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中油燃氣集團有限公司*

CHINA OIL AND GAS GROUP LIMITED

(incorporated in Bermuda with limited liability)

(Stock Code: 603)

**(1) MAJOR TRANSACTION IN RELATION TO FURTHER
ACQUISITION OF
THE ISSUED SHARE CAPITAL OF
THE TARGET COMPANY
AND
(2) THE EXECUTION OF A VOTING TRUST**

THE FURTHER AQUISITION

Reference is made to the Announcement on 15th July 2021. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement dated 15th July 2021.

On 15th July 2021, pursuant to the Share Transfer Agreement I and Share Transfer Agreement II, China Oil and Gas Investment has acquired an aggregate of 47,675,503 shares of the Target Company held by the Vendors, representing an approximate 5.42% of the existing issued shares of the Target Company, at a total consideration of RMB246,504,504.87.

The Board announces that, on 10th August 2021, the China Oil and Gas Investment has entered into the Further Share Transfer Agreements with Vendor III, Vendor IV and Vendor V, pursuant to which China Oil and Gas Investment agreed to purchase from the Vendor III, Vendor IV and Vendor V, an aggregate of 103,624,719 shares of the Target Company held by the Vendor III, Vendor IV and Vendor V, representing an approximate 11.77% of the existing issued shares of the Target Company, at a total consideration of RMB541,957,280.37. Inclusive of the share(s) of the Target Company acquired as announced on 15th July 2021, China Oil and Gas Investment has totally acquired an aggregate of 151,300,222 shares, representing an approximate 17.19% of the existing issued shares of the Target Company, at a total consideration of RMB788,461,785.24.

The Board announces that on 10th August 2021, Vendor III has executed a voting trust authorizing China Oil and Gas Investment its voting right of 26,386,314 shares of the Target Company held by Vendor III, representing an approximate 3.00% of the existing issued shares of the Target Company until Vendor III has ceased to have any voting rights of the Target Company.

IMPLICATION OF THE LISTING RULES

By virtue of Rule 14.22 of the Listing Rules, the Acquisition and the Further Acquisition are aggregated for the purpose of Chapter 14 of the Listing Rules are those transactions involve the acquisition of the equity interest in the same entity (that is the Target Company) completed within 12 months.

As the applicable percentage ratios in respect of the Acquisition and the Further Acquisition exceed 25% but less than 100%, the Further Acquisition constitutes a major transaction of the Company, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the relevant resolutions in relation to the Further Share Transfer Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, no Shareholder has a material interest in the Further Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Further Acquisition at the SGM.

A circular containing, among other things, (i) further details of the Further Share Transfer Agreements and the transactions contemplated thereunder; (ii) the notice convening the SGM; and (iii) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31st August 2021 as additional time is required to prepare and finalise the relevant information to be included in the circular.

THE FURTHER ACQUISITION

Reference is made to the Announcement on 15th July 2021. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement.

On 15th July 2021, pursuant to the Share Transfer Agreement I and Share Transfer Agreement II, China Oil and Gas Investment has acquired an aggregate of 47,675,503 shares of the Target Company held by the Vendors, representing an approximate 5.42% of the existing issued shares of the Target Company, at a total consideration of RMB246,504,504.87.

The Board announces that, on 10th August 2021, China Oil and Gas Investment has entered into the Further Share Transfer Agreements with Vendor III, Vendor IV and Vendor V, pursuant to which China Oil and Gas Investment agreed to purchase from Vendor III, Vendor IV and Vendor V, an aggregate of 103,624,719 shares of the Target Company held by Vendor III, Vendor IV and Vendor V, representing an approximate 11.77% of the existing issued shares of the Target Company, at a total consideration of RMB541,957,280.37.

Inclusive of the share(s) of the Target Company acquired as announced on 15th July 2021, China Oil and Gas Investment has totally acquired an aggregate of 151,300,222 shares, representing an approximate 17.19% of the existing issued shares of the Target Company, at a total consideration of RMB788,461,785.24.

FURTHER SHARE TRANSFER AGREEMENTS

Share Transfer Agreement III

The principal terms of the Share Transfer Agreement III are set out below:

- | | |
|----------|--|
| Date | 10th August 2021 |
| Parties: | <ol style="list-style-type: none">1. China Oil and Gas Investment Group Co., Ltd.*, an indirect wholly-owned subsidiary of the Company (as the Purchaser)2. Shandong Shengli Investment Co., Ltd.* (山東勝利投資股份有限公司)(Vendor III) |

Consideration

The share transfer price pursuant to the Share Transfer Agreement III is RMB5.23 per share of the Target Company, the consideration for the transfer of 61,500,000 shares, representing an approximate 6.99% of the existing issued shares of the Target Company, amounted to RMB321,645,000.

Payment of the Share Transfer Price

Pursuant to the Share Transfer Agreement III, within 3 days from signing the Share Transfer Agreement III and the Share Transfer Agreement III took effect, China Oil and Gas Investment will open a joint account with Vendor III in the name of Vendor III at the commercial bank designated by China Oil and Gas Investment, and will pay the share transfer price to Vendor III:

- (1) 10% of the share transfer price shall be paid within 5 working days from the open of the said joint account;

- (2) 20% of the share transfer price shall be paid within 5 working days from the date when the Shenzhen Stock Exchange issued a confirmation or an equivalent document on the Acquisition;
- (3) 30% of the share transfer price shall be paid within 5 working days from the date when all the shares of the Target Company are transferred to the name of the Purchaser; and
- (4) 40% of the share transfer price shall be paid within 5 working days from the date when Vendor III has coordinated with China Oil and Gas Investment to appoint China Oil and Gas Investment's nominees to the board of the Target Company and facilitate China Oil and Gas Investment to appoint its nominees to the administration of the Target Company.

Share Transfer Agreement IV

The principal terms of the Share Transfer Agreement IV are set out below:

Date: 10th August 2021

Parties: 1. China Oil and Gas Investment (as the Purchaser)
2. Mr. Sun Guanyie* (孙冠杰)(Vendor IV)

Consideration

The share transfer price pursuant to the Share Transfer Agreement IV is RMB5.23 per share of the Target Company, the consideration for the transfer of 27,023,600 shares, representing an approximate 3.07% of the existing issued shares of the Target Company, amounted to RMB141,333,428;

Payment of the Share Transfer Price

Pursuant to the Share Transfer Agreement IV, within 3 days from signing the Share Transfer Agreement IV and the Share Transfer Agreement IV took effect, China Oil and Gas Investment will open a joint account with Vendor IV in the name of Vendor IV at the commercial bank designated by China Oil and Gas Investment, and will pay the share transfer price to Vendor IV:

- (1) 10% of the share transfer price shall be paid within 5 working days from the open of the said joint account;
- (2) 20% of the share transfer price shall be paid within 5 working days from the date when Vendor IV executes the share pledge agreement, pursuant to which Vendor IV shall pledge 27,023,600 shares of the Target Company held by Vendor IV to secure the Purchaser's acquisition under Share Transfer Agreement IV; and

- (3) 70% of the share transfer price shall be paid within 5 working days from the date when all the shares of the Target Company are transferred to the name of the Purchaser and finished the reappointment of the board of directors and senior management of the Target Company, if any.

Share Transfer Agreement V

The principal terms of the Share Transfer Agreement V are set out below:

Date: 10th August 2021

- Parties:
1. China Oil and Gas Investment (as the Purchaser)
 2. Mr. Yan Changyong* (闫长勇) (Vendor V)

Consideration

The share transfer price pursuant to the Share Transfer Agreement V is RMB5.23 per share of the Target Company, the consideration for the transfer of 15,101,119 shares, representing an approximate 1.72% of the existing issued shares of the Target Company, amounted to RMB78,978,852.37.

Payment of the Share Transfer Price

Pursuant to the Share Transfer Agreement V, within 3 days from signing the Share Transfer Agreement V and the Share Transfer Agreement V took effect, China Oil and Gas Investment will open a joint account with Vendor V in the name of Vendor V at the commercial bank designated by China Oil and Gas Investment, and will pay the share transfer price to Vendor V:

- (1) 10% of the share transfer price shall be paid within 5 working days from the effective date of the Share Transfer Agreements;
- (2) 20% of the share transfer price shall be paid within 5 working days from the date when Vendor V executes the share pledge agreement, pursuant to which Vendor V shall pledge 15,101,119 shares of the Target Company held by Vendor V to secure the Purchaser's acquisition under Share Transfer Agreement V; and
- (3) 70% of the share transfer price shall be paid within 5 working days from the date when all the shares of the Target Company are transferred to the name of the Purchaser.

CONDITIONS PRECEDENT

Completion of the respective Share Transfer Agreement III, Share Transfer Agreement IV and Share Transfer Agreement V is subject to the satisfaction and/or waiver (as the case may be) of the following conditions precedent:

- (1) the respective representative of China Oil and Gas Investment and the vendors of the Further Share Transfer Agreements have duly executed the Further Share Transfer Agreements with their respective stamps;
- (2) the Further Share Transfer Agreements and the transactions contemplated thereunder having been approved by the Shareholders at the SGM; and
- (3) all necessary consents, authorisations, approval, licence, permission, order (or, as the case may be, relevant waiver or exemption) in connection with the Further Share Transfer Agreements and the transactions contemplated thereby having been obtained by the respective parties to the Further Share Transfer Agreements (including but not limited to, the necessary consent from the Stock Exchange).

COMPLETION

Completion of the respective Share Transfer Agreement III, Share Transfer Agreement IV and Share Transfer Agreement V shall take place upon the last payment pursuant to the payment schedule of each share transfer agreement. Upon completion, the Group will hold 11.77% of the additional equity interests in the Target Company. Inclusive of the share(s) of the Target Company acquired as announced on 15th July 2021, the Group will hold 17.19% of the equity interests in the Target Company and the Target Company will become an associate of the Group. Accordingly, the financial results of the Target Group will not be consolidated in the financial statements of the Group and will be accounted for using the equity method of accounting.

BASIS OF CONSIDERATION

The share transfer price was determined with reference to, among others, (i) the prevailing stock price of the Target Company, (ii) the business operation, financial condition and prospect of the Target Company, and (iii) the reasons as explained in the paragraph headed “Reason for and benefits of the Further Acquisition”, which was arrived at after arm’s length negotiation between the parties.

Pursuant to the Share Transfer Agreement III, Share Transfer Agreement IV and Share Transfer Agreement V, the share transfer price for each share of the Target Company is RMB5.23, represents:

- (i) a premium of approximately 27.3% to the closing price of RMB4.11 of the shares of the Target Company as quoted on the Shenzhen Stock Exchange on 9 August 2021 (being the last trading day prior to the signing of the Further Share Transfer Agreements); and

- (ii) a premium of approximately 30.4% to the average closing price of RMB4.01 of the shares of the Target Company as quoted on the Shenzhen Stock Exchange for five consecutive trading days up to and including 9 August 2021.

The consideration for the Further Acquisition will be funded by internal resources of the Group and bank loan.

REASONS FOR AND BENEFITS OF THE FURTHER ACQUISITION

The principal activity of the Company is investment holding. The Group is principally engaged in investment in natural gas and energy related business. Operations of the Group include piped city gas business, pipeline design and construction; transportation, distribution and sale of compressed natural gas and liquefied natural gas; and development, production and sale of crude oil and natural gas and other upstream energy resources.

The Directors are of the view that the Further Acquisition will facilitate the Group's investment in the clean energy business in the PRC. The Target Company has extensive business resources in the natural gas field. The Group intends to further enhance the cooperation with the Target Company to promote the sustainable and high-quality development of the Group, and is in the interests of the Company and its shareholders as a whole.

Based on the foregoing, the Directors consider that the terms of the Further Acquisition are fair and reasonable, on normal commercial terms and the Further Acquisition is in the interests of the Company and the Shareholders as a whole.

OTHER ARRANGEMENTS

The Board announces that on 10th August 2021, Vendor III has executed a voting trust authorizing China Oil and Gas Investment to have its voting right of 26,386,314 shares of the Target Company held by Vendor III, representing an approximate 3.00% of the existing issued shares of the Target Company until Vendor III has ceased to have any voting rights of the Target Company.

INFORMATION ON TARGET COMPANY

The Target Company is a company limited by shares established in the PRC, and its issued shares are listed and traded on the main board of the Shenzhen Stock Exchange in accordance with the regulations (stock code: 000407.SZ). As at the date of this announcement, the total number of issued shares of the Target Company is 880,084,656 shares. The main business of the Target Company is the business promotion and application of clean energy natural gas. The main products of the Target Company are natural gas terminal sales, natural gas trading, pipeline manufacturing, and oil products trading.

The financial results of the Target Company as extracted from the annual report of the Target Company for the two financial years ended 31 December 2020 are as follows:

For the year ended 31 December

	2019	2020
	(Audited)	(Audited)
	RMB'000	RMB'000
Revenue	5,348,283	4,596,361
Profit before taxation	288,082	297,553
Profit for the year	203,954	215,636
Total assets	6,509,314	6,752,490

INFORMATION ON THE VENDORS

Vendor III, Vendor IV and Vendor V are shareholders of the Target Company.

Vendor III is a limited company incorporated in the PRC and is principally engaged in laboratory inspection and testing. Vendor III is owned by 43 shareholders and none of the shareholder holds more than 5% of the issued shares of Vendor III.

Vendor IV and Vendor V are Chinese citizens.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor III, Vendor IV and Vendor V and the respective ultimate beneficial owners of the Target Company and are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

LISTING RULES IMPLICATIONS

By virtue of Rule 14.22 of the Listing Rules, the Acquisition and the Further Acquisition are aggregated for the purpose of Chapter 14 of the Listing Rules are those transactions involve the acquisition of the equity interest in the same entity (that is the Target Company) completed within 12 months.

As the applicable percentage ratios in respect of the Acquisition and the Further Acquisition exceed 25% but less than 100%, the Further Acquisition constitutes a major transaction of the Company, and is therefore subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

The SGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the relevant resolutions in relation to the Further Share Transfer Agreements and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, no Shareholder has a material interest in the Further Acquisition which is different from the other Shareholders. Therefore, no Shareholder would be required to abstain from voting on the proposed resolutions in relation to the Further Acquisition at the SGM.

A circular containing, among other things, (i) further details of the Further Share Transfer Agreements and the transactions contemplated thereunder; (ii) the notice convening the SGM; and (iii) other information required under the Listing Rules, is expected to be despatched to the Shareholders on or before 31st August 2021 as additional time is required to prepare and finalise the relevant information to be included in the circular.

DEFINITIONS

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

“Further Acquisition”	the acquisition of 103,624,719 shares of the Target Company by China Oil and Gas Investment pursuant to the Further Share Transfer Agreements
“Further Share Transfer Agreements”	Share Transfer Agreement III, Share Transfer Agreement IV and Share Transfer Agreement V
“SGM”	a special general meeting of Shareholders scheduled to be held for the purpose of considering, and if thought fit, approving, among other things, the Further Acquisition
“Share Transfer Agreement III”	the share transfer agreement entered into between China Oil And Gas Investment and Vendor III on 10 th August 2021 in relation to the acquisition of a total of 61,500,000 shares of the Target Company at RMB5.23 per share
“Share Transfer Agreement IV”	the share transfer agreement entered into between China Oil And Gas Investment and Vendor IV on 10 th August 2021 in relation to the acquisition of a total of 27,023,600 shares of the Target Company at RMB5.23 per share
“Share Transfer Agreement V”	the share transfer agreement entered into between China Oil And Gas Investment and Vendor V on 10 th August 2021 in relation to the acquisition of a total of 15,101,119 shares of the Target Company at RMB5.23 per share

“Vendor III”	Shandong Shengli Investment Co., Ltd.*, a limited liability company established in the PRC
“Vendor IV”	Mr. Sun Guanjie*
“Vendor V”	Mr. Yan Changyong*

By Order of the Board
China Oil And Gas Group Limited
Chan Yuen Ying, Stella
Company Secretary

Hong Kong, 10 August 2021

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Xu Tie-liang (Chairman and Chief Executive Officer), Ms. Guan Yijun and Mr. Gao Falian; and three independent non-executive Directors, namely Mr. Wang Wenhua, Mr. Wang Guangtian and Mr. Yang Jie.

** For identification purpose only*