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PetroAsian Energy Holdings Limited

中亞能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 850)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF PERFECT REWARD LIMITED

On 24 April 2015 (after trading hours), the Purchaser, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares at the aggregate Consideration of HK\$950,000,000. The Consideration will be satisfied (i) as to HK\$130,000,000 in cash; (ii) as to HK\$120,000,000 by the allotment and issue of the Consideration Shares; and (iii) as to HK\$700,000,000 by the issue of the Bond.

Upon Completion, the Target will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group. The Target Group is principally engaged in the LNG Businesses and is a service provider of the LNG supply chain covering all the upstream, midstream and downstream segments in the industry.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

The issue of the Consideration Shares under the Acquisition Agreement is subject to the specific mandate to be sought from the Shareholders at the EGM.

As no Shareholder has any material interest in the Acquisition, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisition and the specific mandate.

GENERAL

A circular containing, among other things, (i) details of the Acquisition; (ii) the financial information of the Target Group; (iii) the financial information of the Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation of the Target Group complied by using the market approach; (vi) the notice of the EGM; and (vii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 30 June 2015, as additional time is required to prepare the aforesaid information to be included in the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction or waiver of various conditions as stated in the sections headed "Conditions precedent to the Acquisition Agreement". The Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

THE ACQUISITION

Reference is made to the announcement of the Company dated 26 January 2015 in relation to, among other things, the entering into of the MOU among the Company, the Vendors and the Guarantors in relation to the Acquisition. The MOU did not create any legally binding commitment between the parties to proceed with the Acquisition and was subject to the execution and completion of a formal agreement which may or may not be entered into in relation to the Acquisition.

On 24 April 2015 (after trading hours), the Purchaser, the Vendors and the Guarantors entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares at the aggregate Consideration of HK\$950,000,000.

THE ACQUISITION AGREEMENT

Date

24 April 2015

Parties

Purchaser:

China Oil Resources Group Limited, a wholly-owned subsidiary of the Company

Vendors:

Full Gain Holdings Limited
Solid Rock Group Investment Company Limited
Well Spread Group Limited
Easy Mount Group Limited

Guarantors:

Mr. Li Debao, the ultimate beneficial owner of Full Gain

Mr. Chong Lap Kuen, one of the ultimate beneficial owners of Solid Rock

Mr. Lam Ka Yuk James, the ultimate beneficial owner of Well Spread

Mr. Zhao Runfeng, the ultimate beneficial owner of Easy Mount

Each of the Vendors, being Full Gain, Solid Rock, Well Spread and Easy Mount, is principally engaged in investment holding and respectively holds 25%, 30%, 35% and 10% equity interest in the issued share capital of the Target as at the date of this announcement. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owners are Independent Third Parties. Save for the Previous MOU entered into between the Company and CLNG on 23 June 2014 in relation to the possible subscription of new shares in any member of the CLNG Group or possible cooperation with the CLNG Group in certain LNG Businesses or a combination of both (details of which were set out in the announcement of the Company dated 23 June 2014) and the MOU, there is no other arrangement, agreement, understanding or plan among the Company, its connected persons and their respective associates, the Vendors and their respective associates.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire, and the Vendors conditionally agreed to sell, the Sale Shares, representing the entire issued share capital of the Target as at the date of the Acquisition Agreement.

The Target is an investment holding company and its principal asset is its holding in the entire issued share capital of CLNG. The Target Group is principally engaged in the LNG Businesses. Please refer to the section headed "Information on the Target Group" below for further details. Upon Completion, the Target will become a wholly-owned subsidiary of the Company and the financial results of the Target Group will be consolidated into the Group.

Consideration

The Consideration for the Acquisition shall initially be HK\$950,000,000, subject to the adjustments described in the section headed “Profit Guarantee and adjustments to the Consideration” below.

The Consideration shall be payable/has been paid to the Vendors according to their respective shareholding ratio in the Target immediately before Completion in the following manner:

- (i) as to HK\$15,000,000 has been paid in cash as initial deposit within 7 days after the signing of the MOU, which is to be applied in and towards payment of the Consideration at Completion;
- (ii) as to HK\$15,000,000 to be paid in cash as secondary deposit (together with the initial deposit mentioned in (i) above, the “**Deposits**”) within 14 days after the signing of the Acquisition Agreement, which is to be applied in and towards payment of the Consideration at Completion;
- (iii) as to HK\$100,000,000 to be paid in cash within 14 days after Completion;
- (iv) as to HK\$120,000,000 by the allotment and issue of the Consideration Shares at the Issue Price by the Company at Completion; and
- (v) as to the balance of HK\$700,000,000 by the issue of the Bond in the same nominal amount by the Company at Completion.

The Consideration was determined after arm’s length negotiations between the Purchaser and the Vendors principally taking into account, among other things, (i) the historical financial performance of the Target Group; (ii) the Profit Guarantee (as defined below); (iii) the preliminary valuation of the Target Group complied by using the market approach; (iv) the payment terms of the Consideration; and (v) the opportunity for the Group to diversify its business with the introduction of the LNG Businesses.

Profit Guarantee and adjustments to the Consideration

The Vendors have irrevocably warranted and undertaken that the after-tax net profit (excluding non-cash income and minority interests) (the “**Actual Profit**”) of the Target Group for each of the three years ending 31 March 2018 (the “**Relevant Period**”) shall be not less than RMB40,000,000, RMB50,000,000 and RMB60,000,000 respectively (equivalent to approximately HK\$49,200,000, HK\$61,500,000 and HK\$73,800,000 respectively, the “**Profit Guarantee**”).

In the event that the Actual Profit for each of the three years ending 31 March 2018 is less than the respective Profit Guarantee for that year, the Vendors shall compensate (the “**Compensation**”) the Purchaser by 15.4 times one-third of the aggregate amount of shortfall of the Profit Guarantee for each of the three years ending 31 March 2018 (representing the aggregate shortfall over the Relevant Period of three years) to be satisfied in cash within fourteen days after the receiving of the Certificate of Profit for the year ending 31 March 2018 by the Vendors, while the Company has the right to deduct the principal amount of the Bond to set off against the Compensation payable by the Vendors. In the event that the set off of the total principal amount of the Bond is not enough to cover the Compensation, the Vendors shall further compensate the Purchaser the shortfall of the Compensation on a dollar-for-dollar basis in cash within fourteen days after the receiving of the Certificate of Profit for the year ending 31 March 2018 by the Vendors:

$$\text{Compensation} = ((\text{PG}_{2016} - \text{AP}_{2016}) + (\text{PG}_{2017} - \text{AP}_{2017}) + (\text{PG}_{2018} - \text{AP}_{2018})) \div 3 \times 15.4$$

whereas PG_{2016} , PG_{2017} and PG_{2018} represents the Profit Guarantee for each of the three years ending 31 March 2018 respectively and AP_{2016} , AP_{2017} and AP_{2018} represents the Actual Profit for each of the three years ending 31 March 2018 respectively. In the event that the Actual Profit for any of the three years ending 31 March 2018 is more than the Profit Guarantee for that year, the different between Profit Guarantee and the Actual Profit should be treated as zero in the calculation of the Compensation.

For the avoidance of doubts, if the Target Group suffers in net loss for any of the three years ending 31 March 2018, the Actual Profit for that year should be treated as zero, and the Vendors shall compensate the Purchaser the aggregate shortfall of the Profit Guarantee together with the aggregate amount of net loss for each of the three years ending 31 March 2018:

$$\text{Compensation} = ((\text{PG}_{2016} - \text{AP}_{2016}) + (\text{PG}_{2017} - \text{AP}_{2017}) + (\text{PG}_{2018} - \text{AP}_{2018})) \div 3 \times 15.4 \\ + \text{aggregate net loss (in absolute amount)}$$

In any event, the total Compensation payable by the Vendors to the Purchaser shall not be more than the aggregate Consideration for the Acquisition.

The Consideration Shares

Pursuant to the Acquisition Agreement, the Consideration Shares to be allotted and issued to the Vendors (or their respective nominee(s)) shall be 370,000,000 Shares, representing approximately 7.33% of the existing issued share capital of the Company and approximately 6.83% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares upon Completion. The Consideration Shares shall rank *pari passu* in all respects with the Shares in issue on the date of allotment and issue including voting right, and the right to all dividends, distributions and other payments made or to be made for which the record date falls on or after the date of such allotment and issue.

The Vendors individually and collectively undertake that they shall not within the period commencing on the date of allotment and issue of the Consideration Shares and ending on the date falling six months after such date (the “**Lock-up Period**”), lend, sell, agree to sell, give an option to purchase or other forms of dealing with such Consideration Shares or use the Consideration Shares (in whole or in part) as collateral, or engage in any transactions (including derivatives) with the effect of selling the Consideration Shares (in whole or in part) or enter into any swap or other arrangements that transfer the economic consequences of ownership of such Consideration Shares or interest, whether any of the foregoing transactions or arrangement is to be settled by delivery of such Consideration Shares or in cash or otherwise (altogether the “**Dealings**”) or released to the public any Dealings in respect of the Consideration Shares (in whole or in part) or enter into any intent to do any of the foregoing or deposit any of the Consideration Shares (in whole or in part) to any depository.

The Consideration Shares will be allotted and issued under a specific mandate proposed to be granted subject to the approval of the Shareholders at the EGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The Issue Price

The Issue Price was determined as approximately HK\$0.324, which represents:

- (i) a premium of approximately 29.60% over the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 25.58% over the average of the closing prices of the Share as quoted in the daily quotations sheets of the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day of approximately HK\$0.258 per Share;
- (iii) a premium of approximately 25.58% over the average of the closing prices of the Share as quoted in the daily quotations sheets of the Stock Exchange for the last ten consecutive trading days up to and including the Last Trading Day of approximately HK\$0.258 per Share; and
- (iv) a premium of approximately 170.0% over the unaudited net asset value attributable to equity holders of the Company of approximately HK\$0.12 per Share as at 30 September 2014 (based on the unaudited net assets attributable to the Company's equity holders of approximately HK\$563,332,000 as at 30 September 2014 and 4,695,724,000 Shares then in issue as set out in the interim report of the Company for the period ended 30 September 2014).

The Issue Price was determined after arm's length negotiations between the parties to the Acquisition Agreement with reference to the prevailing market price of the Shares and the above-mentioned net asset value per Share attributable to the Shareholders.

The Bond

The principal terms of the Bond are summarised below:

Aggregate principal amount:	HK\$700,000,000
Denomination:	In denominations of HK\$10,000,000
Interest:	The Bond bears no interest
Maturity date:	31 December 2018

In the event that the Vendors shall compensate the Company due to their failure to fulfil the Profit Guarantee, the maturity date can be extended by the Company to any date not later than 31 December 2020 by giving a written notice to the holders of the Bond

In the event that, based on the sole discretion of the Company, the Company does not have sufficient cash to redeem the Bond (in whole or in part) at its maturity date (or any date as extended by the Company), the Company have the right to unilaterally further extend the maturity date (or any date as extended by the Company including the further extension of the maturity date due to the condition as mentioned herein) by giving a written notice to the holders of the Bond until the Company have sufficient cash to redeem the Bond (in whole or in part) at its maturity

Redemption: The holder(s) of the Bond shall not have the right to demand for early redemption of the Bond

The Bond is redeemable by the Company (in whole or in part) at any time prior to the maturity date (or any other date as extended by the Company) by giving a written notice ten days in advance to the holders of the Bond

The Company shall also have the right to deduct the principal amount of the Bond to set off against the compensation payable by the Vendors in case of their failure to fulfil the Profit Guarantee

Transferability: The Bond is not transferrable

Listing: No application will be made for the listing of the Bond on the Stock Exchange or any other stock exchange

Voting rights: The holder of the Bond shall not be entitled to receive notices of, attend or vote at any meetings of the Company by reason only of it being the holder of the Bond

Conditions precedent to the Acquisition Agreement

Completion is conditional upon the fulfillment (or waiver, as the case may be) of the following conditions:

- (i) the Purchaser being satisfied with the results of the due diligence review;
- (ii) if necessary, the passing by the Shareholders at the EGM of the Company to be convened and held of an ordinary resolution to approve the Acquisition Agreement and the transactions contemplated thereunder, including the issue of the Bond and the allotment and issue of the Consideration Shares;

- (iii) the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Consideration Shares;
- (iv) the warranties given by the Vendors under the Acquisition Agreement remaining true, accurate and complete in all material respect and not misleading, and there does not exist any matter, fact or circumstance which constitutes, or may constitute a breach of such guarantee or the status of the Vendors, the Target and the Guarantors for the terms of the Acquisition Agreement;
- (v) the obtaining of a valuation report (in the form and substance satisfactory to the Purchaser) issued by a firm of independent professional valuer appointed by the Purchaser showing that the valuation of the Target Group to be not less than HK\$1,000,000,000 as at 31 March 2015;
- (vi) the obtaining of a PRC legal opinion (in the form and substance satisfactory to the Purchaser) issued by a PRC legal adviser appointed by the Purchaser on the Target Group and transactions contemplated under the Acquisition Agreement;
- (vii) the Purchaser being satisfied that there is no material adverse change on any members of the Target Group from the date of the Acquisition Agreement;
- (viii) the completion of one or more fund raising activity(ies) by the Company (the form of which to be determined in the absolute discretions of the Company) in order to raise not less than HK\$200,000,000;
- (ix) signing of the Service Agreement;
- (x) signing of a Termination Deed for the Panjin Heavy Truck Investment Agreement;
- (xi) all necessary consents and approvals required to be obtained on the part of the Company, the Vendors and the Guarantors in respect of the transactions contemplated under the Acquisition Agreement having been obtained;
- (xii) the obtaining by Panjin Heavy Truck of a renewed Production Technology Conditions Recognition Certificate issued by relevant government authority, and remain to be effective;

- (xiii) the obtaining by Panjin Heavy Truck of a revised Installation, Alteration, Repair and Maintenance Licence of Special Equipment issued by relevant government authority (which shall specify the operation category for installation, modification, maintenance and oil-to-gas and large and medium size bus and large size trucks to be the vehicle type for installation), and shall remain to be effective;
- (xiv) the obtaining by Panjin Heavy Truck of the legal and valid operation qualification for two LNG refuelling vehicles and the operation permit for four refuelling stations, and shall remain to be effective;
- (xv) the obtaining by Panjin Heavy Truck of the approval procedures for the remanufacturing project of natural gas engines and the pilot qualification for remanufacturing of natural gas engines, and shall remain to be effective;
- (xvi) the obtaining by Panjin Heavy Truck of the land use rights certificate in respect of the land occupied by the 4S (sale, spareparts, service and survey) truck dealer shop (“**4S Shops**”) and the property ownership certificates in respect of storefront and ancillary structures of the 4S Shops, and remain to be effective;
- (xvii) completion of the registration by Panjin Heavy Truck of the environmental impact assessment procedures, Construction Land Planning Permit, Construction Commencement Planning Permit, Construction Project Commencement Permit, and acceptance procedures for completion of construction, and the property ownership certificates for the land and buildings on which the remanufacturing project of natural gas engines is located, and shall remain to be effective;
- (xviii) the re-signing of the patent technology licensing agreement between Shenyang Cylinder with 瀋陽斯林達安科新技術有限公司 (“**Cylinder New Technology**”), which is in compliance with the requirements of the PRC Laws, pursuant to which Cylinder New Technology will unconditionally transfer all technology and qualifications in relation to the production of LNG cylinders to Shenyang Cylinder and will be responsible for the injection of subsequent research and development of such related technology into Shenyang Cylinder free of charge;
- (xix) completion of the registration of filing procedures by Panjin Heavy Truck and Panjin Chenyu Truck as vehicle brand dealers with the Liaoning Provincial Bureau of Foreign Trade and Economic Cooperation;

- (xx) completion of the registration of the administrative change procedures by the senior management and relevant staff of the PRC Group (including but not limited to the directors, legal representatives, supervisors, finance manager, etc.) in accordance with the instructions of the Purchaser, all of the senior management and relevant staff have been changed to the persons designated by the Purchaser;
- (xxi) all of the registered capital of Panjin Heavy Truck and Shenyang Cylinder having been fully paid up;
- (xxii) the termination of the Anchored Contracts and all transactions contemplated thereunder;
and
- (xxiii) all of Current Accounts Due Amounts being completely settled.

The Purchaser may at any time waive the conditions set out above (other than condition (ii), (iii), (v), (vii), (viii), (x) to (xix) and (xxi) to (xxiii) above which cannot be waived) by notice in writing to the Vendors.

If any of the above conditions is not fulfilled or waived (as the case may be) by 12:00 p.m. on the Long Stop Date or such other date as the Purchaser and the Vendors may agree in writing, the Acquisition Agreement shall terminate and neither party shall have any further obligations towards the other thereunder except for (a) antecedent breach; and (b) that the Vendors are required to refund the Deposits to the Purchaser without interest immediately.

In the event that all of the above conditions have been fulfilled or waived (as the case may be) by 12:00 p.m. on the Long Stop Date or such later date as the Purchaser and the Vendors may agree in writing, but Completion does not take place due to:

- (A) breach of the terms and conditions of the Acquisition Agreement by the Vendors, the Vendors shall refund the Deposits without interest together with an amount equal to the Deposits as compensation to the Purchaser immediately; or
- (B) breach of the terms and conditions of the Acquisition Agreement by the Purchaser, the Vendors shall not be required to refund the Deposits to the Purchaser; or

(C) reasons other than breach of the terms and conditions of the Acquisition Agreement by either parties, the Vendors shall refund the Deposits to the Purchaser without interest immediately,

and the Acquisition Agreement shall terminate and neither party shall have any further obligations towards the other thereunder except for antecedent breach.

Completion

Completion shall take place on the second Business Day following the date on which the last of the conditions precedent as set out in the Acquisition Agreement has been fulfilled or waived (as the case may be), or such later date as the Purchaser and the Vendors may agree in writing.

INFORMATION ON THE TARGET GROUP

The Target is a company incorporated in the BVI with limited liability on 10 September 2013 and the registered capital of which is US\$50,000 and is held as to 25% by Full Gain, as to 30% by Solid Rock, as to 35% by Well Spread and as to 10% by Easy Mount as at the date of this announcement. The Target is an investment holding company and its principal asset is its entire equity interest in CLNG.

CLNG is a company incorporated in Hong Kong with limited liability on 26 September 2013 and was owned as to 20% by Full Gain, as to 40% by Well Spread, as to 30% by Solid Rock and as to 10% by Easy Mount before the entire issued share capital was transferred to the Target on 23 January 2015. It is currently holding 80% equity interest in Panjin Heavy Truck which it acquired from one of the Panjin Heavy Truck Vendors pursuant to the Panjin Heavy Truck Investment Agreement dated 31 October 2013. The transactions under the Panjin Heavy Truck Investment Agreement have completed on 19 December 2013 and Panjin Heavy Truck became a non-wholly owned subsidiary of CLNG. As the Company considers that certain subsisting terms and conditions set out in the Panjin Heavy Truck Investment Agreement are not favourable to the Group, the Company has required the Termination Deed for the Panjin Heavy Truck Investment Agreement to be signed as a condition precedent to Completion.

Panjin Heavy Truck is a company incorporated in the PRC with limited liability on 22 May 2001. It is currently holding the entire equity interest in Panjin Chenyu Truck and Tianxin, 65% equity interest in Jiade Baoxin and 51% equity interest in Jilin Jitai as at the date of this announcement.

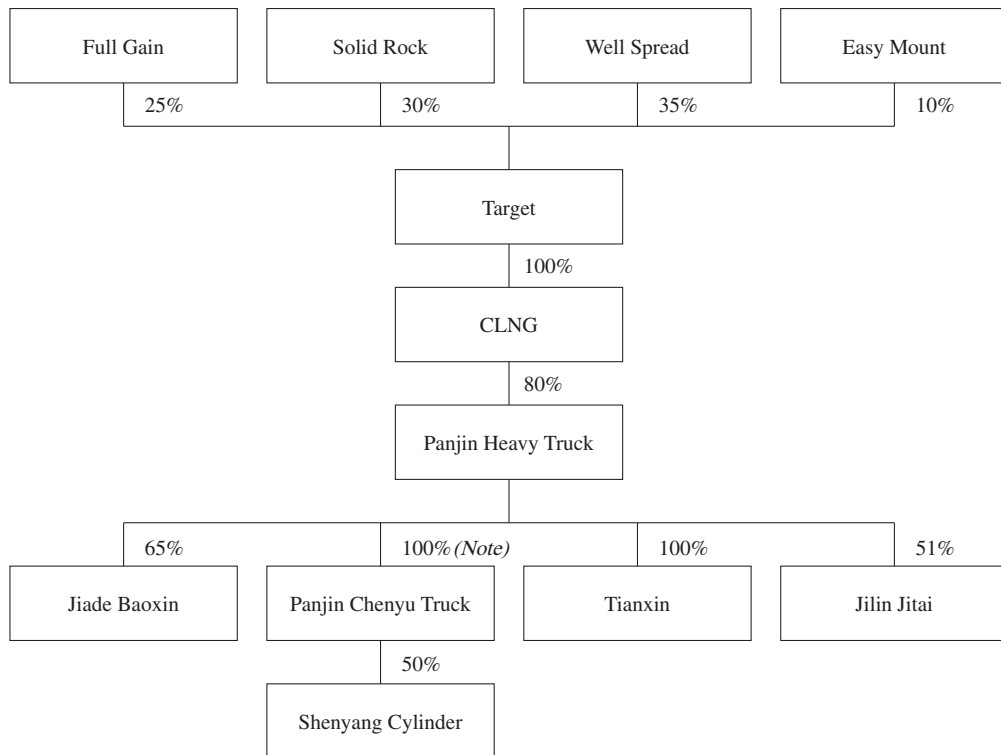
Panjin Chenyu Truck is a company incorporated in the PRC with limited liability on 27 May 2011. Jiade Baoxin is a company incorporated in the PRC with limited liability on 2 March 2012. Jilin Jitai is a company incorporated in the PRC with limited liability on 31 July 2014. Tianxin is a company incorporated in the PRC with limited liability on 11 February 2015. Shenyang Cylinder is a company incorporated in the PRC with limited liability on 16 October 2014 and is owned as to 50% by Panjin Chenyu Truck.

CLNG together with Panjin Heavy Truck, Panjin Chenyu Truck, Jiade Baoxin, Jilin Jitai and Shenyang Cylinder are referred to as the CLNG Group.

The CLNG Group is principally specialised in domestic equipment sales, modification and maintenance services of LNG, remanufacture of gas engines, fuel conversion, vehicle modification for gas application, plantation of LNG facilities, LNG refuelling stations for vessels, ports and vehicle, and related logistics (the “**LNG Businesses**”) and is a service provider of the LNG supply chain covering all the upstream, midstream and downstream segments in the industry. Upstream represents the exploration and exploitation of LNG, midstream represents the transmission and supply of LNG via its equipments and production facilities and downstream represents the logistics for gas distribution, after-sale services and other value-added services (including but not limited to trading of trucks and spare parts, asphalt oil, fuel oil, heat-transfer oil, asphalt emulsifier and manufacturing of LNG cylinders) to end users.

The CLNG Group holds the Installation, Alteration, Repair and Maintenance License of Special Equipment issued by the Liaoning Province Quality and Technical Supervision 遼寧省質量技術監督局 which allows it to be the authorized and qualified corporation to conduct installation of LNG applications to large and medium size bus and large size trucks in the Liaoning Province, the PRC. The CLNG Group intends to extend the operation category under the Installation, Alteration, Repair and Maintenance License of Special Equipment to include installation, alteration, repair and maintenance which can be applied for large and medium size bus and large size trucks.

Set out below is the group structure of the Target Group as at the date of this announcement:



Note:

As at the date of this announcement, the equity interest in Panjin Chenyu Truck is held as to 80% by Panjin Heavy Truck and as to 20% by Panjin Chenyu Truck Group on behalf of Panjin Heavy Truck. As advised by the PRC legal advisers to the Company, Panjin Heavy Truck effectively owns the entire equity interest in Panjin Chenyu Truck.

Non-competition undertaking

The Vendors and the Guarantors have irrevocably and unconditionally undertaken in favour of the Purchaser that upon the Completion Date, except for being any of the Target Group's directors or employees (if applicable), the Vendors and the Guarantors and their respective associates shall not, and shall procure their respective associates not to, whether by themselves or on behalf of any person, firm or company, and whether directly or indirectly, (i) promote, sell, distribute, supply or provide any information related to the business and operations of the Target Group from time to time in the PRC and any other place where the Target Group has operations; (ii) carry on business which compete directly or indirectly with the Target Group; or (iii) interest in or involve or engage in or acquire or hold any right or interest in any business which may compete directly or indirectly with the Target Group.

Deed of indemnity

A deed of indemnity will be made by the Vendors in favour of the Purchaser and the Target Group upon Completion, pursuant to which the Vendors shall irrevocably and unconditionally undertake in favour of the Purchaser and the Target Group that, among other things, they shall fully indemnify the Purchaser and any member of the Target Group for any liability, losses, damages, costs and expenses (including but not limited to legal expenses) arising as a result of the Anchored Contracts (as defined below) and the transactions contemplated thereunder, or any costs, claims, damages, expenses, losses, penalties, liabilities, actions and proceedings which any member of the Target Group may incur, suffer, accrue, directly or indirectly, from any act of such member arising from or in connection with any non-compliance of such member or not having obtained all relevant approvals, permits, licences and/or certificates for conducting its businesses, including but not limited to the non-compliance issues of the Target Group as mentioned below, or any tax liabilities which might be payable in relation to the transfer of the Sale Shares under the Acquisition.

On 1 October 2006, Panjin Heavy Truck authorised Mr. Li on behalf of Panjin Heavy Truck entered into an anchored contract (the “**Huaqiang Contract**”) with 瀋陽華強建設集團有限公司 (“**Shenyang Huaqiang**”), pursuant to which Panjin Heavy Truck is allowed to set up a branch in Panjin City, Liaoning Province, the PRC (“**Shenyang Huaqiang Branch**”) so that Panjin Heavy Truck can utilize the qualifications and brand name of Shenyang Huaqiang in the engagement and operation of certain engineering projects. As advised by the PRC legal advisers to the Company, the Huaqiang Contract and the transactions contemplated thereunder may be prohibited by the applicable PRC laws and regulations and fine penalties or other disciplinary actions may be imposed by the authority.

On 15 December 2014, Panjin Heavy Truck entered into two management contracts (the “**Changsheng Contract**”, together with the Huaqiang Contract, the “**Anchored Contracts**”) with 盤錦昌盛特種聯合車隊 (“**Changsheng Vehicle Team**”), pursuant to which Panjin Heavy Truck is allowed to anchor two LNG refuelling vehicle under the name of Changsheng Vehicle Team.

Having considered that the operations under the Huaqiang Contract may have potential adverse legal impact to the Target Group and the transactions contemplated under the Anchored Contracts are not core businesses of the Target Group, the Company has no intention to acquire the business operations under the Anchored Contracts. Accordingly, the Company has required the termination of the Anchored Contracts and all transactions contemplated thereunder to be a condition precedent to Completion, and the financial information in relation to the Anchored Contracts and the transactions contemplated thereunder will not be taken account under the Acquisition.

Further, as advised by the PRC legal advisers, Panjin Heavy Truck has not yet obtained the land use rights certificate and the property ownership certificates in respect of the land and properties of the 4S Shops. The pilot project of remanufacturing of natural gas engines also lacks certain permits and approvals for the buildings and constructions in relation thereof. The constructions and operations of the 4S Shops and the buildings and constructions relating to the pilot projects may also constitute violations to the applicable PRC laws and fine penalties or other disciplinary actions may be imposed by the authority. Besides, the patent technology licensing agreement entered into between Shenyang Cylinder and Cylinder New Technology may not strictly comply with applicable PRC laws. Accordingly, the Company has required the obtaining of the respective land use rights certificate, property ownership certificates, permits and approvals, and the re-signing of the patent technology licensing agreement to be condition precedents to Completion.

Key financial information of the Target Group

Set out below is the summary of the key financial information extracted from the unaudited management accounts of the Target for the period since the incorporation date of the Target on 10 September 2013 up to 31 December 2014:

	Since the incorporation date of the Target on 10 September 2013 up to 31 December 2013 <i>HK\$'000</i> <i>Unaudited</i>	For the year ended 31 December 2014 <i>HK\$'000</i> <i>Unaudited</i>
Turnover	–	–
Loss before taxation attributable to the owners	–	(6)
Loss after taxation attributable to the owners	–	(6)

The unaudited net asset value attributable to the owners of the Target as at 31 December 2014 was approximately HK\$381,000.

Set out below is the summary of the key financial information extracted from the unaudited consolidated management accounts of the CLNG Group for the period since the incorporation date of CLNG on 26 September 2013 up to 31 December 2014:

	Since the incorporation date of CLNG on 26 September 2013 up to 31 December 2013 <i>HK\$'000</i> <i>Unaudited</i>	For the year ended 31 December 2014 <i>HK\$'000</i> <i>Unaudited</i>
Turnover	–	190,767
(Loss)/profit before taxation attributable to the owners	(363)	24,903
(Loss)/profit after taxation attributable to the owners	(363)	18,102

While the acquisition of Panjin Heavy Truck by CLNG completed on 19 December 2013, the update of certain corporate documents and bank account details only completed close to the end of the year, CLNG has effectively obtained the control of Panjing Heavy Truck since 1 January 2014. Accordingly, the financial information of the PRC Group was consolidated into the CLNG Group for the year ended 31 December 2014. The unaudited consolidated net asset value attributable to the owners of CLNG as at 31 December 2014 was approximately HK\$134,700,000.

Set out below is the summary of the key financial information extracted from the unaudited consolidated management accounts of the PRC Group for the two years ended 31 December 2014:

	For the year ended	
	31 December	
	2013	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>Unaudited</i>	<i>Unaudited</i>
Turnover	190,763	190,767
Profit before taxation attributable to the owners	18,745	34,008
Profit after taxation attributable to the owners	14,059	25,506

The unaudited consolidated net asset value attributable to the owners of the Panjin Heavy Truck as at 31 December 2014 was approximately HK\$125,100,000.

SHAREHOLDING STRUCTURE AS A RESULT OF THE ACQUISITION

Set out below are summaries of the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately upon Completion:

	As at the date of		Immediately upon	
	this announcement		Completion	
	<i>Number of</i>	<i>Approx.</i>	<i>Number of</i>	<i>Approx.</i>
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Poon Sum <i>(Note)</i>	159,746,453	3.17%	159,746,453	2.95%
Mr. Poon Sau Tin <i>(Note)</i>	16,292,453	0.32%	16,292,453	0.30%
Ever Source Enterprises Limited (“Ever Source”) <i>(Note)</i>	344,378,558	6.83%	344,378,558	6.36%
Vendors	–	–	370,000,000	6.83%
Public Shareholders	<u>4,525,306,357</u>	<u>89.68%</u>	<u>4,525,306,357</u>	<u>83.56%</u>
Total	<u><u>5,045,723,821</u></u>	<u><u>100.00%</u></u>	<u><u>5,415,723,821</u></u>	<u><u>100.00%</u></u>

Note:

The issued share capital of Ever Source is beneficially owned as to 50% by Time Concord Limited, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance Investments Limited, a company incorporated in the BVI and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin, the elder brother of Mr. Poon Sum. Accordingly, each of Mr. Poon Sum and Mr. Poon Sau Tin will be deemed to be interested in the 344,378,558 shares held by Ever Source.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the exploitation and sale of crude oil, sale of chemical products, provision of exploration drilling and painting services, trading of commodities, property investment and money lending business.

The Group recorded consolidated operating loss and net loss attributable to owner of the Company of (i) approximately HK\$139.2 million and HK\$151.2 million respectively for the year ended 31 March 2014; and (ii) approximately HK\$28.7 million and HK\$29.5 million respectively for the six months ended 30 September 2014. In view of the international and domestic economy in the PRC are both relatively unstable, the Group would like to carry out its business in a more steady way. The Group is also actively exploring for business opportunities in other sectors to diversify its business into industries that provide better returns for the Shareholders.

LNG is one of the most recognized clean energy which can be utilised by vehicles and vessels in the transportation industry; it is not only more environmentally friendly with lower carbon emission but also a safer fuel as compared to crude oil or gasoline. As natural gas is currently a cheaper fuel than crude oil or gasoline, there is economic incentive for vehicle owners or consumers to purchase or convert their crude oil-driven vehicles into LNG-driven vehicles.

In addition, the government of the PRC has issued the “Twelfth Five-Year Plan for Development of Energy Conservation and Environmental Protection Industry” (十二五節能環保產業發展規劃), which encouraged the industry of energy conservation and environmental protection. Further, the Ministry of Industry and Information Technology of the PRC has issued a notice (No. 27 of 2014) on 14 April 2014 on the abolishment of Stage-III-compliant diesel vehicles by the year end 31 December 2014. As such, starting from 1 January 2015, no State-III emissions standards-compliant diesel vehicles will be allotted for sale in the PRC, the demand of LNG-driven vehicles is expected to be significantly increased.

In view of the increase in environmental awareness and strong demand of natural gas domestically, the Directors considered that the Acquisition is in line with the business direction of the Group. The Directors also considered that whilst the Group concentrates in trading fuel oil (with less LNG), the Target Group focuses on trading LNG (with less fuel oil components) and the Acquisition would bring forth synergetic effect to the Group with two different products complement with each other. Hence the Company is desirous to enter into the Acquisition Agreement with the Vendors and the Guarantors to explore the possibility of diversification of the business of the Group and to benefit from the synergy effect. Besides, the Target Group has many projects on hand related to the LNG Businesses that will provide great opportunities and values to the Group. The Directors believe that the Acquisition will be a good investment for the Group to develop the LNG Businesses and to diversify its business portfolio.

Moreover, according to the unaudited consolidated financial results of the Target Group (details of which are set out in the paragraph headed “Information of the Target Group” above), for the year ended 31 December 2014, the CLNG Group recorded a net profit of approximately HK\$18.1 million. Also, the PRC Group has been profit-making over the past three financial years. Taking into account the established scale of the operation of the Target Group and its continuous growth potential, the Directors consider that the Acquisition provides an excellent investment opportunity for the Group to broaden the sources of income of the Group, improve its financial results and provide better return to the Shareholders in the long run.

Having considered that certain key personnel of the Target Group is crucial for the business operation and the financial performance of the Target Group, the Company has required the signing (or renewal) of the Service Agreements between the Target Group and such key personnel as designated by the Purchaser as a condition precedent to Completion.

Based on the above factors, the Board considers that the terms of the Acquisition as well as the Consideration are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Acquisition is more than 25% but less than 100%, the Acquisition constitutes a major transaction of the Company and is subject to the notification, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

The issue of the Consideration Shares under the Acquisition Agreement is subject to the specific mandate to be sought from the Shareholders at the EGM.

As no Shareholder has any material interest in the Acquisition, none of the Shareholders is required to abstain from voting at the EGM in respect of the resolution(s) to approve the Acquisition and the specific mandate.

GENERAL

A circular containing, among other things, (i) details of the Acquisition; (ii) the financial information of the Target Group; (iii) the financial information of the Group; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) the valuation of the Target Group complied by using the market approach; (vi) the notice of the EGM; and (vii) other information as required under the Listing Rules will be despatched to the Shareholders on or before 30 June 2015, as additional time is required to prepare the aforesaid information to be included in the circular.

Shareholders and potential investors of the Company should note that Completion is subject to the satisfaction or waiver of various conditions as stated in the sections headed “Conditions precedent to the Acquisition Agreement”. The Acquisition may or may not proceed. Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Shares and other securities of the Company.

DEFINITIONS

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

“Acquisition”	the proposed acquisition of the Sale Shares by the Purchaser pursuant to the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 24 April 2015 entered into among the Purchaser, the Vendors and the Guarantors in relation to the Acquisition
“associate(s)”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of Directors
“Bond”	the zero coupon bond with an aggregate principal amount of HK\$700,000,000 to be issued by the Company at Completion to settle part of the Consideration
“Business Day”	a day (other than a Saturday, a Sunday or a public holiday or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.), on which banks are open for general banking business in Hong Kong
“BVI”	the British Virgin Islands
“Certificate(s) of Profit”	the certificate(s) to be issued by an auditor assigned by the Company (or its designated subsidiary) certifying the audited financial statements and the actual amount of after-tax net profit (or loss) (excluding non-cash income and minority interests) of the Target Group for each of the three years ending 31 March 2018
“CLNG”	China LNG Corporation Limited 中國清潔能源有限公司, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target as at the date of this announcement
“CLNG Group”	CLNG and its subsidiaries
“Company”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange (Stock Code: 850)
“Completion”	completion of the Acquisition pursuant to the terms and conditions of the Acquisition Agreement

“Completion Date”	the second Business Day following the date on which the last of the conditions precedent as set out in the Acquisition Agreement has been fulfilled or waived (as the case may be), or such later date as the Company and the Vendors may agree in writing
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate consideration of HK\$950,000,000, subject to adjustments as described in this announcement
“Consideration Shares”	370,000,000 new Shares to be issued and allotted by the Company at Completion to settle part of the Consideration
“Current Account Due Amounts”	the amounts due to/from in the respective current accounts between the Vendors, the Guarantors, Well Lai Trading Limited and the Target Group as at the date of the Acquisition Agreement, being (i) an amount due from Well Lai Trading Limited to CLNG of HK\$3,200,000; (ii) an amount due from Mr. Lam to Panjin Heavy Truck of RMB14,371,644 (equivalents to approximately HK\$17,677,122); and (iii) an amount due to Mr. Li from Panjin Heavy Truck of RMB48,372,500 (equivalent to approximately HK\$59,498,175)
“Director(s)”	the director(s) of the Company
“Easy Mount”	East Mount Group Limited 易昇集團有限公司, a company incorporated in the BVI with limited liability, which is one of the Vendors and beneficially interested in 10% issued share capital of the Target as at the date of this announcement
“EGM”	an extraordinary general meeting of the Company to be convened and held to consider and, if thought fit, approve the Acquisition Agreement and the transactions contemplated thereunder including the issue of the Bond as well as the specific mandate to issue the Consideration Shares

“Enlarged Group”	the Group immediately upon Completion
“Full Gain”	Full Gain Holdings Limited 得富控股有限公司, a company incorporated in the Republic of Seychelles with limited liability, which is one of the Vendors and beneficially interested in 25% issued share capital of the Target as at the date of this announcement
“Group”	the Company and its subsidiaries
“Guarantors”	Mr. Lam, Mr. Li, Mr. Chong and Mr. Zhao
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	the independent third party(ies) who is/are independent of the Company and its connected persons
“Issue Price”	the issue price of approximately HK\$0.324 for each Consideration Share
“Jiade Baoxin”	內蒙古佳德保信能源有限公司, a company incorporated in the PRC with limited liability and is owned as to 65% by Panjin Heavy Truck as at the date of this announcement
“Jilin Jitai”	吉林市吉泰清潔能源有限公司, a company incorporated in the PRC with limited liability and is owned as to 51% by Panjin Heavy Truck as at the date of this announcement
“Last Trading Day”	24 April 2015 being the last trading day of the Shares on the Stock Exchange immediately before the signing of the Acquisition Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“LNG”	liquefied natural gas

“LNG Businesses”	domestic equipment sales, modification and maintenance services of LNG, remanufacture of gas engines, fuel conversion, vehicle modification for gas application, plantation of LNG facilities, LNG refuelling stations for vessels, ports and vehicle, and related logistics
“Long Stop Date”	means 30 September 2015 or such other date as the Purchaser and the Vendors may agree in writing
“MOU”	the non-legally binding memorandum of understanding dated 26 January 2015 (after trading hours) entered into among the Company, the Vendors and the Guarantors setting out the preliminary understanding in relation to the Acquisition
“Mr. Chong”	Mr. Chong Lap Kuen 莊立權, one of the ultimate beneficial owners of Solid Rock and an Independent Third Party
“Mr. Lam”	Mr. Lam Ka Yuk James 林家旭, the ultimate beneficial owner of Well Spread and an Independent Third Party
“Mr. Li”	Mr. Li Debao 李德保, the ultimate beneficial owner of Full Gain and an Independent Third Party
“Mr. Zhao”	Mr. Zhao Runfeng 趙潤峰, the ultimate beneficial owner of Easy Mount and an Independent Third Party
“Panjin Heavy Truck”	盤錦市重汽實業有限公司, a company incorporated in the PRC with limited liability and is owned as to 80% by the CLNG as at the date of this announcement
“Panjin Heavy Truck Investment Agreement”	the sales and purchase agreement dated 31 October 2013 entered into among CLNG and the Panjin Heavy Truck Vendors in relation to the transfer of and increase in the share capital of Panjin Heavy Truck
“Panjin Heavy Truck Vendors”	Mr. Li, 侯靜 and 佳德保信(北京)投資有限公司

“Panjin Chenyu Truck”	盤錦晨宇重卡裝備有限公司, a company incorporated in the PRC with limited liability and is owned as to 80% by Panjin Heavy Truck and as to 20% by Panjin Chenyu Truck Group on behalf of Panjin Heavy Truck as at the date of this announcement
“Panjin Chenyu Truck Group”	盤錦遼油晨宇集團有限公司, a company incorporated in the PRC with limited liability and is holding 20% equity interest in Panjin Chenyu Truck on behalf of Panjin Heavy Truck as at the date of this announcement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Group”	Panjin Heavy Truck and its subsidiaries
“Previous MOU”	the memorandum of understanding dated 23 June 2014 entered into between the Company and CLNG in relation to the possible subscription of new shares in any member of the CLNG Group or possible cooperation with the CLNG Group in certain LNG Businesses or a combination of both
“Purchaser”	China Oil Resources Group Limited 中油資源集團有限公司, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company, being the purchaser under the Acquisition Agreement
“Sale Shares”	50,000 shares of US\$1.00 each in the issued share capital of the Target, representing the entire issued share capital of the Target as at the date of the Acquisition Agreement
“Service Agreement”	various service agreements to be entered into by the key personnel of the Target Group designated by the Purchaser with the Target Group for a preliminary term of five years effective from the Completion Date in a form and substance to the satisfaction of the Purchaser

“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shenyang Cylinder”	瀋陽斯林達深冷科技有限公司, a company incorporated in the PRC with limited liability and is owned as to 50% by Panjin Chenyu Truck as at the date of this announcement
“Solid Rock”	Solid Rock Group Investment Company Limited 磐石集團投資有限公司, a company incorporated in the Republic of Seychelles with limited liability, which is one of the Vendors and beneficially interested in 30% issued share capital of the Target as at the date of this announcement
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Target”	Perfect Reward Limited, a company incorporated in the BVI with limited liability and is legally and beneficially owned by the Vendors at their respective shareholding as at the date of this announcement
“Target Group”	the Target and its subsidiaries
“Termination Deed for the Panjin Heavy Truck Investment Agreement”	the termination deed to be entered into among CLNG and the Panjin Heavy Truck Vendors in relation to the termination of the Panjin Heavy Truck Investment Agreement entered into among the same parties on 31 October 2013, which shall be effective at the Completion Date
“Tianxin”	內蒙古添欣清潔能源有限公司, a company incorporated in the PRC with limited liability and is wholly owned by Panjin Heavy Truck at the date of this announcement
“Vendors”	Full Gain, Solid Rock, Well Spread and Easy Mount

“Well Spread”	Well Spread Group Limited, a company incorporated in the BVI with limited liability, which is one of the Vendors and beneficially interested in 35% issued share capital of the Target as at the date of this announcement
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By order of the Board
PetroAsian Energy Holdings Limited
Poon Sum
Honorary Chairman

Hong Kong, 24 April 2015

For illustration only, amounts in RMB in this announcement have been translated into HK\$ at the rate of RMB1.00 = HK\$1.23. No representation is made that any amounts in HK\$ and RMB have been or could be converted at the above rate or at any other rates or at all.

As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. Poon Sum, Mr. Wong Kwok Leung and Mr. Poon Wai Kong; (ii) one non-executive director, namely Mr. Zaid Latif; and (iii) three independent non-executive directors, namely Mr. Chan Kam Ching, Paul, Mr. Chan Shu Kin and Mr. Cheung Kwan Hung.