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If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China LNG Group Limited, you should at once hand this circular to the purchaser or the transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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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)

**MAJOR TRANSACTION
DISPOSAL OF 50% EQUITY INTEREST OF A SUBSIDIARY AND
INCREASE CAPITAL INJECTION TO THE TARGET COMPANY**

A letter from the Board is set out on pages 4 to 13 of this circular.

* *For identification purposes only*

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

“Board”	the board of Directors
“Business Day”	on which banks in Hong Kong or the PRC are open for general business day(s) (excluding Saturday, Sunday or other statutory holidays)
“Closing Audit”	within 60 business days after the Completion Date, Sinopec Fuel Oil and Gang Zong Trading shall jointly engage an audit firm which is approved by both parties and possesses qualifications to complete the audit and issue an audit report on the Target Company, in order to ascertain the profit and loss in respect of the Net Asset Value of the Target Company during the Transition Period and the subsequent adjustment items
“Companies Law”	the Companies Law (as revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“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)
“Completion”	the completion of the Transaction pursuant to the terms of the Sale and Purchase Agreement
“Completion Date”	the date of completion of the registration of the change of the shareholding of the Target Company in Gaoyi Xuan (高邑縣) Administration for Market Regulation
“Conditions”	the conditions precedent to completion of the Transaction as set out in the Sale and Purchase Agreement, which are required to be satisfied or waived (where applicable)
“Consideration”	the consideration payable by the Purchaser for the Sale of 50% shareholding, being RMB23,000,000 (equivalent to approximately HK\$27,522,000), pursuant to the Sale and Purchase Agreement
“Controlling Shareholder”	has the meaning ascribed thereto under the Listing Rules, and in the context of our Company, means Mr. Kan Che Kin Billy Albert
“Director(s)”	director(s) of the Company

DEFINITIONS

“Disposal”	the disposal of 50% of shareholding of the Target Company to the Purchaser pursuant to the Sale and Purchase Agreement
“Group”	the Company and its subsidiaries from time to time
“HKFRSs”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	person(s) or company(ies) which is or are independent of and not connected with any of the connected persons (as defined under the Listing Rules) of the Company and any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	17 September 2021, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange, and for the avoidance of doubt, the Main Board shall exclude the Growth Enterprise Market
“Percentage Ratio(s)”	percentage ratio(s) as set out in Rule 14.07 of the Listing Rules to be applied for determining the classification of a transaction
“PRC”	People’s Republic of China, which for the purposes of this circular, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Purchasers” or “Sinopec Fuel Oil”	Sinopec Fuel Oil Sales Company Limited, a company incorporated in PRC with limited liability, and a direct wholly-owned subsidiary of China Petroleum and Chemical Corporation (stock code: 386)
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“Sale and Purchase Agreement” or “S&P”	the sale and purchase agreement dated 9th July, 2021 entered into between the Vendor and the Purchaser in relation to the Transaction
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	ordinary shares of HK\$0.02 each in the share capital of the Company
“Shareholders”	holders of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company” or “Shijiazhuang Sheng Ran”	Shijiazhuang Sheng Ran Gas Trading Co., Ltd.*, a company incorporated in China with limited liability, and a direct wholly-owned subsidiary of Gang Zong Trading (Zhuhai) Company Limited prior to the Transaction
“Transaction”	the disposal of 50% of shareholding of the Target Company to the Purchaser pursuant to the Sale and Purchase Agreement
“Transition Period”	the period from the Valuation Reference Date (exclusive) to the date of completion of the registration of the change of the shareholding of the Target Company in Gaoyi Xuan (高邑縣) Administration for Market Regulation
“Vendor” or “Gang Zong Trading”	Gang Zong Trading (Zhuhai) Company Limited, a company incorporated in PRC with limited liability, and an indirect wholly-owned subsidiary of the Company
“Valuation Reference Date”	28 February 2021
“Valuer”	Beijing Guorongxinghua Assets Appraisal Company Limited* (北京國融興華資產評估有限責任公司)
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

* For identification purposes only

LETTER FROM THE BOARD



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)

Executive Directors:

Dr. Kan Che Kin, Billy Albert
Mr. Li Kai Yien, Arthur Albert

Non-executive Directors:

Mr. Simon Murray
Dr. Lam, Lee G.

Independent Non-Executive Directors:

Mr. Li Siu Yui
Mr. Lam Lum Lee
Mr. Chow Ching Ning

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal place of business in Hong Kong:

8/F., St John's Building
33 Garden Road
Central
Hong Kong

24 September 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION DISPOSAL OF 50% EQUITY INTEREST OF A SUBSIDIARY AND INCREASE CAPITAL INJECTION TO THE TARGET COMPANY

1. INTRODUCTION

Reference is made to the announcement made by the Company dated 12th July 2021 in relation to, among others, and the Disposal.

On 9th July, the Vendor (an indirect wholly-owned subsidiary of the Company) and the Purchaser (an independent third party) entered into the Sale and Purchase Agreement, pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase 50% of the equity interest of the Target Company at the Consideration of RMB23,000,000 (equivalent to approximately HK\$27,522,000).

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LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details of the Disposal, and other information as required under the Listing Rules.

2. THE SALE AND PURCHASE AGREEMENT

The principal terms of the Agreement are as follows:

Date

9th July, 2021 (After trading hour)

Parties

The Vendor: Gang Zong Trading (Zhuhai) Company Limited** (“**Gang Zong Trading**”)

The Purchaser: SINOPEC Fuel Oil Sales Company Limited** (“**Sinopec Fuel Oil**”)

Assets Asset to be disposal of

Pursuant to the Sale and Purchase Agreement, the Vendor has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase 50% of equity interest of the Target Company at the Consideration of RMB23,000,000 (equivalent to approximately HK\$27,522,000).

Consideration

Pursuant to the Sale and Purchase Agreement, the Consideration of the sales of 50% equity interest of the Target Company is RMB23,000,000 (equivalent to approximately HK\$27,522,000), and shall be determined by subsequent adjustment items as agreed under the S&P agreement, those adjustment items are (1) the profit and loss of the Target Company during the Transition Period, and (2) the increase or decrease of net asset value of the Target Company during the Transaction Period. The consideration shall be payable by the Purchaser within 90 business days from the date of the agreement.

The Consideration was determined after arm’s length negotiations between the Vendor and the Purchaser having taken into account (i) the fair value of the Target Company of RMB49,330,000 (equivalent to approximately HK\$59,028,000) as at 28 February 2021 valued by an independent professional valuer; (ii) the unaudited net assets value of the Target Company of RMB38,639,000 (equivalent to approximately HK\$46,235,000) as at 30 June 2021.

Given that the Target Company is a private company, and its shares can’t be trade publicly, and when compare the consideration of RMB23,000,000 with the unaudited 50% of net asset value RMB19,319,500 of the Target Company at 30 June 2021, and taken into account that 50% of the loss of the Target Company from the valuation

LETTER FROM THE BOARD

reference date, 28 February 2021 to 30 June 2021, which is RMB1,040,000, there was a gain of RMB2,640,000 on the Disposal if calculated in the Target company's functional currency RMB, before releasing of the unrealized cumulative exchange difference of approximately HK\$6,062,000.

The fair value of the Target Company of RMB49,330,000 (equivalent to approximately HK\$59,028,000) as at 28 February 2021 was valued by an independent professional valuer in PRC, Beijing Guorongxinghua Assets Appraisal Company Limited* (北京國融興華資產評估有限責任公司), by using Asset-based approach, mainly based on the following principal assumptions, (i) assumption of going concern, that is, assuming that the Target Company is based on existing assets and resource conditions, it will not stop operating due to various reasons in the foreseeable future, but will continue to operate legally and continuously; and (ii) it is assumed that there are no major changes in PRC's current relevant laws, regulations and policies, and PRC's macroeconomic situation, and there are no major changes in the political, economic and social environment of the region where the parties to this transaction are located.

The Directors consider the terms and conditions of the Sales and Purchase Agreement are fair and reasonable and on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

The increase or decrease in net assets value of Target Company during the transition period and subsequent adjustments

The Purchaser and the Vendor agree that within 60 business days after the completion of the disposal of the target company, an audit should be conducted on the target company and an audit report should be issued ("**closing audit report**") to determine the gain or loss on the net assets value during the transition period. The auditor shall be mutually agreed by both parties and each party should born 50% of the audit fee.

The profit generated by the operation of the Target Company during the transition period or the increase in net assets value due to other reasons shall be paid by the Purchaser to the Vendor in cash according to its shareholding percentage. If the Target Company incurs a loss or reduces its net assets value due to other reasons during the transaction period, the Vendor shall pay the Purchaser in cash according to its shareholding percentage. The actual amount of increase or decrease on net asset value to be paid during the transition period shall be subject to the closing audit report, and both parties confirm that the payment should be made no later than 30 business days after the date of closing audit report was issued.

Increase Capital Contribution to Target Company

Both the Purchaser and the Vendor agreed that after the completion of the disposal, based on 50:50 equity ratio, each party contributes RMB23,000,000 capital fund to the Target Company, a total of RMB46,000,000 capital fund will be contributed to the Target Company. The Purchaser and the Vendor should complete the capital contribution in cash within 30 business days after the date of completion of the

LETTER FROM THE BOARD

disposal. The contributed capital fund will be treated as the Target Company's capital reserve, and the Target Company's registered and paid-up capital will remain unchanged.

The board consider that the Group and Sinopec Fuel Oil is working towards a full cooperation of the logistics needs of Sinopec Fuel Oil's internal fuel delivery, which calls for the purchase of a lot more LNG tanker trucks. The Target Company is the first of the full cooperation in the Hebei region. The cost of a LNG tanker truck is presently around RMB1 million. The proceeds from the Target Company's increase in capital is likely to be used mostly in this area of purchasing more LNG tanker trucks.

Conditions Precedent

Completion is conditional in all respects upon fulfilment (or waiver in accordance with the terms of the Sale and Purchase Agreement) of the following Conditions:

- (i) all necessary governmental and regulatory approvals, consents, waivers, authorization, registrations, filings and compliance with all the requirements under the Listing Rules and other applicable laws and regulations in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and not revoked prior to Completion;
- (ii) all necessary consents, waivers and/or authorization from any relevant third parties (where applicable) in connection with the transactions contemplated under the Sale and Purchase Agreement having been obtained and not revoked prior to Completion;
- (iii) the representations, warranties and undertakings given or made by the Vendor pursuant to the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect at all times between the date of the S&P agreement and the Completion Date; and
- (iv) the representations, warranties and undertakings given or made by the Purchaser pursuant to the Sale and Purchase Agreement remaining true and accurate and not misleading in any material respect at all times between the date of the Sale and Purchase Agreement and the Completion Date

Conditions under paragraphs (i) and (ii) cannot be waived by any party to the Sale and Purchase Agreement. The Purchaser may in its absolute discretion at any time waive the condition under paragraph (iii), while the Vendor may in its absolute discretion at any time waive the condition under paragraph (iv).

If any of the Conditions has not been satisfied or waived (as the case may be) on or before the Completion Date: the Sale and Purchase Agreement will terminate immediately, and thereafter the Sale and Purchase Agreement shall be of no further effect; all the rights, obligations and liabilities of the parties under the Sale and Purchase Agreement will cease and determine (save for any antecedent rights and obligations of the parties already accrued before the termination); and no party to the

LETTER FROM THE BOARD

Sale and Purchase Agreement shall have any claim against any of the other parties, except in respect of claims arising out of any antecedent breach of any of the provisions of the Sale and Purchase Agreement.

All the conditions stated on the sales and purchase agreement had been fulfilled, and the Transaction had been completed on 6 September 2021.

Completion

The Vendor had received the initially consideration of RMB23,000,000 from the Purchaser and the registration of the change of the shareholding of the Target Company in Gaoyi Xuan (高邑縣) Administration for Market Regulation had completed on 6 September 2021.

Upon Completion of the Transaction on 6 September 2021, the Target Company had ceased to be a subsidiary of the Company, became an indirect 50% joint venture of the Company.

And the Vendor had injected the additional capital of RMB23,000,000 into the Target Company as capital reserve.

3. INFORMATION RELATING TO THE TARGET COMPANY

The Target Company is incorporated in PRC with limited liability and before the Disposal, it is a wholly owned subsidiary of Gang Zong Trading (Zhuhai) Company Limited**. The Target Company is principally engaged in LNG logistic services and sales of LNG in PRC.

LETTER FROM THE BOARD

The unaudited financial information of the Target Company which was prepared in accordance with Hong Kong Generally Accepted Accounting Standards for the two financial years ended 31 March 2020 and 31 March 2021 and the three months ended 30 June 2021 are set out below:

	As at 30 June 2021/ For the three months ended 30 June 2021 (unaudited) <i>RMB'000</i>	As at 31 March 2021/ For the year ended 31 March 2021 (unaudited) <i>RMB'000</i>	As at 31 March 2020/ For the year ended 31 March 2020 (unaudited) <i>RMB'000</i>
Total assets	77,799	79,441	88,545
Total liabilities	39,160	40,420	130,298
Net assets /(liabilities)	38,639	39,021	(41,753)
Net assets attributable to shareholders of the Company	38,639	39,021	(41,753)
Revenue	32,009	178,278	257,598
Profit / (Loss) before taxation	(382)	5,774	(7,845)
Profit / (Loss) after taxation	(382)	5,774	(7,845)
Net profit / (loss) attributable to shareholders of the Company	(382)	5,774	(7,845)

4. FINANCIAL IMPACT OF THE TRANSACTION

Upon Completion, it is estimated that the Group will record a loss of approximately HK\$2,902,000 which is calculated on the basis of the Consideration of RMB23,000,000 (equivalent to approximately HK\$27,522,000) and 50% of the unaudited net asset value of the Target Company of approximately RMB19,319,500 (equivalent to approximately HK\$23,118,000) as at 30th June, 2021, and taken into account that 50% of the loss of the Target Company from the valuation reference date, 28 February 2021 to 30 June 2021, which is RMB1,040,000 (equivalent to approximately HK\$1,244,000), and the release of unrealized cumulative exchange difference of approximately of HK\$6,062,000.

Shareholders should note that the above figures are for illustrative purposes only. The actual gain or loss arising from the Transaction will be different from the above estimation and will be determined based on adjusted fair value of net assets of the Target Company at the Completion Date and the relevant expenses incurred at the Completion.

Upon Completion, the Target Company will cease to be a subsidiary of the Company. Accordingly, the assets, liabilities and the financial results of the Target Company will no longer be consolidated into the financial statements of the Group. However, the Target Company will become an indirect 50% joint venture of the Company and will be accounted for using equity method.

The Directors are of the view that the Transaction will not have any material adverse impact on the business operations and financial position of the Group.

LETTER FROM THE BOARD

5. USE OF PROCEEDS FROM THE TRANSACTION

The proceeds arising from the Transaction of approximately RMB23,000,000 (equivalent to approximately HK\$27,522,000) will be used as injection of additional capital fund to the Target Company by the Vendor.

6. REASONS FOR AND BENEFITS OF THE TRANSACTION

The purchaser, Sinopec Fuel Oil Sales Company Limited takes advantage of its brand and LNG and other resources, while the Vendor, Gang Zong Trading (Zhuhai) Company Limited** takes advantage of its LNG logistics and transportation operations, LNG and other dangerous goods multimodal transportation system. Both, companies take the target company, Shijiazhuang Shengran Gas Trading Co., Ltd. as a platform to expand LNG Logistics business, jointly promote and deepen LNG enduser business cooperation.

Sinopec Fuel Oil is responsible for developing customers with LNG logistics and distribution needs within the Sinopec Group system for the target company, to broaden Target Company's clients base, thereby, increase the revenue of the target company. On the other way, Sinopec Fuel Oil or its related parties will provide stable and sufficient LNG procurement resources for the customers of Gang Zong Trading or Gang Zong Trading's related parties (i.e., the Group)

The Target Company is engaged in sales and distribution of LNG and provision of LNG logistic services. Upon completion of the Disposal, the following key subsidiaries, are still engaged in provision of LNG logistic services, namely, (i) CLNG (Shaanxi) Logistic Co., Ltd.*; (ii) Shanghai Yadong Hong Hua Ji Zhuang Xiang Yun Shu Co., Ltd*, (iii) Jiang Yin Hongwei Transportation Co., Ltd* and (iv) CLNG (Tianjin) Trading Co., Ltd.*. Meanwhile, the following key subsidiaries are still engaged in sales and distribution of LNG; (v) Gangzong Trading (Zhuhai) Co., Ltd*.; (vi) Hubei Gangshun Tian Ran Qi Co., Ltd*.; (vii) Hubei Jinsheng Natural Gas Co., Ltd*.; (viii) CLNG (Liu An Shi) Co., Ltd; (ix) Jingdezhen Gangxing Natural Gas Co., Ltd.*; (x) Ganghai Energy (Guangshui) Co., Ltd*. The remaining businesses of the Group after completion of the Disposal are same as prior to the Disposal. The Group intended to expand its LNG business during the current financial year.

Through the transaction, the Group plan to further cooperate with Sinopec Fuel Oil to purchase LNG from overseas in order to low down the purchase cost of the LNG and the stable supply of LNG in peak season. In addition, Sinopec Fuel Oil has a large range of client base, which will induce more business to the Group's logistic business, special in off-peak seasons.

As at 30 June 2021, the accumulated loss of the Target Company was approximately RMB39,580,000 since it becomes a subsidiary of the Group. From the Disposal of 50% shareholding of the Target Company immediately shift the previous unstable operation to that of a favourable market environment in serving the high logistic demand of Sinopec Fuel Oil and its associated companies, and the Group is expecting the operating results for the coming years of the Target Company will turn around from loss to profit.

LETTER FROM THE BOARD

Upon completion of the Disposal, the Vendor and the Purchaser each will inject RMB23,000,000 into the Target Company, and a total of RMB46,000,000 will be injected to the Target Company's capital reserve, while the paid-in and registered share capital will remain unchanged. It is expected that the injection of capital funds into the Target Company will improve the liquidity of the Target Company and enable the Target Company to have fund to purchase more LNG tankers trucks to expand its business.

Having considered the terms of the Disposal (including but not limited to the disposal price), the Directors believe that such terms are fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

7. INFORMATION RELATING TO THE COMPANY, THE VENDOR AND THE PURCHASER

The Company

The Company, China LNG Group Limited is incorporated in Cayman Island with limited liability and the shares of which are listed on the Main Board of the Stock Exchange.

The Vendor

The Vendor, Gang Zong Trading (Zhuhai) Company Limited** (“**Gang Zong Trading**”) is incorporated in the PRC with limited liability, and an indirect wholly-owned subsidiary of the Company. Its principal business activity of the Vendor is engaged in LNG logistic services and sales of LNG in the PRC.

The Purchaser

SINOPEC Fuel Oil Sales Company Limited** (“**Sinopec Fuel Oil**”), a company incorporated in PRC with limited liability, and a direct wholly-owned subsidiary of China Petroleum and Chemical Corporation (“**SINOPEC**”) (stock code: 386).

The Purchaser has fully integrated SINOPEC's fuel oil sales, including productive enterprises and related petroleum companies, and is responsible for the specialized operation and unified management of SINOPEC's fuel oil business. The Purchaser's core businesses are to provide oil products and service to domestic and international trading vessel and since 2017 is also actively developing domestic LNG onshore terminal sales. The company has oil storage of 2.1 million cubic meters, with total assets under management of RMB10 billion and the total operating volume has reached 25 million tons and total sales scale has reached RMB120 billion.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser, SINOPEC Fuel Oil Sales Company Limited** and its ultimate beneficial owners is third party independent of the Company and its connected persons (as defined in the Listing Rules) as at the Latest Practicable Date.

LETTER FROM THE BOARD

8. LISTING RULES IMPLICATIONS

As one more of the applicable percentage ratios in respect of the Disposal as calculated under Rule 14.07 of the Listing Rules exceeds 25% and all applicable ratios are less than 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements.

9. WRITTEN SHAREHOLDERS' APPROVAL PURSUANT TO RULE 14.44 OF THE LISTING RULES

To the best of the Directors' knowledge and information, and having made all reasonable enquiries, no Shareholder has any material interest in the Disposal. As such, no Shareholder is required to abstain from voting if a general meeting of the Company were convened to approve the Disposal. The Company had obtain a written approval from Mr. Kan Che Kin Billy Albert, the controlling Shareholder holding 3,521,093,139 Shares with voting rights (representing approximately 62.39% of the 5,643,797,090 Shares with voting rights in issue as at the date of this circular), in respect of the Disposal. Pursuant to Rule 14.44 of the Listing Rules, such written approval from Mr. Kan Che Kin, Billy Albert can be accepted in lieu of holding a general meeting for the purpose of approving the Disposal.

10. RECOMMENDATION

The Board is of the view that the Sale and Purchase Agreement and the transactions contemplated thereunder were entered into on normal commercial terms, the Disposal is fair and reasonable and is in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that the Shareholders should vote in favour the resolutions approving the Disposal.

The above statement is for Shareholders' reference only given that the Company had already obtained the written approval from the controlling Shareholder, Mr. Kan Che Kin Billy Albert for the Disposal and hence pursuant to Rule 14.44 of the Listing Rules, no general meeting of the Company will be convened to approve the Disposal.

11. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

12. MISCELLANEOUS

For the purpose of this announcement, translations of Renminbi into Hong Kong dollars has been calculated by using an exchange rate of RMB1 equal to HK\$1.1966. Such exchange rate has been used, where applicable, for the purpose of illustration only and do not constitute a representation that any amounts was, may has been or will be exchanged at such rate.

LETTER FROM THE BOARD

The English text of this circular shall prevail over the Chinese text for the purpose of interpretation.

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

* *For identification purposes only*

** *The English translation of the Chinese name of the relevant entity included in this announcement is for identification and reference only, and such translation may not be accurate and such entity may not have an official English translation/version of its Chinese name.*

1. HISTORICAL FINANCIAL INFORMATION

Annual reports of the Company for the financial years ended 31 March 2019, 2020 and 2021, respectively, are available at the following internet links:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0725/ltn20190725049.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0724/2020072401446.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0730/2021073001629.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 31 July 2021, being the latest practicable date for the purpose of ascertaining information contained in this indebtedness statement prior to the printing of this circular, the Group had outstanding indebtedness as follows:

Borrowings

As at the close of business on 31 July 2021, the Group had outstanding bank loans and other loans (including loans from a shareholder and interest payables on loans from a shareholder) of approximately HK\$585,980,000, of which (i) the outstanding bank loans of approximately RMB64,000,000, equivalent to approximately HK\$76,582,000; the bank loans are supported by corporate guarantee provided by certain of the Company's wholly owned subsidiaries, personal guarantee provided by certain non-controlling shareholders of subsidiaries, and land use rights with carrying amount of RMB32,734,000, equivalent to approximately HK\$39,169,000, and property, plant and equipment with carrying amount of RMB19,520,000, equivalent to approximately HK\$23,357,000; (ii) the outstanding loans from third parties with an aggregate amount of approximately RMB4,600,000, equivalent to approximately HK\$5,504,000 are unsecured; (iii) the outstanding loans from a shareholder with an aggregate amount of approximately HK\$458,374,000 which are unsecured; and (iv) the outstanding interest payables on loans from a shareholder with an aggregate amount of approximately HK\$45,520,000.

Lease liabilities

As at the close of business on 31 July 2021, the Group had outstanding lease liabilities of approximately HK\$78,331,000 measured at the present value of the remaining lease payments using a discount rate at 4.75%, of which approximately HK\$58,777,000 was guaranteed by the Company.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal accounts and other payables, and contract liabilities in the ordinary course of business, the Group did not have any other debt securities issued and outstanding, or authorised or otherwise created but unissued, any term loans, any other borrowings or indebtedness in the nature of borrowing, including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or

lease commitments, which were either guaranteed, unguaranteed, secured and unsecured, any mortgages and charges or any contingent liabilities or guarantees at the close of business on 31 July 2021, being the latest practicable date for the purpose of this statement of indebtedness prior to printing of this circular.

3. WORKING CAPITAL STATEMENT

Taking into account the financial resources available to the Group, including internally generated funds, available controlling shareholder credit facility and available banking facilities of the Group, the Directors, after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of publication of this circular. The Company has obtained the relevant confirmation as required under Rule 14.66 (12).

4. FINANCIAL AND TRADING PROSPECTS OF THE COMPANY

For the current year and in the foreseeable few years, LNG business in the PRC continued to be the key focus area of the Group's operations.

(i) Sales and Distribution of LNG

The Group is continuing the sales and distribution of LNG through retail trading and sales to the Group's own downstream industrial and commercial point to point enduser customers. Sales for the current year is expected to be at least of that of the previous year. The Group will continue to operate in this segment in the years ahead and is optimistic of increases year by year of around 50% in revenue based on the synergy of our upcoming full cooperation with Sinopec.

(ii) Provision of LNG logistics services

The Group is continuing on with the logistics distribution system built over the years. From the establishment of the logistics joint venture with Sinopec, and influenced by the strategic joint venture cooperation with Sinopec. The business in this segment in this sector is expected to be huge within the next three years and significant profits are logically anticipated. Revenue and profit from this sector for the current year are expected to show an improvement of at least 10% to 50%.

(iii) Finance leasing for LNG vehicles and equipment

No new business will be carried out under this segment for the current financial year and new development will depend on the funding resources of the Group.

(iv) Provision of LNG in midstream and downstream market

In the downstream of the LNG industry, the Group will speed up the construction of LNG clean energy supply centres both in the country sides and some urban cities that are seriously short in natural gas, giving full play to the Group's integrated functions of large natural gas storage, gas pipeline network refill, LNG vehicle road

refilling and LNG riverside boat refilling, LNG Dewar bottle filling, gasification township, point-to-point industrial gas supply channel and LNG tank container transfer, etc., which the Group has broken the traditional LNG sales method and sells LNG to end customers in multiple forms. The Group aims to complete the construction of 20 LNG clean energy supply centers in Hubei, Hunan, Anhui and Jiangxi within the next three years, connecting one million household users. Revenue and profit will commence to come in the current year revenues and profits for the further three years will be of enormous improvements of at least 100%.

(v) Provision of commercial vehicle platform services

No new business will be carried out under this segment for the current financial year, but we expect to add on new developments sometime commencing in 2022 to 2024 depending on the funding resources of the Group.

(vi) Trading of Securities

No new business will be carried out under this segment for the current financial year and the Group has no plan for any future business at the moment.

(vii) Provision of securities brokerage, margin financing and securities investments

The Group ceased the securities brokerage and margin financing services on 1 April 2020. The Group is continuing to explore new development in the assets management business. However, during the year, no new asset management business is expected and there will be no new securities investment in the foreseeable future.

(viii) Financial services through money lending business

No new business will be carried out under this segment for the current financial year and in the foreseeable future.

The Group will from time to time diligently scrutinize the operating performance, growth potential and funding requirements of each of its business segments and prioritize the allocation of its resources in order to enhance the financial position of the Group and to optimize the potential returns on Shareholders' investment.

5. MATERIAL ADVERSE CHANGE

The directors confirm that there was no material adverse change in the financial or trading position of the Group since 31 March 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up, and up to the Latest Practicable Date.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there is no omission of other matters which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(A) Directors' and chief executive's interests and short positions in shares, underlying shares and debentures which is discloseable under Divisions 7 and 8 of Part XV of the SFO

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or deemed to have taken under such provisions of the SFO) or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:—

Name of Director	Name of company Which Interests were held	Nature of interests	Long position/ Short position	Number of Share held	Approximate percentage of shareholding
Dr. Kan Che Kin Billy Albert (Note 3 & 4)	The Company	Beneficial owner	Long position	3,521,093,139 Shares	62.39%
	The Company	Interest of controlled corporation	Long position	5,000,000 Shares (Note 1)	0.09%
	The Company	Beneficial owner	Short position	169,543,940 Shares	3.00%
Dr. Lam Lee G.	The Company	Beneficial owner	Long position	10,000,000 Shares (Note 2)	0.18%
Mr. Simon Murray	The Company	Beneficial owner	Long position	5,000,000 Shares (Note 2)	0.09%
Mr. Li Kai Yien, Arthur Albert	The Company	Beneficial owner	Long position	200,000 Shares	0.00%

Note 1: These Shares are held by Ground Up Profits Limited, which is wholly owned by Dr. Kan Che Kin Billy Albert. Pursuant to the SFO, Dr. Kan is deemed to be interested in these Shares.

Note 2: These Shares represent the option shares, which were beneficially owned by Dr. Kan, were granted by Dr. Kan to Mr. Simon Murray and Dr. Lam Lee G. upon the exercise in full of the rights pursuant to option deed agreements signed between Dr. Kan and each of Mr. Murray and Dr. Lam.

Note 3: On 31 December 2019, 5,640,000 shares options carrying the rights to subscribe for 5,640,000 shares were granted to Dr. Kan. The exercise price of each option is HK\$0.530 per share.

The Options granted are exercisable in three tranches s from 31 December 2019 2021 up to 31 December 2029, both days inclusive, as below:

1,692,000 Share Options are exercisable from 31 December 2021 to 31 December 2029;
1,692,000 Share Options are exercisable from 31 December 2022 to 31 December 2029; and
2,256,000 Share Options are exercisable from 31 December 2023 to 31 December 2029.

Note 4: On 7 April 2021, 100,000,000 share options carrying the rights to subscribe for 100,000,000 shares were granted to Dr Kan, subject to the independent shareholders' approval at a general meeting. The independent shareholders approved such grant at the EGM on 16 July 2021. The exercise price of each option is HK\$0.500 per share.

The Options granted are exercisable in three tranches s from 7 April 2023 up to 7 April 2031, both days inclusive, as below:

30,000,000 Share Options are exercisable from 7 April 2023 to 7 April 2031;
30,000,000 Share Options are exercisable from 7 April 2024 to 7 April 2031; and
40,000,000 Share Options are exercisable from 7 April 2025 to 7 April 2031;

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise to be notified to the Company and the Stock Exchange pursuant to the Model Code.

(B) Persons who have interests and short positions in shares, underlying shares and debentures which is discloseable under Divisions 2 and 3 of Part XV of the SFO

As at the Latest Practicable Date, the interests and short positions of other persons, other than a Director or chief executive of the Company, in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at

general meetings of any other member of the Group or had any option in respect of such capital were as follows:–

Name of Director	Name of company Which Interests were held	Nature of interests	Long position/ Short position	Number of Share held	Approximate percentage of shareholding
Ms. Kan Kung Chuen (Note 4)	The Company	Interest of spouse	Long position	3,526,093,139 Shares	62.48%.
	The Company	Interest of spouse	Short position	169,543,940 Shares	3.00%

Note 4: Ms. Kan Kung Chuen is the spouse of Mr. Kan. Therefore, Ms. Kan Kung Chuen Lai is deemed to have interest in the Shares in which Mr. Kan is interested.

Save as disclosed above, as at the Latest Practicable Date, no other person, other than a Director or chief executive of the Company had, or were deemed or taken to have interests or short positions in the in the shares, underlying shares and debentures of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any option in respect of such capital.

3. INTERESTS IN THE GROUP'S ASSETS / CONTRACTS AND OTHER INTERESTS

as at the Latest Practicable Date, none of the Directors was materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group, nor had any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 March 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, to the best knowledge and belief of the Directors after having reasonable enquiries, none of the Directors and their respective associates was considered to have any interests in any business apart from the Group's business, which competed or was likely to compete either directly or indirectly with business of the Group during the year.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into, or proposed to enter into, any service contract with the Company or any other member(s) of the Group excluding contracts expiring or which may be terminated by the Company within a year without payment of any compensation (other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, the Company received notice of a lawsuit from the PRC on 19 August 2021. The Company act as the Guarantor for a wholly-owned subsidiary in the PRC who is involved in a lawsuit regarding a dispute in the interest being charged under a lease contract, which the subsidiary has been withholding certain rental payments totaling RMB31.76 million. The full amount of the arrear rentals have been recorded under the current lease liabilities of the Group in its latest published Audited Consolidated Financial Statements. The potential financial impact if the subsidiary loses in the lawsuit could bring as much as RMB 6 million penalties to the Group, which however is not of material significance to the Group.

Save as disclosed above, no member of the Group was engaged in any litigation, claim or arbitration of material importance and there was no litigation, claim or arbitration of material importance known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

There was no contract, not being contracts entered into in the ordinary course of business of the Group, were entered into by the Group within two years immediately preceding the issue of this circular and which are or may be material.

8. GENERAL

- (a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.
- (b) The company secretary of the Company is Dr. Kan Che Kin Billy Albert. He is a member of the Hong Kong Institute of Certified Public Accountants.
- (c) The branch share registrar of the Company is Tricor Standard Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over their Chinese text in case of inconsistency.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 8/F., St. John's Building, 33 Garden Road, Central, Hong Kong on any business day from the date of this circular up to the date which is 14 days after the date of this circular:

- (a) the memorandum and articles of associations of the Company;

- (b) the annual reports of the Company for the three financial years ended 31 March 2019, 31 March 2020 and 31 March 2021, respectively; and
- (c) this circular.