (Tianjin) Co., Ltd.\* through Great Trend Investment Management (Shanghai) Co., Ltd.\*, a wholly-owned subsidiary of the Company. A total of 275 units of LNG tank containers would be leased to Ruiji Energy in operating lease with a term of 3 years.

## **Principal Terms of the Agreement**

Date of entering: 26 October 2019

Lessor: Ruiji Energy Technology (Tianjin) Co., Ltd.\*

Lessee: Great Trend Investment Management (Shanghai) Co., Ltd.\*

## **Name, quantity, uses and delivery time of the rental equipment**

Name of the leased item: LNG tank containers

Quantity: 275 units

Uses of rental equipment: Transportation and storage of LNG

Delivery time: The lessor shall deliver within 7 working days after the receipt of rental equipment transfer/deliver order

Term of lease: 3 years with rent incurring from the date that both parties signed on the rental equipment transfer/deliver order for confirmation

The lessee shall notify the lessor by giving three months' notice in writing for the renewal after the expiration of term of lease. A three months' notice in writing should also be given for not renewing after the expiration of term of lease.

## **Rent and Settlement**

### **Rent**

For 2019, the rent shall be incurred from 15 November 2019. The total rent (tax inclusive) would be RMB10,557,731.25.

For 2020, the quarterly rent (tax inclusive) would be RMB5,572,524.37.

From 2021 to the third quarter of 2022, the quarterly rent (tax inclusive) would be RMB7,299,517.50.

For the fourth quarter of 2022, the rent (tax inclusive) would be RMB3,649,758.75.

## **Settlement**

The lessee shall pay the rent (tax inclusive) of RMB3,649,758.75 before 31 December 2019.

The lessee shall pay the rent (tax inclusive) of RMB7,299,517.50 on the last week of each quarter for 2020 to the third quarter of 2022.

The lessee shall pay the rent (tax inclusive) of the fourth quarter of RMB3,649,758.75 on 15 November 2022.

In case the time of renting and the number of leases change, both parties will coordinate and sign the supplemental agreement to agree on the rent and settlement method.

## **Maintenance and insurance of rental items during the lease period**

During the equipment lease period, the tenant shall be responsible for repair or replacement when the equipment needs to be overhauled due to the reasons of the equipment itself or the reason of the lessee.

## **Modification and Rescission**

The contract may be modified or rescinded under the consents of both parties. The modification and rescission of the contract shall be in written. A party can rescind the contract with a written notice for the failure in realizing the purpose of the contract due to force majeure or fundamental breach of the contract by the other party.

The reason for the lessor to terminate the agreement at any time: late payment of the rent by lessee for 30 days or 60 days in total.

## **Guarantor**

The Company is obligated to fulfill the main contract for Great Trend Investment, which provides guarantee for the payment of the contract rent. The total amount of the guarantee is RMB 87,594,210.00. The scope of the guarantee is the unpaid rent and liquidated damages that the Great Trend Investment should pay to Ruiji Energy in the contract.

The Company shall be jointly and severally liable for the amount listed above. If Great Trend Investment does not pay the rent and liquidated damages according to the agreement stipulated in the main contract, Ruiji Energy has the right to recover directly from the Company. The Company guarantees to settle the above rent and liquidated damages within 5 working days after receiving the written claim from Ruiji Energy.

The Company agrees that when Ruiji Energy submitted a claim for compensation in accordance with the contract, the Company first repay with the Company's own funds and property to other party, the Company has the right to recover the compensation from Great Trend Investment after the Company has settled the rent and liquidated leases that Great Trend Investment owned to Ruiji Energy stipulated in the settlement contract.

If the Company violates the above agreement and fails to pay off the debts due on time, Ruiji Energy may charge the Company a penalty of 5% of the total amount of the guarantee.

## **THE FRAMEWORK AGREEMENT**

On 25 October 2019, the Company, Great Trend Investment Management (Shanghai) Co., Ltd., a wholly-owned subsidiary of the Company, entered into the framework agreement of LNG tank containers with Ruiji Energy Technology (Tianjin) Co., Ltd. with a term of 6 years.

### **Principal Terms of the Agreement**

Date of entering:	25 October 2019
Party A:	Ruiji Energy Technology (Tianjin) Co., Ltd.*
Party B:	Great Trend Investment Management (Shanghai) Co., Ltd.*
Party C:	the Company

### **Term of the Agreement**

The agreement is valid for 6 years after the date of entering into by both parties.

### **Principle of cooperation**

In accordance with the cooperation and win-win principle of Party A and Party B, Party A shall inform Party B of the latest lease price within 30 days before the expiration of the leasing agreement of LNG tank containers signed by Party A and Party B. The rent shall not exceed plus or minus 1% according to the rent basis of the lease contract for the third year. After the expiration of the original lease contract, Party A may request Party B to continue to execute the original lease contract at the latest lease price, the validity of the original lease agreement is extended for three years, and the latest lease price is subject to confirmation by both parties. If Party B does not continue to perform, Party A will forfeit Party B's full equipment deposit. After the expiration of the original guarantee contract, Party C shall provide the guarantee of the latest lease contract according to the lease contract signed by both parties.

## **Modification and Rescission**

The agreement may be modified or rescinded under the consents of both parties. The modification and rescission of the agreement shall be in written.

A party can rescind the agreement with a written notice for the failure in realizing the purpose of the agreement due to force majeure or serious breach of the agreement by the other party.

## **Information about China National Machinery Export & Import Corporation**

China National Machinery Export & Import Corporation was established in 1950. In 1998, it became a wholly-owned subsidiary of China General Technology (Group) Holding Company Limited, a state-owned key enterprise directly managed by the central government. It is the earliest operating electronic and mechanical products in New China. The large state-owned foreign trade companies, mainly engaged in import and export trade and international engineering contracting business, have accumulated more than US\$100 billion of operations since their establishment. Since 2004, China National Machinery Export & Import Corporation has continuously entered the ranks of the world's largest 225 international contractors.

## **Information about Ruiji Group**

As a holding subsidiary of China National Machinery Export & Import Corporation, Ruiji Group is committed to building an Internet and industrial product service platform, focusing on oil and gas energy idle equipment leasing and services, idle equipment trading, construction machinery trade and services, and machine tool integration solutions and other services. The Company relies on excellent global service supply chain integration capabilities, through the Internet platform operation and global marketing service network, builds a global oil and gas idle equipment transaction service platform, forms a platform for sharing oil and gas equipment industry, and creates a unique competitive foreign trade transformation and upgrading of new formats and new mode.

## **LISTING RULES IMPLICATIONS**

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## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise.

“Company”	China LNG Group Limited*(中國天然氣集團有限公司), a company incorporated in Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board (stock code: 931);
“Ningbo Ganglin”	Ningbo Ganglin Co., Ltd.* (寧波港林天然氣有限公司), a company established in the PRC and is a wholly-owned subsidiary of the Company;
“Gangzong Trade”	Gangzong Trade (Shanghai) Co., Ltd.* (港縱貿易(上海)有限公司), a company established in the PRC and is a wholly-owned subsidiary of the Company;
“Great Trend Investment”	Great Trend Investment Management (Shanghai) Co., Ltd.* (港宇供應鏈管理(上海)有限公司), a company established in the PRC and is a wholly-owned subsidiary of the Company;
“Director(s)”	the directors of the Company;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“%”	per cent;
“LNG”	the liquefied natural gas

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

Hong Kong, 29 October 2019

*As at the date of this announcement, the executive Directors are Dr. Kan Che Kin, Billy Albert, Mr. Li Kai Yien, Arthur Albert and Mr. Lam Yu Yeung; the non-executive Directors are Dr. Lam, Lee G. and Mr. Simon Murray; and the independent non-executive Directors are Dr. Li Yao, Mr. Li Siu Yui, Mr. Chow Ching Ning and Mr. Lam Lum Lee.*

\* For identification only