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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) DISCLOSEABLE TRANSACTION IN RELATION TO  
SHARE TRANSFER AGREEMENTS  
AND  
(2) INSIDE INFORMATION IN RELATION TO  
SHARE TRANSFER FRAMEWORK AGREEMENTS**

**DISCLOSEABLE TRANSACTION**

The Board announces that on 15 July 2021, China Oil and Gas Investment, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreements with the Vendors, pursuant to which the Purchaser purchased from the Vendors 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.

As the applicable percentage ratios in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

**INSIDE INFORMATION**

The Board also announces that on 15 July 2021, China Oil and Gas Investment entered into the Framework Agreement I and the Framework Agreement II with Vendor III and Vendor IV respectively, pursuant to which, (i) the Purchaser shall acquire 61,500,000 shares of the Target Company held by Vendor III, representing an approximate 6.99% of the existing issued shares of the Target Company, and (ii) the Purchaser shall acquire 42,124,719 shares of the Target Company held by Vendor IV, representing an approximate 4.79% of the existing issued shares of the Target Company.

The shares transfer under the Framework Agreements is subject to the satisfaction of the results of due diligence on the Target Company and the signing of the relevant Share Transfer Agreements to finalise the terms.

**As the shares transfer under the Framework Agreements may or may not proceed, shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## DISCLOSEABLE TRANSACTION

The Board announces that on 15 July 2021, China Oil and Gas Investment, a wholly-owned subsidiary of the Company, entered into the Share Transfer Agreements with the Vendors, pursuant to which the Purchaser purchased from the Vendors 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.

## SHARE TRANSFER AGREEMENTS

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

Date: : 15 July 2021

Parties : China Oil and Gas Investment Group Co., Ltd.\*, an indirect wholly-owned subsidiary of the Company (as the Purchaser)

- (i) Jining Qilu Testing Technology Co., Ltd. (濟寧齊魯檢測技術有限公司) (as Vendor IA) and Shandong Nova Bio-engineering Co., Ltd.\* (山東諾華生物工程股份有限公司) (as Vendor IB) (Vendor IA, together with Vendor IB, collectively referred to as Vendor I)
- (ii) Mr. Wang An (as Vendor II)

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

Vendor IA is owned as to 51.0% by Hixih Rubber Industry Group Company Limited\* (華勤橡膠工業集團有限公司) and 49% by Mr. Niu Teng (牛騰先生) respectively. Hixih Rubber Industry Group Company Limited\* (華勤橡膠工業集團有限公司) is owned as to 70.0% by Mr. Niu Teng (牛騰先生) and 30.0 % by Mr. Niu Yishun (牛宜順先生). Mr. Niu Teng (牛騰先生) is the ultimate beneficial owner of Vendor IA and interested in an aggregate of 84.7% of the equity interest of Vendor IA.

Vendor IB is owned as to 69.29%, 29.69% and 1.02% by Mr. Niu Teng (牛騰先生), Mr. Niu Yishun (牛宜順先生) and Hixih Rubber Industry Group Company Limited\* (華勤橡膠工業集團有限公司) respectively. Hixih Rubber Industry Group Company Limited\* (華勤橡膠工業集團有限公司) is owned as to 70.0% by Mr. Niu Teng (牛騰先生) and 30.0 % by Mr. Niu Yishun (牛宜順先生). Mr. Niu Teng (牛騰先生) is the ultimate beneficial owner of Vendor IB and interested in an aggregate of 70.0% of the equity interest of Vendor IB.

## CONSIDERATION

The share transfer price pursuant to the Share Transfer Agreements represents:

- (i) pursuant to the Share Transfer Agreement I, Vendor IA shall transfer 21,410,639 shares of the Target Company at RMB5.23 per share of the Target Company; Vendor IB shall transfer 19,663,990 shares of the Target Company at RMB5.23 per share, at a total purchase price of RMB 214,820,309.67; and
- (ii) pursuant to the Share Transfer Agreement II, Vendor II shall transfer 6,600,874 shares of the Target Company at RMB4.80 per share of the Target Company, at a purchase price of RMB31,684,195.20.

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

- (i) a premium of approximately 27.25% to the closing price of RMB4.11 of the shares of the Target Company as quoted on the Shenzhen Stock Exchange on 14 July 2021 (being the last trading day prior to the signing of the Share Transfer Agreement I); and
- (ii) a premium of approximately 28.82% to the average closing price of RMB4.06 of the shares of the Target Company as quoted on the Shenzhen Stock Exchange for five consecutive trading days up to and including 14 July 2021.

Pursuant to the Share Transfer Agreement II, the share transfer price for each share of the Target Company is RMB4.80, represents:

- (i) a premium of approximately 16.79% to the closing price of RMB4.11 of the shares of the Target Company as quoted on the Shenzhen Stock Exchange on 14 July 2021 (being the last trading day prior to signing of the Share Transfer Agreement II); and
- (ii) a premium of approximately 18.23% to the average closing price of RMB4.06 of the shares of the Target Company as quoted on the Shenzhen Stock Exchange for five consecutive trading days up to and including 14 July 2021.

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 Acquisition”, which was arrived at after arm’s length negotiation between the parties.

The total purchase price of the Acquisition will be funded by internal resources of the Group.

The terms of the Share Transfer Agreement I and the Share Transfer Agreement II (except for the share transfer price) are the same, however, they are not inter-conditional.

If all of the Share Transfer Agreements are completed, the Group will hold 5.42% of the equity interests in the Target Company.

### **PAYMENT OF THE SHARE TRANSFER PRICE**

Pursuant to the Share Transfer Agreements, upon signing the Share Transfer Agreements and the Share Transfer Agreements took effect, China Oil and Gas Investment will open joint accounts with Vendor I and Vendor II respectively in the names of Vendor I and Vendor II at the commercial bank designated by China Oil and Gas Investment, and will pay the share transfer price to Vendor I and Vendor II:

- (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 the Shenzhen Stock Exchange issued a confirmation or an equivalent document on the Acquisition; 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.

### **REASONS FOR AND BENEFITS OF THE 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 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 cooperate in depth 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.

## 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.

Vendor IA, Vendor IB and Vendor II are shareholders of the Target Company.

Vendor IA is a limited company incorporated in the PRC and is principally engaged in laboratory inspection and testing.

Vendor IB is a limited company incorporated in the PRC and is principally engaged in the manufacturing and selling of bioengineering products.

Vendor II is a Chinese citizen.

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:

	<b>For the year ended 31 December</b>	
	<b>2019</b>	<b>2020</b>
	(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

## LISTING RULES IMPLICATIONS

As the applicable percentage ratios in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## **INSIDE INFORMATION**

The Board also announces that on 15 July 2021, China Oil and Gas Investment entered into the Framework Agreement I and the Framework Agreement II with Vendor III and Vendor IV respectively, pursuant to which, (i) the Purchaser shall acquire 61,500,000 shares of the Target Company held by the Vendor III, representing an approximate 6.99% of the existing issued shares of the Target Company, and (ii) the Purchaser shall acquire 15,101,119 shares of the Target Company held by the Vendor IVA, representing an approximate 1.72% of the existing issued shares of the Target Company and the Purchaser shall acquire 27,023,600 shares of the Target Company held by the Vendor IVB, representing an approximately 3.07% of the existing issued shares of the Target Company, which represents an aggregate of 42,124,719 shares of the Target Company to be acquired and approximate 4.79% of the issued shares of the Target Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Vendor III, Vendor IVA and Vendor IVB, are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

Vendor III was held by more than forty shareholders, none of its shareholders hold more than 5% of the equity interest of Vendor III.

Pursuant to the terms of the Framework Agreement I and the Framework Agreement II, Vendor III and Vendor IV granted the Purchaser an exclusive period from the date of signing the Framework Agreement I and the Framework Agreement II to 30 September 2021 to conduct due diligence, negotiate and finalise the terms of the formal Share Transfer Agreements respectively.

Each of the parties agreed to strive to sign the formal share transfer agreements before 30 July 2021.

The terms of the Framework Agreement I and the Framework Agreement II are identical, however, they are not inter-conditional.

The transaction price of the shares transfer under the Framework Agreements is RMB5.23 per share of the Target Company.

The shares transfer is subject to the satisfaction of the results of due diligence conducted on the Target Company, including (but not limited to) business, finance, assets, personnel, institutions, etc., and the signing of the relevant share transfer agreements to finalise the formal shares transfer terms.

## **REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENTS AND TRANSACTIONS CONTEMPLATED THEREUNDER**

Vendor III, Vendor IVA and Vendor IVB are shareholders of the Target Company.

Vendor III is a limited liability company incorporated in the PRC and is principally engaged in investment in the new energy industry.

Vendor IVA and Vendor IVB are Chinese citizens.

Vendor III holds 87,886,314 shares of the Target Company on the date of this announcement, representing 9.99% of the total issued shares of the Target Company. Pursuant to the Framework Agreement I, Vendor III will transfer 61,500,000 shares of the Target Company to China Oil and Gas Investment and will retain 26,386,314 shares of the Target Company (“**Reserved Shares**”). Vendor III promised to entrust the voting rights of the Reserved Shares unconditionally and irrevocably to China Oil and Gas Investment after the completion of the transfer of 61,500,000 shares by China Oil and Gas Investment. Without the approval of China Oil and Gas Investment, Vendor III shall not reduce its Reserved Shares within 36 months after China Oil and Gas Investment has acquired 61,500,000 shares of the Target Company.

The Directors are of the view that the further acquisition of the shares of the Target Company under the Framework Agreements will facilitate the Group to become the largest single shareholder of the Target Company if the Acquisition is completed. The Group will hold an aggregate of 17.2% of the equity interests and attached with 20.2% of the voting rights of the Target Company, which will facilitate the Group’s investment in clean energy business in the PRC. The Target Company has extensive business resources in the natural gas field. The Group intends to cooperate in depth 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.

If the Framework Agreements are to be finalised, in aggregation of the Share Transfer Agreements pursuant to Rule 14.22 of the Listing Rules, will constitute a major transaction of the Company under Chapter 14 of the Listing Rules. The Company will publish announcement(s) pursuant to the Listing Rules for entering into the share transfer agreements or deciding to terminate the Framework Agreements or any significant progress in the Share Transfer, as and when appropriate.

**As the transfer of the shares under the Framework Agreements may or may not proceed, shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.**

## DEFINITIONS

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

“Acquisition”	the acquisition of 47,675,503 shares from Target Company by China Oil and Gas Investment pursuant to the Share Transfer Agreements
“Board”	the board of Directors of the Company
“Company”	China Oil And Gas Group Limited, a limited liability company incorporated in Bermuda, the shares of which are listed on the main board of the Stock Exchange (stock code: 603)
“China Oil and Gas Investment” or “the Purchaser”	China Oil and Gas Investment Group Co., Ltd.*, a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Framework Agreements”	Framework Agreement I and Framework Agreement II
“Framework Agreement I”	the share transfer framework agreement entered into between China Oil And Gas Investment and Vendor III on 15 July 2021 in relation to the proposed acquisition of a total of 61,500,000 shares of the Target Company at RMB5.23 per share
“Framework Agreement II”	the share transfer framework agreement entered into between China Oil And Gas Investment and Vendor IV on 15 July 2021 in relation to the proposed acquisition of a total of 42,124,719 shares of the Target Company at RMB5.23 per share
“Group”	the Company and its subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Share Transfer Agreements”	Share Transfer Agreement I and Share Transfer Agreement II



“Share Transfer Agreement I”	the share transfer agreement entered into between China Oil And Gas Investment and Vendor I on 15 July 2021 in relation to the acquisition of a total of 41,074,629 shares of the Target Company at RMB5.23 per share
“Share Transfer Agreement II”	the share transfer agreement entered into between China Oil And Gas Investment and Vendor II on 15 July 2021 in relation to the acquisition of a total of 6,600,874 shares of the Target Company at RMB4.80 per share
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Shandong Shengli Co., Ltd., a company limited by shares established in the PRC whose issued shares are listed and traded on the main board of the Shenzhen Stock Exchange
“Vendor IA”	Jining Qilu Testing Technology Co., Ltd., a limited liability company established in the PRC
“Vendor IB”	Shandong Nova Bio-engineering Co., Ltd.*, a limited liability company established in the PRC
“Vendor II”	Mr. Wang An
“Vendor III”	Shandong Shengli Investment Co., Ltd.*, a limited liability company established in the PRC
“Vendor IV”	Vendor IVA and Vendor IVB
“Vendor IVA”	Mr. Yan Changyong
“Vendor IVB”	Mr. Sun Guanjie
“%”	percentage

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

Hong Kong, 15 July 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 Flian; and three independent non-executive Directors, namely Mr. Wang Wenhua, Mr. Wang Guangtian and Mr. Yang Jie.*

*\* For identification purpose only*