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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)

ANNOUNCEMENT ON COOPERATION AGREEMENT WITH DISCLOSEABLE TRANSACTION

Upon publication of the business update announcement dated 29 September 2017 in relation to the negotiation between the Company and a state-owned enterprise energy company in reaching a strategic cooperation, the Board is pleased to announce that, on 16 January 2018, the Company entered into a cooperation agreement with CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch.

COOPERATION AGREEMENT

On 16 January 2018, CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch entered into a cooperation agreement with the Company upon friendly negotiation, pursuant to which, both parties agreed to become a business partner of each other and jointly strive for mutual benefits, success and development based on the three principles of win-win cooperation, sincerity and mutual benefits, make full use of the synergic effects of the whole industry chain of natural gas and jointly promote development of the clean energy industry.

In addition, pursuant to the cooperation agreement and its supplementary agreement, CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch, the Company and CLNG Natural Gas Co., Ltd., a wholly-owned subsidiary of the Company, agreed to, through the execution of a subscription agreement by CLNG Natural Gas Co., Ltd. with Zhonghai Trust Co., Ltd., subscribe for trust products amounting to RMB100,000,000 (equivalent to approximately HK\$120,360,000) as a deposit of the cooperation agreement to ensure that relevant obligations of the cooperation agreement are to be performed.

As the highest applicable percentage ratio in respect of the Subscription for Trust Products is more than 5% but less than 25%, the Subscription for Trust Products constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

INTRODUCTION

Upon publication of the business update announcement dated 29 September 2017 in relation to the negotiation between the Company and a state-owned enterprise energy company in reaching a strategic cooperation, the Board is pleased to announce that, on 16 January 2018, the Company entered into a cooperation agreement with CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch.

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Details of the collaboration agreement with CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch:

- 1) CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch to guarantee gas resources and enjoy exclusive supply right to the Group's relevant business coordination.
- 2) The Company shall enter into long-term fixed-price contracts and provide a performance bond pursuant to the cooperation agreement and have an obligation to wholly use the gas resources of CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch in its existing and planned constructing CNG/LNG refueling stations, LNG point-to-point supply projects, LNG Dewar bottle filling projects, heat and electricity cogeneration/decentralised energy projects.
- 3) CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch has a priority right, either by themselves or through bilateral affiliated companies with the Group, to acquire and invest in the Group's existing and future infrastructures, end-user markets, logistic transportation and Dewar bottle filling projects. Both parties shall select high-quality projects and cooperate through various means, exploit the individual advantages of both parties to develop cooperation in multiple combined transports by sea, rail, water and land, through shares acquisitions or exclusive supply or other means of cooperation.

- 4) The Group shall share its end-user information with CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch, which ultimately be managed by Eastern China Operation Center of CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch.

In the implementation of this agreement, the two sides need to base on specific circumstances of the relevant provisions of business and services, sign by way of separately negotiated contracts.

This cooperation agreement is effective from the date of execution by both parties for a term of 3 years and it may be renewed upon expiry subject to negotiation. During the term of this cooperation agreement, both parties shall, on a best effort basis, procure the comprehensive cooperation in all business aspects covered by the cooperation agreement based on the principles of sincerity, trust and mutual benefits.

The Agreement of Subscription for Trust Products of Zhonghai Trust Co., Ltd.

Date:	16 January 2018
Parties:	(a) CLNG Natural Gas Co., Ltd. (b) Zhonghai Trust Co., Ltd.
Product name:	Cash Steady No.15 Collective Opened Capital Trust Plan of Zhonghai Trust
Product custodian:	Bank of Communications Co., Ltd.
Investment objective and trust investment portfolio:	Investment objective is to generate appropriate revenue with a steady basis, which is an investment in steady products with fixed revenues. The main investment products are the bonds issued by state-owned enterprises with credit ratings of 2A or above in primary and secondary markets.
Subscription amount:	<p>The subscription amount is RMB100,000,000 (equivalent to approximately HK\$120,360,000) and shall be payable within 15 working days upon execution of this agreement. The Group will fund the amount from its internal resource.</p> <p>The subscription amount is determined after arm's length negotiations between the Company and CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch after taking into consideration the normal commercial terms.</p>
Returns:	Estimated rate of 5.5% per annum
Terms of investment:	3 years, same as the cooperation agreement with CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch, the Group expects not to redeem within 3 years.

INFORMATION ABOUT CNOOC GAS AND POWER GROUP CO., LIMITED TRADING & MARKETING BRANCH

CNOOC Gas and Power Group Co., Limited is a wholly-owned subsidiary of China National Offshore Oil Corporation, which is mainly engaged in operation and management of the gas and power business of China National Offshore Oil Corporation. CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch is a branch of CNOOC Gas and Power Group Co., Limited.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch and its ultimate beneficial owners are Independent Third Parties.

INFORMATION ABOUT ZHONGHAI TRUST CO., LTD., BANK OF COMMUNICATIONS CO., LTD. AND CLNG NATURAL GAS CO., LTD.

Zhonghai Trust Co., Ltd. is a state-owned non-banking financial institution jointly established by China Natural Offshore Oil Corporation and CITIC Corporation Limited. Zhonghai Trust Co., Ltd. is engaged in the trust business approved by the China Banking Regulatory Commission and its own businesses include trust loans, credit asset securitisation, structured securities investment, private equity funds, equity trusts and financial consultancy.

Bank of Communications Co., Ltd. is a commercial and retail bank which is principally engaged in providing banking services in the PRC and its shares are listed on the Shanghai Stock Exchange and the Stock Exchange, respectively.

CLNG Natural Gas Co., Ltd. is a company incorporated in the PRC and a wholly-owned subsidiary of the Company, which is principally engaged in investment holding and developing LNG business.

As at the date of this announcement, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Zhonghai Trust Co., Ltd. and Bank of Communications Co., Ltd. and their respective ultimate beneficial owners are Independent Third Parties.

INFORMATION ABOUT THE GROUP

The principal activities of the Group are development of LNG businesses in the PRC, including point-to-point supply and wholesale of LNG, provision of LNG logistic services, sales of LNG vehicles, provision of finance leasing services for LNG vehicles, vessels and equipment in the PRC as approved by Ministry of Foreign Trade and Economic Cooperation of the PRC, while in Hong Kong in the business of trading of securities, provision of securities brokerage, margin financing and securities investments and financial services through provision of money lending business.

REASONS FOR AND BENEFITS OF THE COOPERATION AGREEMENT AND THE SUBSCRIPTION FOR TRUST PRODUCTS

The Board is of the view that, through the execution of the cooperation agreement, the Group can guarantee a stable gas supply for its clients throughout the year. In the meantime, the Group can obtain competitive advantages in its costings, further enhance profitability of our businesses, boost investment return from our projects and generate more business opportunities. Under the support of the gas receiving stations of CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch, the Group will have the access to the upstream resources. Under the mutual development and win-win target with CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch's leading position in the upstream business, the Group will surely strengthen its competitiveness, particularly in the LNG end-user market and LNG transportation market.

The trust products are the deposit of the cooperation agreement which ensure that relevant obligations of this agreement are to be performed. In the meantime, with partnership established with the peers, the Group is able to expand its customer network and strengthen its capability of grasping investment opportunities. Furthermore, in view of the trust investment objective and the rich experience and ability of the trustee, the Subscription for Trust Products is a golden chance for the Company to improve the Shareholders' returns. The Board is of the view that the terms of the Subscription for Trust Products are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As the highest applicable percentage ratio in respect of the Subscription for Trust Products is more than 5% but less than 25%, the Subscription for Trust Products constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

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

“Bank of Communications Co., Ltd.”	a company incorporated in the PRC and the shares of which are listed on the Stock Exchange (Stock Code: 3328) and the Shanghai Stock Exchange (Stock Code: 601328);
“Board”	the board of directors;
“CITIC Corporation Limited”	a company incorporated in the PRC and a wholly-owned subsidiary of CITIC Limited;
“CITIC Limited”	a company established in the Hong Kong Special Administrative Region of the PRC and the shares of which are listed on the Stock Exchange (Stock Code: 267);

“CLNG Natural Gas Co., Ltd.”	a company incorporated in the PRC and a wholly-owned subsidiary of the Company
“CNG”	compressed natural gas;
CNOOC Gas and Power Group Co., Limited Trading & Marketing Branch	a company incorporated in the PRC and a branch of CNOOC Gas and Power Group Co., Limited;
“Company”	China LNG Group Limited (中國天然氣集團有限公司*), an exempted company incorporated in Cayman Islands with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 931);
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar;
“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;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“LNG”	liquefied natural gas;
“PRC”	People’s Republic of China;
“RMB”	Renminbi;
“Shareholders”	the holders of the Company’s shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription for Trust Products”	The subscription for the Cash Steady No.15 Collective Opened Capital Trust Plan of Zhonghai Trust (中海信託現金穩盈15號集合開放式資金信託) at RMB100,000,000 (equivalent to approximately HK\$120,360,000);

“Zhonghai Trust Co., Ltd.”

a company incorporated in the PRC and a state-owned non-banking financial institution jointly established by China National Offshore Oil Corporation and CITIC Corporation Limited.

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

Hong Kong, 18 January 2018

As at the date of this announcement, the executive Directors are Dr. Kan Che Kin, Billy Albert, Mr. Chen Li Bo and Mr. Li Kai Yien, Arthur Albert; the non-executive Directors are Dr. Lam, Lee G. and Dr. Simon Murray; and the independent non-executive Directors are Mr. Li Siu Yui, Mr. Au Yeung Po Fung and Mr. Lam Lum Lee.

* *for identification purpose only*