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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)

DISCLOSEABLE TRANSACTION

THE DISPOSAL

The Board announces that on 13 January 2016, CCNG and Jingcheng Rongtong, as vendors, and Shanghai Huahui, as purchaser entered into the Agreement, pursuant to which CCNG and Jingcheng Rongtong agreed to sell, and Shanghai Huahui agreed to purchase, the CCNG Sale Shares and JR Sale Shares for a consideration of RMB234 million and RMB156 million respectively.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are more than 5% and all of such ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Due to inadvertent omission and unintentional oversight, the Company has not complied with Rule 14.34 of the Listing Rules that the Agreement has not been previously announced in a timely manner in accordance with the Listing Rules.

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THE AGREEMENT

Set out below are the principal terms of the Agreement:

Date

13 January 2016

Parties:

Vendors	(i)	CCNG, a 51% wholly-owned subsidiary of the Company
	(ii)	Jingcheng Rongtong, a 40% owner of the Subject Company
Purchaser	(iii)	Shanghai Huahui
Subject Company	(iv)	銀川中油精誠燃氣有限公司 (Yinchuan China Oil Jingcheng Gas Company Limited*), a company owned as to 60% by CCNG and 40% by Jingcheng Rongtong

As at the date of this Agreement, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Shanghai Huahui and its ultimate beneficial owners are independent of the Company and connected persons (as defined in the Listing Rules) of the Company.

Sale and purchase of the Sale Shares

The CCNG Sale Shares represent 60% equity interest in the Subject Company, and the JR Sale Shares represent 40% equity interest in the Subject Company. Pursuant to the Agreement, CCNG agreed to sell CCNG Sale Shares at a consideration of RMB234 million and Jingcheng Rongtong agreed to sell JR Sale Shares at a consideration of RMB156 million, and Shanghai Huahui agreed to purchase the CCNG Sale Shares and JR Sales Share at an aggregate consideration of RMB390 million.

Total Consideration

The Total Consideration for the sale and purchase of the Sale Shares was determined after arm's length negotiations between the parties with reference to the audited total asset values and net asset value of Subject Company as at 31 December 2015 and the business potential of the Subject Company.

Manner of payment of the Total Consideration

The Total Consideration has been paid in the following manner:

- (1) the first instalment of the Total Consideration, being 20% of the Total Consideration i.e. RMB78 million has been paid on 19 January 2016; and

- (2) the second instalment of the Total Consideration, being 80% of the Total Consideration i.e. RMB312 million has been paid on 16 March 2016 upon satisfaction of the conditions precedent as set out in the section headed “Conditions Precedent” below and completion of the preparation for registration of transfer of Sale Shares.

Conditions Precedent

The Completion of the Disposal is subject to the satisfaction of, among others, the following conditions:

- (1) the operating licenses of the Subject Company being legal and valid, not subject to any encumbrance and the operating status of the Subject Company being in good order;
- (2) each of CCNG and Jingcheng Rongtong has completed the preparation work for the registration procedures of the transfer of Sale Shares;
- (3) each of CCNG and Jingcheng Rongtong has obtained approval on the Disposal from its respective board of directors or shareholders, as the case may be; and
- (4) each of CCNG and Jingcheng Rongtong has given a written declaration waiving the preemptive right as prescribed in the articles of the Subject Company.

Shanghai Huahui may, by written notice, waive any of the above conditions precedent.

Completion

Completion of the Disposal has been taken place on 17 March 2016 following the registration of the transfer of Sale Shares with the Administration for Industry and Commerce in the PRC.

Following the completion of the Disposal, the Subject Company ceased to be a subsidiary of the Company and its financial results no longer consolidated into the consolidated financial statements of the Company.

INFORMATION ON THE SUBJECT COMPANY

The Subject Company is a company established in the PRC with limited liability and is principally engaged in trading of natural gas and gas pipeline construction.

The net assets and total assets value of the Subject Company as extracted from its audited accounts as at 31 December 2015 was approximately RMB178,416,000 and RMB207,035,000 respectively.

The financial results of the Subject Company as extracted from the audited accounts for the two financial years ended 31 December 2015 are as follows:

For the year ended 31 December

	<u>2014</u>	<u>2015</u>
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Net profit before taxation and extraordinary items	41,306	42,017
Net profit after taxation and extraordinary items	35,072	35,420

INFORMATION ON THE PARTIES

CCNG is an indirect subsidiary of the Company and is principally engaged in investment holding and trading of natural gas.

Jingcheng Rongtong is a company established in the PRC with limited liability and is principally engaged in technology development of new energy and consultation services.

Shanghai Huahui is a company established in the PRC with limited liability and is principally engaged in new energy related business.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Group is principally engaged in natural gas investment and energy related business, and has invested and set up 117 gas projects in 15 different provinces and autonomous region in China and holds 71 city-gas exclusive concession rights.

The Group recognised a gain on the Disposal of approximately HK\$124 million.

Based on the foregoing, the Directors believe that the terms of the Agreement are fair and reasonable and are in the best interests of the Company and its shareholders as a whole.

FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS

The Group recognised a gain of approximately HK\$124 million from the Disposal, which is calculated by reference to net assets value of the Subject Company and the consideration for the CCNG Sale Shares.

The Group has applied the net proceeds of the Disposal for general working capital of the Group.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal are more than 5% and all of such ratios are less than 25%, the Disposal constitutes a discloseable transaction for the Company under Rule 14.06(2) of the Listing Rules, and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Due to inadvertent omission and unintentional oversight, the Company has not complied with Rule 14.34 of the Listing Rules that the Agreement has not been previously announced in a timely manner in accordance with the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, terms used in this announcement shall have the following meanings:

“Agreement”	the agreement dated 13 January 2016 entered into between CCNG, Jingcheng Rongtong and Shanghai Huahui in relation to the Disposal
“Board”	the board of Directors
“CCNG”	中油中泰燃氣投資集團有限公司 (China City Natural Gas Co. Limited*), a company established in the PRC with limited liability and a 51% owned subsidiary of the Company
“CCNG Sale Shares”	60% of the equity interest in the Subject 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)
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares subject to the terms and conditions of the Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Jingcheng Rongtong”	寧夏精誠融通科技有限公司 (Ningxia Jingcheng Rongtong Technology Company Limited*), a company established in the PRC with limited liability, the 40% owner of the Subject Company before completion of the Disposal
“JR Sale Shares”	40% of the equity interest in the Subject Company

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Sale Shares”	collectively, the CCNG Sale Shares and JR Sale Shares
“Shanghai Huahui”	上海華慧曙智燃氣技術有限公司(Shanghai Huahui Shuzhi Gas Technology Company Limited*), a company established in the PRC with limited liability, the purchaser of the Sale Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Consideration”	the aggregate of the consideration of RMB390 million payable by Shanghai Huahui for the Sale Shares, being RMB234 million for CCNG Sale Shares and RMB156 million for JR Sale Shares
“Subject Company”	銀川中油精誠燃氣有限公司(Yinchuan China Oil Jingcheng Gas Company Limited*), a company established in the PRC with limited liability
“%”	per cent.

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

Hong Kong, 28 April 2017

As at the date of this announcement, the Board comprises four executive Directors, namely Mr. Xu Tie-liang (Chairman and Chief Executive Officer), Mr. Zhu Yuan, Ms. Guan Yijun and Mr. Cheung Shing; and three independent non-executive Directors, namely Mr. Li Yunlong, Mr. Shi Xunzhi and Mr. Wang Guangtian.

** for identification purposes only*