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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)

**(1) GRANT OF RESTRICTED SHARE UNITS; AND
(2) NON-EXEMPT CONNECTED TRANSACTION — PROPOSED GRANT
OF RESTRICTED SHARE UNITS TO CONNECTED GRANTEEES**

GRANT OF RESTRICTED SHARE UNITS

On 18 December 2015, the Company granted an aggregate of 21,369,497 RSUs to 78 Non-connected Grantees in accordance with the terms of the Post-IPO RSU Scheme, subject to acceptance. Subject to certain vesting schedules and the satisfaction of certain performance targets, the RSUs shall be vested over a period of four years at the rate of one fourth (1/4) for each 12-month period commencing from 31 March 2016.

**NON-EXEMPT CONNECTED TRANSACTION — CONDITIONAL GRANT OF
RESTRICTED SHARE UNITS TO CONNECTED GRANTEEES**

On the same date, the Board conditionally granted an aggregate of 19,865,199 RSUs to Dr. Stephen Xiangdong ZOU (an executive Director and the chairman of the Board), Mr. Jing LI (the co-chief executive officer and the president of the Company) and Mr. Carl LAKEY (the co-chief executive officer and the chief operating officer of the Company) in accordance with the terms of the Post-IPO RSU Scheme.

The Conditional RSU Grant and the transactions contemplated thereunder constitute non-exempt connected transactions (including the allotment and issue of any new Shares thereunder) of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the Independent Shareholders' approval at the EGM.

GRANT OF RESTRICTED SHARE UNITS

Reference is made to the post-IPO restricted share unit scheme (the “**Post-IPO RSU Scheme**”), conditionally adopted by AAG Energy Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) on 5 June 2015 and effective on 23 June 2015, to recognize the contributions by directors (the “**Director(s)**”) of the Company, senior management and employees of the Group and to give incentives thereto in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group by providing them with the opportunity to own equity interests in the Company. Details of the Post-IPO RSU Scheme are set out in the prospectus of the Company dated 11 June 2015. The Post-IPO RSU Scheme is not subject to the provisions of Chapter 17 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”).

Grant to Non-connected Grantees

On 18 December 2015 (the “**Date of Grant**”), the Company granted an aggregate of 21,369,497 restricted share units (the “**RSU(s)**”) to a total of 78 officers and employees of the Group (the “**Non-connected Grantees**”) in accordance with the terms of the Post-IPO RSU Scheme, representing an aggregate of 21,369,497 ordinary shares (the “**Share(s)**”) in nominal value of US\$0.0001 each of the Company. The underlying Shares involved by the RSUs granted to the Non-connected Grantees represent approximately 0.64% of the issued share capital of the Company as at the date of this announcement and 0.64% of the enlarged total issued share capital of the Company (enlarged by the issue of the maximum number of Shares in connection with RSUs granted to Non-connected Grantees).

Terms of the RSUs Granted to Non-connected Grantees

In accordance with the terms of the Post-IPO RSU Scheme and as approved by the remuneration committee (the “**Remuneration Committee**”) of the board (the “**Board**”) of Directors of the Company and the Board, the RSUs were granted to the Non-connected Grantees under the following terms:

- the Non-connected Grantees are not required to pay for the grant of any RSUs under the Post-IPO RSU Scheme;
- each of these RSUs to be granted to the Non-connected Grantees represents the right to receive a Share on the date it vests;
- any Share to be issued upon vesting and settlement of the RSUs will rank *pari passu* in all respects among themselves and with all the Shares in issue from time to time;
- the Non-connected Grantees may not exercise any voting rights in respect of any Shares underlying the RSUs that have not yet vested; and
- for each Non-connected Grantee, the RSUs granted to him/her shall vest as follows:
 - (1) 50% of the RSUs will be time-based and shall vest at the rate of one fourth (1/4) for each 12-month period commencing from 31 March 2016; and

- (2) 50% of the RSUs shall be KPI-linked (the “**KPI-linked RSUs**”) and shall be divided into three equal instalments, with each instalment being linked with one of the three KPIs (as defined below) and vested at the rate of one fourth (1/4) for each 12-month period commencing from 31 March 2016 pursuant to the following payout schedule:
- (a) 100% of the KPI-linked RSUs shall vest if 100% of the relevant KPI Target (as defined below) is met; or
 - (b) if the relevant KPI Target is not met at 100%, 50% of the KPI-linked RSUs shall vest if 80% of the relevant KPI Target is met and an additional 2.5% of the KPI-linked RSUs shall vest for each 1% further improvement in such KPI Target; provided that if the performance rate of any KPI Target exceeds 100%, then up to 10% of the improvement of that KPI Target can be added to the performance rate of other KPI Target(s) that is not 100% accomplished.

For the purposes of the above, key performance indicators (“**KPIs**”) refer to (i) EBITDA (an acronym for earnings before interest, taxes, depreciation and amortization); (ii) reserves; and (iii) all-in-unit cost. “**KPI Target**” shall mean 95% (in the case of EBITDA and reserves) or 105% (in the case of all-in-unit cost) of the estimated number of that relevant KPI presented in (i) the annual work plan and budget of the relevant year approved by the Board; or (ii) the revised annual work plan and budget for the relevant year, which is subsequently presented to and approved by the Board. The treatment for any unvested KPI-linked RSUs shall be determined by the Board or the Remuneration Committee as delegated by the Board.

Details of the RSUs granted to the Non-connected Grantees are as follows:

Date of Grant	Number of RSUs granted	Number of underlying Shares involved	Percentage of the Company’s total issued share capital as at the date of this announcement
18 December 2015	21,369,497	21,369,497	0.64%

Save as disclosed in this announcement, the Company has not granted any RSUs pursuant to the Post-IPO RSU Scheme since its adoption.

Based on the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on the Date of Grant, the market value of the RSUs granted to the Non-connected Grantees amounts to approximately HK\$31.84 million.

NON-EXEMPT CONNECTED TRANSACTION — CONDITIONAL GRANT OF RESTRICTED SHARE UNITS TO CONNECTED GRANTEES

On the same date, the Board resolved to conditionally grant an aggregate of 19,865,199 RSUs to Dr. Stephen Xiangdong ZOU (an executive Director and the chairman of the Board, “**Dr. ZOU**”), Mr. Jing LI (the co-chief executive officer and the president of the Company, “**Mr. LI**”) and Mr. Carl LAKEY (the co-chief executive officer and the chief operating officer of the Company, “**Mr. LAKEY**”) (collectively, the “**Connected Grantees**”) under the Post-IPO RSU Scheme, subject to the approval of the independent shareholders of the Company (the “**Independent Shareholders**”) at an extraordinary general meeting (the “**EGM**”) of the Company to approve the conditional grant of RSUs to the Connected Grantees (the “**Conditional RSU Grant**”) and any transactions contemplated thereunder.

The terms of the Conditional RSU Grant, including the vesting schedules and performance targets, are the same as those set out in the paragraph headed “Grant of Restricted Share Units — Grant to Non-connected Grantees — Terms of the RSUs Granted to Non-connected Grantees” in this announcement, except that the Conditional RSU Grant is subject to the approval by the Independent Shareholders.

The Connected Grantees

As at the date of this announcement, the interests of the Connected Grantees in the Shares are set out below:

Name of Connected Grantees	Position	Number of RSUs conditionally granted under the Conditional RSU Grant		
		Number of underlying Shares involved	Percentage of the Company’s total issued share capital as at the date of this announcement	Percentage of the Company’s enlarged issued share capital (enlarged by the issue of the maximum number of Shares pursuant to the Conditional RSU Grant)
Dr. ZOU	Chairman; executive Director	6,621,733	0.20%	0.20%
Mr. LI	Co-chief executive officer; president	6,621,733	0.20%	0.20%
Mr. LAKEY	Co-chief executive officer; chief operating officer	6,621,733	0.20%	0.20%
Total		<u>19,865,199</u>	<u>0.60%</u>	<u>0.60%</u>

Save as above, none of the grantees under the Post-IPO RSU Scheme is a Director, chief executive or a substantial shareholder of the Company, or a connected person or its associate (as defined in the Listing Rules) of the Group.

Subject to the Independent Shareholders' approval of the Conditional RSU Grant and assuming that no further Shares will be issued or repurchased by the Company prior to the date of the EGM, the maximum number of Shares that may be issued to the Connected Grantees in accordance with and subject to the terms of the Conditional RSU Grant would be 19,865,199, representing approximately 0.60% of the total issued share capital of the Company as at the date of this announcement and 0.60% of the enlarged total issued share capital of the Company (enlarged by the issue of the maximum number of Shares pursuant to the Conditional RSU Grant).

Based on the closing price of HK\$1.49 per Share as quoted on the Stock Exchange on the Date of Grant, the market value of the RSUs in connection with the Conditional RSU Grant amounts to approximately HK\$29.60 million.

The Administration of the RSUs Granted pursuant to the Post-IPO RSU Scheme

In relation to the RSUs granted pursuant to the Post-IPO RSU Scheme, the Board resolved on 18 December 2015 that this will be satisfied by the Company allotting and issuing new Shares which will be used to satisfy the RSUs upon vesting. The Company will appoint an independent third party as trustee (the "**RSU Trustee**") of the Post-IPO RSU Scheme to assist with the administration and vesting of RSUs granted pursuant to the Post-IPO RSU Scheme. The Shares in relation to the RSUs granted pursuant to the Post-IPO RSU Scheme will be held by an independent third party as nominee for the purpose of the Post-IPO RSU Scheme and for the benefit of the relevant participants in the Post-IPO RSU Scheme.

In accordance with Rule 10.08 of the Listing Rules, no new Shares will be issued under the Post-IPO RSU Scheme until after six months from 23 June 2015, being the date of the listing (the "**Listing Date**") of the Company's Shares on the Stock Exchange. As at the date of this announcement, no Shares underlying the RSUs granted pursuant to the Post-IPO RSU Scheme had been allotted and issued by the Company. The Company will publish announcements according to applicable Listing Rules, disclosing, among others, the appointment and arrangement with the RSU Trustee. Details of the Post-IPO RSU Scheme, including particulars and movements of the RSUs granted during each financial year of the Company, and the employee costs arising from the grant of the RSUs will be disclosed in the annual reports.

Reasons for and Benefits of the Conditional RSU Grant

The Conditional RSU Grant is part of the Company's remuneration system, the purpose of which is to closely align the interests and benefits of and risks sharing among the shareholders (the "**Shareholders**") of the Company, the Company and the employees in order to maximize the motivation of the executive Director and senior management of the Company. The Conditional RSU Grant aims to recognize the contribution to the success and development of the Group by each of the Connected Grantees and to attract, retain and motivate the Connected Grantees to participate in the continuing operation and long-term development of the Company and to recognize their contributions to the growth of the Company by providing them an opportunity to acquire equity interests in the Company.

In this regard, the Directors (excluding Dr. ZOU, abstained from voting on the Board resolution for approving the Conditional RSU Grant, and the independent non-executive Directors) consider that the terms of the Conditional RSU Grant are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Specific Mandate to Issue New Shares

The new Shares in relation to the grant of the RSUs as mentioned in this announcement will be issued pursuant to the specific mandate (the “**Mandate**”) granted to the Board by the ordinary resolution of the then Shareholder on 5 June 2015. Under the Mandate, the Board was authorized to grant RSUs pursuant to the Post-IPO RSU Scheme during the applicable period and to allot and issue Shares, procure the transfer of Shares and otherwise deal with Shares pursuant to the vesting of any RSUs that are granted during the applicable period. The maximum number of new Shares underlying the RSUs to be granted by the Board under the Post-IPO RSU Scheme pursuant to the Mandate shall not exceed 66,487,378, which represents 2.0% of the Shares in issue on the Listing Date (without taking into account any Shares to be allotted and issued upon the exercise of the options granted under the pre-IPO share option scheme of the Company).

The Listing Committee of the Stock Exchange has previously granted its approval on 22 June 2015 for the listing of, and permission to deal in, the Shares to be issued pursuant to the vesting of any RSUs granted under the Post-IPO RSU Scheme, which will not exceed 2.0% of the total number of Shares in issue on the Listing Date and is subject to the fulfilment of all other conditions of the Post-IPO RSU Scheme.

Listing Rules Implications

The Post-IPO RSU Scheme does not constitute a share option scheme pursuant to Chapter 17 of the Listing Rules because the RSUs do not carry with them any options over new shares of the Company or its subsidiaries.

As Dr. ZOU is an executive Director and each of Mr. LI and Mr. LAKEY is the co-chief executive officer of the Company, and therefore each is a connected person of the Company. The Conditional RSU Grant and any transactions contemplated thereunder (including the allotment and issue of any new Shares thereunder) constitute non-exempt connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to reporting, announcement and the Independent Shareholders’ approval requirements.

The Company has established an independent committee of the Board (the “**Independent Board Committee**”), including all independent non-executive Directors, to advise the Independent Shareholders in respect of the Conditional RSU Grant and any transactions contemplated thereunder. An independent financial adviser (the “**Independent Financial Adviser**”) will be appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Conditional RSU Grant and any transactions contemplated thereunder.

General

An ordinary resolution will be proposed at the EGM to approve the Conditional RSU Grant and any transactions contemplated thereunder. A circular containing, among other things, details of the Conditional RSU Grant, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser together with the notice convening the EGM will be dispatched to the Shareholders on or before 7 January 2016.

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

Hong Kong, 18 December 2015

As of the date of this announcement, the executive Director is Stephen Xiangdong Zou; the non-executive Directors are Peter Randall Kagan, Gordon Sun Kan Shaw, Zhen Wei, Zhijie Zeng, Lei Jin, Guiyong Cui and Bo Bai; and the independent non-executive Directors are Yaowen Wu, Robert Ralph Parks, Tin Yau Kelvin Wong and Fredrick J. Barrett.