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AAG

AAG Energy Holdings Limited

亞美能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2686)

CONNECTED TRANSACTION FORMATION OF THE JOINT VENTURE COMPANY

FORMATION OF THE JOINT VENTURE COMPANY

The Board is pleased to announce that on 18 January 2022, Xinhe, an indirect wholly-owned subsidiary of the Company, had entered into the Joint Venture Agreement with XTRQ, pursuant to which Xinhe and XTRQ agreed to make a capital contribution of RMB24.5 million and RMB25.5 million, representing 49.0% and 51.0% of the total capital contribution of the Joint Venture Company, respectively.

LISTING RULES IMPLICATIONS

As at the date of this announcement, XTRQ indirectly holds approximately 56.96% of the total issued share capital of the Company. Accordingly, XTRQ, the controlling shareholder of the Company is a connected person of the Company and the transaction contemplated under the Joint Venture Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) for the transaction contemplated under the Joint Venture Agreement exceeds 0.1% but less than 5%, the entering into of the Joint Venture Agreement is subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 18 January 2022, Xinhe, an indirect wholly-owned subsidiary of the Company, had entered into the Joint Venture Agreement with XTRQ, pursuant to which Xinhe and XTRQ agreed to make a capital contribution of RMB24.5 million and RMB25.5 million, representing 49.0% and 51.0% of the total capital contribution of the Joint Venture Company, respectively.

Upon the formation of the Joint Venture Company, Xinhe will hold 49.0% of the equity interests in the Joint Venture Company. The Joint Venture Company will become an associate of the Company and the financial results of the Joint Venture Company will not be consolidated into the accounts of the Group.

THE JOINT VENTURE AGREEMENT

Date: 18 January 2022

Parties: (i) Xinhe; and
(ii) XTRQ

Registered Capital of the Joint Venture Company

Holder of equity interests	Capital contribution (RMB million)	Percentage of equity interests
Xinhe	24.5	49.0%
XTRQ	25.5	51.0%
Total	50.0	100.0%

The registered capital of the Joint Venture Company is RMB50.0 million. Xinhe and XTRQ shall pay their respective capital contribution according to the following:

Time of payment	Xinhe (RMB million)	XTRQ (RMB million)
Within one month after receiving the bank account opening license	9.8	10.2
On or before 31 December 2025	14.7	15.3
Total	24.5	25.5

The amount of the capital contributions under the Joint Venture Agreement was determined after arm's length negotiations among the parties, taking into account various factors, including the nature of the business, the demand of working capital and future development plans of the Joint Venture Company. The Group intends to finance its capital contribution to the Joint Venture Company from its internal resources.

Principal business of the Joint Venture Company

The Joint Venture Company will principally engage in, among other things, the research and development of geological reserve technology, well drilling technology, monitoring and supervision facilities of petroleum, natural gas and coalbed methane (“CBM”), etc..

Composition of board of directors

The board of directors of the Joint Venture Company shall comprise three directors. Xinhe and XTRQ shall be entitled to appoint one and two directors, respectively. The chairman of the board of the Joint Venture Company shall be elected amongst the two directors appointed by XTRQ.

Composition of the supervisory board

The supervisory board shall comprise one member to be nominated by Xinhe.

Restriction of transfer of equity interests

The holders of the equity interests of the Joint Venture Company can transfer their equity interests with each other. When a holder of equity interests in Joint Venture Company intends to transfer its equity interests (the “**Selling Equity Interests Holder**”) to a third party, it must obtain prior consent from other holder(s) of equity interests. The Selling Equity Interests Holder shall serve a written notice to the other holder(s) of equity interests and he/she/they shall reply to the notice within 30 days from the date of the notice. If no reply is received, it will be regarded as a consent to the Selling Equity Interests Holder and if the other holder(s) of equity interests had refused the sale of the equity interests by the Selling Equity Interests Holder to the third party, the other holder(s) of the equity interests shall purchase such equity interests from the Selling Equity Interests Holder.

REASONS FOR AND THE BENEFITS OF THE FORMATION OF THE JOINT VENTURE COMPANY

XTRQ has obvious regional market scale advantages in urban pipeline gas infrastructure network facilities and user management, and is the main urban combustion enterprise in Xinjiang energy industry. The cooperation with XTRQ can carry out energy research by virtue of its high-quality resources with Petrochina Kunlun Gas.,Co.Ltd, and systematically sort out and study the problems of CBM and urban pipe network engineering technology and advanced equipment.

In this regard, the Directors (excluding Mr. Ming Zaiyuan and Mr. Huang Min who are required to abstain from voting on the relevant Board resolutions for approving the Joint Venture Agreement, but including the independent non-executive Directors) are of the view that the transaction contemplated under the Joint Venture Agreement is on normal commercial terms, and the terms and conditions therein are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

As Mr. Ming Zaiyuan, the chairman of the Board and executive Director, is the controlling shareholder of XTRQ, and Mr. Huang Min, the non-executive Director, also serves as the chairman of the supervisory committee of XTRQ, they are regarded as being potentially interested in the transaction contemplated under the Joint Venture Agreement and thus have abstained from voting on the relevant Board resolutions. Save as mentioned above, none of the Directors has any material interest in the transaction contemplated under the Joint Venture Agreement and thus be required to abstain from voting on the relevant Board resolutions.

INFORMATION OF XTRQ

XTRQ is a company established under the laws of the PRC with limited liability and is principally engaged in the distribution and sales of natural gas and it provides natural gas sales services, including natural gas sales for civilian use and commercial use, natural gas installation services, as well as compressed natural gas transportation services. The shares of XTRQ are listed on the Shanghai Stock Exchange (stock code: 603393). The controlling shareholder of XTRQ is Mr. Ming Zaiyuan, the chairman of the Board and executive Director, holding approximately 43.04% of the total issued shares of XTRQ as at the date of this announcement.

INFORMATION OF XINHE AND THE COMPANY

Xinhe is an indirectly wholly-owned subsidiary of the Company and is principally engaged in natural gas, CBM, coal to gas, new materials, biological engineering, environmental protection engineering and sewage treatment industry investment.

The Company is the leading independent CBM producer in China. The Company focuses on the development and value optimization of unconventional gas resources to supply clean energy to the Chinese economy. The Company has production sharing contracts with two of the four state-owned enterprises authorized by the Chinese government to partner with foreign companies to explore, develop and produce China's CBM assets, namely China United Coalbed Methane Corporation Ltd. (中聯煤層氣有限責任公司) and PetroChina Company Limited (中國石油天然氣股份有限公司) (through its parent company, China National Petroleum Corporation (中國石油天然氣集團有限公司)). Pursuant to these production sharing contracts, the Company is the operator of the Panzhuang and Mabi concessions, granting it the right to explore, develop and produce the CBM within them. The Company holds 80% and 70% of the participating interests under the production sharing contract for the Panzhuang concession and the production sharing contract for the Mabi concession, respectively. The Group will continue to pursue further development of the Panzhuang concession and development preparation of the Mabi concession.

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DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings when used herein:

“Board”	board of Directors
“China” or “PRC”	People’s Republic of China, except where the context requires otherwise, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“Company”	AAG Energy Holdings Limited (previously known as AAG Energy Inc.), a company incorporated in the Cayman Islands with limited liability on 23 December 2014, with its Shares listed on the Main Board of the Stock Exchange (Stock Code: 2686)
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“connected transaction(s)”	has the same meaning as ascribed to it under the Listing Rules
“controlling shareholder”	has the same meaning as ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Joint Venture Agreement”	the agreement entered into between Xinhe and XTRQ dated 18 January 2022 in relation to the formation of the Joint Venture Company
“Joint Venture Company”	Dongcheng Xintai Energy Research Centre Limited* (東承鑫泰能源研究有限責任公司), a company to be established in the PRC with limited liability and formed under the Joint Venture Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“RMB”	Renminbi, the lawful currency of China

“Share(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the same meaning as ascribed to it under the Listing Rules
“Xinhe”	Xinhe Investment Holding Co., Limited* (新合投資控股有限責任公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“XTRQ”	Xinjiang Xintai Natural Gas Co., Ltd. (新疆鑫泰天然氣股份有限公司), a joint stock company incorporated in the PRC and A shares of which are listed on the Shanghai Stock Exchange (stock code: 603393), and the controlling shareholder of the Company as at the date of this announcement
“%”	per cent.

By order of the Board
AAG Energy Holdings Limited
Ming Zaiyuan
Chairman and Executive Director

Hong Kong, 18 January 2022

As at the date of this announcement, the executive Directors are Mr. Ming Zaiyuan, Mr. Yan Danhua and Mr. Zhang Jianbing; the non-executive Director is Mr. Huang Min; and the independent non-executive Directors are Mr. Tai Kwok Leung Alexander, Dr. Liu Xiaofeng and Dr. Yang Ruizhao.