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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)

INSIDE INFORMATION—MARKET AND BUSINESS UPDATE

This announcement is made by AAG Energy Holdings Limited (the “**Company**”, together with its subsidiaries, collectively referred to as the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

The board of directors of the Company (the “**Board**”) wishes to provide a market and business update to the shareholders of the Company and potential investors in relation to foreign exchange translation loss, expenses related to the new US Dollar (“**US\$**”) 250 million Reserve-Based Lending (“**New RBL Loan**”), and Mabi operations update.

1. FOREIGN EXCHANGE

1.1 Foreign exchange translation losses from inter-company loans

The Company has been providing funding in the form of intercompany loans to its Panzhuang and Mabi operations. As at 31 December 2014, the intercompany loan balance was approximately US\$389.6 million and this balance increased to US\$424.5 million as at 31 August 2015.

In August 2015, the Renminbi (“**RMB**”) was deeply devalued against the US\$, and the exchange rate between US\$ and the RMB as at 31 August 2015 was US\$1=RMB6.3893, compared to the 31 December 2014 exchange rate of US\$1=RMB6.119. Based on the exchange rate as at 31 August 2015, the Group will have recorded a foreign exchange translation loss of approximately RMB114.4 million arising from the translation of the US\$ denominated intercompany loan into RMB by group entities which use RMB as their functional currency for preparing their accounting records. This foreign exchange translation loss is a non-cash accounting loss arising from the fluctuation of the RMB against the US\$ in relation

to the US\$ intercompany loan, and is not a foreign currency transaction loss. If the RMB continues to depreciate against the US\$ during the remainder of the year ending 31 December 2015, it is expected that the foreign exchange translation loss of the Group will further increase.

1.2 Other exposure to foreign currency fluctuation

The only significant external liability of the Group denominated in US\$ are the reserve-based lending loans. As disclosed in the Company's announcement in relation to the New RBL Loan dated 9 July 2015, no principal repayments are required until 2017 and the interest rate is LIBOR plus 4.15% for the first four years and LIBOR plus 4.65% for the final two years. As at 31 August 2015, the Group has drawn only US\$70 million out of the New RBL Loan, which was used to prepay the utilized portion of the original US\$100 million reserve-based lending loan and to pay the arrangement fees associated with the New RBL Loan. Accordingly, it is expected that there will be approximately US\$1.5 million of US\$ denominated interest payments for the period from 16 July to 31 December 2015 from the New RBL Loan. This US\$ denominated interest payment will be paid from the Group's US\$ or HK\$ balances.

1.3 No material impact on the Group's working capital

Notwithstanding the above, the directors of the Company are of the view that the exposure to foreign currency fluctuations will not materially impact the working capital of the Group. As disclosed in the Company's interim results announcement dated 19 August 2015, the Group had a total cash balance (including IPO proceeds) of approximately RMB2.5 billion as at 30 June 2015, of which 82% is held in US\$ or Hong Kong dollars ("HK\$"). Therefore, the majority of the Group's cash balance is not affected by the devaluation of the RMB against the US\$, and the Group can service all interest and principal payments under the New RBL Loan from its US\$ and HK\$ cash balances.

2. EXPENSES RELATED TO THE NEW RBL LOAN

In July 2015, the Group drew down US\$70 million to prepay the utilized portion of the original US\$100 million reserved based lending loan and to pay arrangement fees associated with the New RBL Loan. As a result, unamortized costs of approximately RMB14.9 million associated with the original US\$100 million reserve-based lending loan was charged to the profit and loss account of the Group as a one-off expense upon prepayment of the US\$100 million reserve-based lending loan. In addition, assuming the Group does not make additional drawdowns under the New RBL Loan during the remainder of 2015, the Group will incur commitment fees of approximately US\$1.6 million. This US\$ denominated commitment fees will be paid from the Group's US\$ or HK\$ balances.

3. MABI UPDATE

Application for National Development and Reform Commission (“NDRC”) final approval of the first Mabi overall development plan is planned to be submitted in December 2015, and we expect the NDRC to grant final approval within six to twelve months afterwards, after which we will commence commercial development in Mabi. Accordingly, we have begun looking for customers to purchase the gas from Mabi and expect to enter into a gas sales arrangement agreement for sales of gas from the Mabi project with China National Petroleum Corporation in early 2016.

The information contained in this announcement is only based on the preliminary assessment made by the Board with reference to the latest unaudited management accounts of the Group and information currently available. Such information has not been audited or reviewed by the Company’s auditor. Shareholders of the Company and potential investors are advised to read carefully the annual results announcement of the Company scheduled to be announced in the first quarter of 2016.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the shares of the Company.

On behalf of the Board
AAG Energy Holdings Limited
Stephen Xiangdong ZOU
Chairman and Executive Director

Hong Kong, 25 September 2015

As at the date of this announcement, the board of directors of the Company comprises of: Dr. Stephen Xiangdong ZOU as Executive Director; Mr. Peter Randall KAGAN, Mr. Gordon Sun Kan SHAW, Mr. Zhen WEI, Mr. Zhijie ZENG, Mr. Lei JIN, Dr. Guiyong CUI and Dr. Bo BAI as Non-Executive Directors; Mr. Yaowen WU, Mr. Robert Ralph PARKS, Dr. Tin Yau Kelvin WONG and Mr. Fredrick J. BARRETT as Independent Non-Executive Directors.