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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)

SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Board is pleased to announce that on 20 September 2023 (after trading hours of the Stock Exchange), the Company and the Subscriber entered into the Subscription Agreement, pursuant to which the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 100,000,000 new Shares at the Subscription Price of HK\$0.39 per Share subject to the terms and conditions set out in the Subscription Agreement.

Assuming there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) from the date of this announcement to the date of Completion, the number of the Subscription Shares represents approximately 1.77% of the total number of issued Shares as at the date of this announcement and approximately 1.74% of the enlarged total number of issued Shares immediately following Completion.

The Subscription Price of HK\$0.39 per Subscription Share represents (i) a discount of approximately 7.14% to the closing price per Share as quoted on the Stock Exchange on the Last Trading Day; and (ii) a discount of approximately 2.74% to the average of the closing prices per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The gross proceeds and net proceeds from the issue of the Subscription Shares are estimated to be HK\$39 million and HK\$38.87 million respectively. The Company intends to apply all proceeds as general working capital.

The Subscription is not subject to Shareholders' approval as the Subscription Shares will be issued under the General Mandate. Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

Completion is subject to fulfilment of the condition under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

THE SUBSCRIPTION

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THE SUBSCRIPTION AGREEMENT

Date: 20 September 2023 (after trading hours of the Stock Exchange)

Parties: (1) The Company

(2) The Subscriber

The Subscriber is a private individual investor. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, the Subscriber is an Independent Third Party.

The Subscription Shares

Pursuant to the Subscription Agreement, the Subscriber has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, an aggregate of 100,000,000 Subscription Shares, representing:

- (1) approximately 1.77% of the existing total number of issued Shares, being 5,643,797,090 Shares, as at the date of this announcement; and
- (2) approximately 1.74% of the enlarged total number of issued Shares of 5,743,797,090 Shares immediately following Completion, assuming there will be no change in the total number of Shares in issue from the date of this announcement to the date of Completion.

The Subscription Price

The Subscription Price of HK\$0.39 per Subscription Share represents:

- (1) a discount of approximately 7.14% to the closing price of HK\$0.42 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (2) a discount of approximately 2.74% to the average closing price of HK\$0.401 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day.

The Subscriber shall pre-pay the entire amount of the Subscription Price (the “**Prepayment**”) within 2 business days after receipt of a notice from the Company stating the listing approval of the Subscription Shares has been obtained.

The net subscription price per Share amount to HK\$0.389 and the aggregate nominal value of the Subscription Shares amount to HK\$2 million.

The Subscription Price was determined after arm’s length negotiations between the Company and the Subscriber with reference to the prevailing market price of the Shares. The Directors consider that the Subscription Price and the terms and conditions of the Subscription Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Ranking of the Subscription Shares

The Subscription Shares, when issued and fully paid, will rank pari passu in all respects among themselves and with the other Shares in issue as at the date of allotment and issue of the Subscription Shares.

Condition

Completion pursuant to the Subscription Agreement is conditional upon the Stock Exchange having granted the listing of, and permission to deal in, the Subscription Shares.

If the above condition is not fulfilled on or before the Long Stop Date, subject to refund of the Prepayment, all rights, obligations and liabilities of the parties to the Subscription Agreement shall cease and terminate and none of the parties to the Subscription Agreement shall have any claim against any other in respect of the Subscription, save for any antecedent breaches thereof.

Completion

Completion will take place on the fifth business day following the fulfilment of the condition precedent to the Subscription and the Prepayment having been made in full by the Subscriber, or such other date as the Company may agree in writing.

As completion of the Subscription is subject to the satisfaction of the condition precedent under the Subscription Agreement, the Subscription may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

GENERAL MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be allotted and issued by the Company pursuant to the General Mandate, which has been granted to the Directors by a resolution of the Shareholders passed at the AGM on 25 August 2023 to allot, issue and otherwise deal with up to 1,128,759,418 Shares, representing 20% of the total number of Shares in issue as at the date of the AGM.

As at the date of this announcement, no Shares have been issued pursuant to the General Mandate. The General Mandate is sufficient for the allotment and issue of the Subscription Shares, and the issue of the Subscription Shares is therefore not subject to the approval of the Shareholders.

Upon Completion, the Company will have unused General Mandate to issue up to 1,028,759,418 Shares.

APPLICATION FOR LISTING OF THE SUBSCRIPTION SHARES

An application will be made by the Company to the Stock Exchange for the listing of, and the permission to deal in, the Subscription Shares.

EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

As at the date of this announcement, the Company has 5,643,797,090 Shares in issue. Set out below is a table showing the shareholding structure of the Company as at the date of this announcement and immediately after Completion, assuming there will be no change in the total number of Shares in issue (other than the issue of the Subscription Shares) from the date of this announcement to the date of Completion:

Name of Shareholders	As at the date of this announcement		Immediately after Completion of the Subscription	
	Number of Shares	Approximate % shareholding	Number of Shares	Approximate % shareholding
Directors:				
Dr. Kan (<i>Note</i>)	3,760,147,079	66.62%	3,760,147,079	65.46%
Mr. Li Kai Yien, Arthur Albert	200,000	0.01%	200,000	0.01%
The Subscriber	–	–	100,000,000	1.74%
Public Shareholders	1,883,450,011	33.37%	1,883,450,011	32.79%
Total:	<u>5,643,797,090</u>	<u>100%</u>	<u>5,743,797,090</u>	<u>100%</u>

Note:

5,000,000 shares among these Shares are held by Ground Up Profits Limited (“**Ground Up**”). Dr. Kan Che Kin, Billy Albert (“**Dr. Kan**”) beneficially owns the entire issued share capital of Ground Up. Therefore he is deemed to be interested in all the Shares held by Ground Up by virtue of the SFO. Dr. Kan is the chairman, an executive Director and chief executive officer of the Company. Dr. Kan is also a director of Ground Up.

REASONS FOR THE SUBSCRIPTION AND USE OF PROCEEDS

The Company is principally engaged in the business of (i) sale and distribution of natural gas in the PRC, including 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 residential users, the supplement supply to the national natural gas pipeline networks and the distribution of natural gas (logistics) services; and (ii) the financial services business including the provision of finance leasing services for natural gas vehicles and equipment as approved by Chinese Ministry of Foreign Trade and Economic Cooperation, the conduct of regulated activities with the Type 9 (asset management) licence issued by SFC, and the money lending business through a valid money lenders licence under the Money Lenders Ordinance in Hong Kong.

The gross proceeds and net proceeds from the issue of the Subscription Shares are estimated to be HK\$39 million and approximately HK\$38.87 million respectively. The Company intends to use the net proceeds as the Group's general working capital.

The Board has reviewed other alternative fundraising methods and considered that debt financing may incur interest burden on the Company and may be subject to lengthy due diligence process and negotiations with banks, which may be relatively uncertain and time-consuming. On the other hand, rights issue or open offer will involve the issue of listing documents with other application and administrative procedures which may require relatively longer time and additional administrative cost to complete as compared to the equity financing by way of issuing of new Shares under the General Mandate.

The Directors consider that the Subscription represents a good opportunity to enlarge the shareholder base and the capital base of the Company. In addition, the net proceeds of the Subscription will strengthen the Group's financial position. Accordingly, the Directors are of the view that the terms and conditions of the Subscription Agreement are normal commercial terms after arm's length negotiations and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The Company had not conducted any fund raising activities involving the issue of its equity securities in the 12 months immediately preceding the date of this announcement.

Completion is subject to fulfilment of the condition under the Subscription Agreement. As the Subscription may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company convened on 25 August 2023
“Board”	the board of Directors
“Company”	China LNG Group Limited, a company incorporated under the laws of the Cayman Islands, the issued shares of which are listed on the main board of the Stock Exchange (stock code: 931)
“Completion”	completion of the Subscription
“Director(s)”	the director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM for allotment and issue of up to 1,128,759,418 Shares
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Group in accordance with the Listing Rules
“Last Trading Day”	20 September 2023, being the date of the Subscription Agreement
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	20 October 2023 or any other date as the Company may agree in writing
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude the Macau Special Administrative Region of the PRC and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SFC”	the Securities and Futures Commission of Hong Kong

“Share(s)”	the ordinary share(s) of HK\$0.02 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Ms. Ouyang Liping (歐陽麗萍), a professional equity investor who has extensive experience in clean and renewable sources of energy investment projects for more than ten years
“Subscription Agreement”	the subscription agreement dated 20 September 2023 entered into by the Company and the Subscriber in respect of the Subscription
“Subscription Price”	HK\$0.39 per Subscription Share
“Subscription Shares”	an aggregate of 100,000,000 Shares to be subscribed by the Subscriber pursuant to the Subscription Agreement
“Subscription”	the subscription of the Subscription Shares by the Subscriber at the Subscription Price pursuant to the terms and conditions as set out in the Subscription Agreement
“%”	per cent
“HK\$”	Hong Kong dollars, the legal currency of Hong Kong

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

Hong Kong, 20 September 2023

As at the date of this announcement, the Board comprises two executive Directors, namely Dr. Kan Che Kin, Billy Albert (Chairman) 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*