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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
CAPITAL INCREASE AGREEMENT
IN RELATION TO THE JOINT VENTURE COMPANY**

CAPITAL INCREASE AGREEMENT

Reference is made to the announcement of the Company dated 18 January 2022 in relation to the entering into the Joint Venture Agreement to establish the Joint Venture Company.

The Board is pleased to announce that on 30 March 2022, Xinhe, an indirect wholly-owned subsidiary of the Company, entered into the Capital Increase Agreement with XTRQ to increase the registered capital of the Joint Venture Company.

Pursuant to the Capital Increase Agreement, Xinhe and XTRQ agreed to increase the registered capital of the Joint Venture Company from RMB50 million to RMB300 million, with each of Xinhe and XTRQ contributing an additional RMB122.5 million and RMB127.5 million by cash, respectively. Upon completion of such capital increase, the Joint Venture Company will remain to be held as to 49% by Xinhe and 51% by XTRQ.

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 Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the Capital Increase Agreement was entered into within 12 months after the signing of the Joint Venture Agreement, the transactions under the Joint Venture Agreement and the Capital Increase Agreement shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As certain applicable percentage ratios of the transaction under the Capital Increase Agreement and that under the Joint Venture Agreement, in aggregate, exceeds 0.1% but less than 5%, the entering into of the Capital Increase Agreement and the Joint Venture Agreement, in aggregate, are subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 18 January 2022 (the “**Announcement**”) in relation to the entering into the Joint Venture Agreement to establish the Joint Venture Company. Terms defined in the Announcement shall the same meanings when used in this announcement unless context requires otherwise.

The Board is pleased to announce that on 30 March 2022, Xinhe, an indirect wholly-owned subsidiary of the Company, entered into the capital increase agreement (the “**Capital Increase Agreement**”) with XTRQ to increase the registered capital of the Joint Venture Company.

CAPITAL INCREASE AGREEMENT

Date	30 March 2022
Parties	(i) Xinhe; and (ii) XTRQ
Subject Matter	Pursuant to the Capital Increase Agreement, Xinhe and XTRQ agreed to increase the registered capital of the Joint Venture Company from RMB50 million to RMB300 million, with each of Xinhe and XTRQ contributing additional RMB122.5 million and RMB127.5 million by cash, respectively.

The shareholding percentage held by both Xinhe and XTRQ in the Joint Venture Company will not change due to the transaction under the Capital Increase Agreement. Upon completion of such capital increase, the Joint Venture Company will remain to be held as to 49% by Xinhe and 51% by XTRQ.

The terms of the Capital Increase Agreement were determined based on arm's length negotiations between the parties and the additional capital contribution by the parties was reached with reference to the initial registered capital of the Joint Venture Company and the Joint Venture Company's potential development.

Payment

Xinhe shall settle its additional capital contribution of RMB 122.5 million on or before 31 December 2025. Xinhe will satisfy its capital commitment in the Joint Venture Company by internal resources.

XTRQ shall settle its additional capital contribution of RMB 127.5 million on or before 31 December 2025.

Other terms

Save as disclosed herein, all the remaining terms under the Joint Venture Agreement shall remain unchanged and effective.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CAPITAL INCREASE AGREEMENT

The Company considers that further investment in accordance with the Capital Increase Agreement will enable the Joint Venture Company to enhance its financial strength and better implement the "high-tech" strategy. The Joint Venture Company will focus on the "four new fields" of new energy, new technology, new materials and new equipment, and will be used to construct equipment and supporting facilities, as well as recruit energy research experts, scholars or technology research and development leaders.

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 Capital Increase Agreement, but including the independent non-executive Directors) are of the view that the transaction contemplated under the Capital Increase 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 Capital Increase 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 Capital Increase 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 the southern part of the Mabi concession and development preparation of the northern part of the Mabi concession.

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 Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the Capital Increase Agreement was entered into within 12 months after the signing of the Joint Venture Agreement, the transactions under the Joint Venture Agreement and the Capital Increase Agreement shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As certain applicable percentage ratios of the transaction under the Capital Increase Agreement and that under the Joint Venture Agreement, in aggregate, exceeds 0.1% but less than 5%, the entering into of the Capital Increase Agreement and the Joint Venture Agreement, in aggregate, are subject to the reporting and announcement requirements, but exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

Hong Kong, 30 March 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.