

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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)**

# **MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF PERFECT REWARD LIMITED**

## **MEMORANDUM OF UNDERSTANDING**

This announcement is made pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

The Board wishes to announce that on 26 January 2015 (after trading hours), the Company entered into the non-legally binding MOU with the Vendors and the Guarantors in relation to the Possible Acquisition.

**The Board wishes to emphasis that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition materialises, it will constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event that any Formal Agreement has been signed.**

This announcement is made by the Board pursuant to Rule 13.09(2)(a) of the Listing Rules and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the SFO.

Reference is also made to the 2014 Announcement in relation to the Previous MOU in relation to the possible subscription of new shares in any member of the China LNG Group or possible cooperation with the China LNG Group in certain LNG businesses or a combination of both, whereas the Previous MOU has lapsed on 22 December 2014 pursuant to the terms thereunder.

The Board wishes to announce that on 26 January 2015 (after trading hours), the Company entered into the non-legally binding MOU with the Vendors and the Guarantors in relation to the Possible Acquisition.

## **MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION**

Date: 26 January 2015 (after trading hours)

Parties:

- (1) Purchaser: the Company
- (2) Vendors: Full Gain Holdings Limited  
Solid Rock Group Investment Company Limited  
Well Spread Group Limited  
Easy Mount Group Limited
- (3) Guarantors: Li Debao, being the ultimate beneficial owner of Full Gain  
Chong Lap Kuen, being one of the ultimate beneficial owners of Solid Rock  
Lam Ka Yuk James, being the ultimate beneficial owner of Well Spread  
Zhao Runfeng, being the ultimate beneficial owner of Easy Mount

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Vendors and their respective ultimate beneficial owners (including the Guarantors) is not a connected person of the Company and is an Independent Third Party. Prior to the entering into of the MOU, the Company and China LNG had entered into the Previous MOU on 23 June 2014 in relation to the possible subscription of new shares in any member of the China LNG Group or possible cooperation with the China LNG Group in certain LNG businesses or a combination of both. Details of which are set out in the 2014 Announcement. Save for the aforesaid, there are no prior transactions entered into between the Group and the Vendors and their respective associates.

The Guarantors, being the ultimate beneficial owners of the Vendors, has jointly and severally, irrevocably and unconditionally guaranteed to the Company under the MOU the due and punctual performance by the Vendors of their obligations in accordance with the terms of the MOU. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save as disclosed above, the Guarantors are Independent Third Parties and there are no prior transaction entered into between the Group and the Guarantors.

## **Major terms of the MOU**

### ***Subject matter***

Under the MOU, it is proposed that the Company (or its designated subsidiary) will acquire the entire issued share capital of the Target Company from the Vendors.

### ***Consideration***

The consideration for the Possible Acquisition will be determined by further negotiation between the Company (or its designated subsidiary), the Vendors and the Guarantors.

### ***Deposit***

Pursuant to the MOU, the Purchaser agreed to pay in aggregate HK\$15,000,000 as Deposit to the Vendors in accordance with their respective shareholding in the Target Company within 7 days from the date of the MOU. In the event that the Formal Agreement is entered into among the Company (or its designated subsidiary), the Vendors and the Guarantors, the Deposit will be applied to settle the cash portion of the consideration payable by the Company (or its designated subsidiary) upon completion of the Formal Agreement.

In the event that the Formal Agreement is not entered into among the Company (or its designated subsidiary), the Vendors and the Guarantors within 9 months from the date of the MOU or such other date as the Company, the Vendors and the Guarantors may agree (both dates inclusive), the MOU shall be cancelled and the Vendors shall forthwith refund to the Company the Deposit in full (without interest).

***Exclusivity and binding effect***

It is also agreed that the Vendors will not within nine months from the date of the MOU (or such later date as the Company, the Vendors and the Guarantors shall agree) negotiate with any party (other than the Company and its subsidiaries) for the Possible Acquisition.

Save for the provisions relating to the payment and refund of the Deposit, the exclusive negotiation right, confidentiality and governing laws and jurisdiction, the MOU does not have any legal binding effect and the MOU does not constitute any legally-binding commitment in respect of the Possible Acquisition. The consummation of the Possible Acquisition is subject to the execution and completion of the Formal Agreement.

***Due diligence review***

After the signing of the MOU, the Company (and its agents and/or advisers) shall be entitled to access and review all the assets (including but not limited to all the relevant licences, permits and patents in relation to the LNG businesses (as defined below)) and matters (including but not limited to legal, financial and technical group) of the Target Group (the “**Due Diligence Review**”). The Target Group shall, and shall procure its agents to, provide reasonable assistance in this respect.

***Conditions precedent***

The Possible Acquisition will be conditional upon, including but not limited to, the satisfaction of the following conditions precedent:

- (i) the Company being satisfied with the results of the Due Diligence Review;
- (ii) if necessary, the passing by the Shareholders at the extraordinary general meeting of the Company to be convened and held of an ordinary resolution to approve the Formal Agreement and the transactions contemplated thereunder;

- (iii) the warranties given by the Vendors under the Formal 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 thereof or affect the status of the Vendors, the Target Company or the Guarantors;
- (iv) the obtaining of a valuation report (in the form and substance satisfactory to the Company (or its designated subsidiary)) issued by a firm of independent professional valuer appointed by the Company or its designated subsidiary showing that the value of the Target Group to be not less than HK\$1,000,000,000 as at 31 December 2014;
- (v) the obtaining of a PRC legal opinion (in the form and substance satisfactory to the Company (or its designated subsidiary)) issued by a PRC legal adviser appointed by the Company or its designated subsidiary on the Target Group and transactions contemplated under the Formal Agreement;
- (vi) the Company (or its designated subsidiary) being satisfied that there is no material adverse change on the financial or trading position, business or property, results of the operations of any members of the Target Group from the date of the Formal Agreement;
- (vii) the completion of fund raising activity(ies) by the Company in order to satisfy the deposit and/or cash consideration for the Possible Acquisition;
- (viii) signing of the Service Agreement; and
- (ix) 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 Formal Agreement having been obtained.

Details terms and conditions of the Possible Acquisition will be subject to further negotiation between the parties thereto and the entering into of the Formal Agreement.

***Formal agreement***

The Company (or its designated subsidiary), the Vendors and the Guarantors shall proceed to the negotiation for a legally-binding Formal Agreement on or before the date falling nine months from the date of the MOU (or such later date as the parties thereto shall agree), failing which the MOU shall lapse.

The Formal Agreement shall be prepared by the legal advisers of the Company and shall include, but not limited to the following:

- (i) the warranties, representations, undertakings and indemnities to be given by the parties to the Formal Agreement in relation to the Possible Acquisition and transactions contemplated under the MOU, which are customary in similar types of transactions; and
- (ii) the conditions precedents of the Possible Acquisition as set out in the sub-paragraph headed “Conditions precedent” above.

If the Formal Agreement is entered into, it is expected that the Possible Acquisition may constitute notifiable transactions on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholders’ approval requirements under the Listing Rules as and when appropriate.

## **INFORMATION ON THE TARGET GROUP**

As informed by the Vendors, the Target Company is an investment holding company and its principal asset is its holding in the entire issued share capital of China LNG. The Target Group is specialised in domestic equipment sales, modification and maintenance services of liquefied natural gas (the “LNG”), remanufacture of gas engines, fuel conversion, vehicle modification for gas application, plantation of LNG facilities, LNG refuelling stations for vessels, ports and vehicle, logistics, earthwork project including strip mining (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 to end users.

Further, the China LNG Group is the registered owner of “Manufacturing work for conversion from gasoline to gas-fuelled of engine” patent which allow it to be the authorised and qualified corporation to conduct vehicle and truck modification for LNG application as well as the construction and conversion of vessel modification for LNG application in the Liaoning Province, the PRC.

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 vehicles owners or consumers to purchase or convert their crude oil-drive 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 will be significantly increased.

## **REASONS FOR AND THE BENEFITS OF THE POSSIBLE 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 is actively exploring for business opportunities in other sectors to diversify its business into industries that provide better returns for the Shareholders.

As disclosed in the 2014 Announcement, the Company has entered into the Previous MOU with China LNG on 23 June 2014 in relation to the possible subscription of new shares in any member of the China LNG Group or possible cooperation with the China LNG Group in certain LNG businesses or a combination of both. However, the aforesaid memorandum of understanding has lapsed on 22 December 2014. After arm’s length negotiation and upon a more thorough discussion with the Vendors and the Guarantors, instead of entering into a new memorandum of understanding for the possible cooperation or subscription of shares of the China LNG Group, the Company decided to enter into the MOU for the Possible Acquisition.

The Directors believe that the Possible Acquisition, if successful, would broaden the sources of income of the Group. Further, in view of the increase in environmental awareness and strong demand of natural gas domestically, the Directors considered that the Possible Acquisition are in the 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 Possible 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 MOU 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. In addition, the Target Group has many projects on hand related to the LNG businesses that will provide great opportunities and values to the Group.

**The Board wishes to emphasis that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition materialises, it will constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event that any Formal Agreement has been signed.**

## **DEFINITIONS**

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

“2014 Announcement”	the announcement of the Company dated 23 June 2014 in relation to the Previous MOU
“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors from time to time
“China LNG”	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 Company
“China LNG Group”	China LNG and its subsidiaries



“Company”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Deposit”	the refundable non-interest bearing deposit in the amount of HK\$15,000,000 payable by the Company pursuant to the MOU
“Director(s)”	director(s) of the Company
“Easy Mount”	East Mount Group Limited 易昇集團有限公司, a company incorporated in the British Virgin Islands with limited liability, which is one of the Vendors and beneficially interested in 5,000 ordinary shares of the Target Company
“Formal Agreement”	the formal framework agreement which may or may not be entered into in relation to the Possible Acquisition
“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 12,500 ordinary shares of the Target Company
“Group”	the Company and its subsidiaries
“Guarantor A”	Li Debao 李德保, the ultimate beneficial owner of Full Gain and an Independent Third Party
“Guarantor B”	Chong Lap Kuen 莊立權, one of the ultimate beneficial owners of Solid Rock and an Independent Third Party
“Guarantor C”	Lam Ka Yuk James 林家旭, the ultimate beneficial owner of Well Spread and an Independent Third Party

“Guarantor D”	Zhao Runfeng 趙潤峰, the ultimate beneficial owner of Easy Mount and an Independent Third Party
“Guarantors”	collectively, Guarantor A, Guarantor B, Guarantor C and Guarantor D
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined in the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“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 Possible Acquisition
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Possible Acquisition”	the possible acquisition of the entire issued share capital of the Target Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Previous MOU”	the memorandum of understanding entered into between the Company and China LNG dated 23 June 2014 in relation to the possible subscription of new shares in any member of the China LNG Group or possible cooperation with the China LNG Group in certain LNG businesses or a combination of both

“Service Agreement”	various service agreements to be entered into by the key personnel of the China LNG Group to be specified between China LNG and the Company (or its designated subsidiaries) in the Formal Agreement for a preliminary term of three years effective from the completion date of Formal Agreement in a form and substance to the satisfaction of the Company (and/or its designated subsidiaries)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the issued Shares
“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 15,000 ordinary shares of the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Perfect Reward Limited, a company incorporated in the British Virgin Islands with limited liability and is legally and beneficially owned by the Vendors as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries, including China LNG
“Vendors”	collectively, Full Gain, Solid Rock, Well Spread and Easy Mount

“Well Spread”

Well Spread Group Limited, a company incorporated in the British Virgin Islands with limited liability, which is one of the Vendors and beneficially interested in 17,500 ordinary shares of the Target Company

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 26 January 2015

*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.*