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If you have sold or transferred all your shares in AAG Energy Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)

**NON-EXEMPT CONNECTED TRANSACTION — PROPOSED GRANT
OF RESTRICTED SHARE UNITS TO CONNECTED GRANTEES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

Independent Financial Adviser to the Independent Shareholders



Akron Corporate Finance Limited
亞貝隆資本有限公司

A letter from Akron Corporate Finance Limited, the Independent Financial Adviser, containing its advice to the Independent Shareholders, is set out on pages 27 to 55 of this circular.

A notice convening the EGM of AAG Energy Holdings Limited to be held at Aberdeen Room, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 a.m. or immediately after the conclusion of the AGM on Tuesday, May 9, 2017, is set out on pages 60 to 62 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aagenergy.com).

Whether or not you propose to attend and vote at the EGM, please complete and sign the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so desire. If you attend and vote at the EGM, the form of proxy will be revoked.

April 19, 2017

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“AACI”	Asian American Coal, Inc., a company incorporated and existing under the laws of the BVI on January 18, 1999 and an independent third party
“AAGI”	Asian American Gas, Inc., a company incorporated and existing under the laws of the BVI on July 16, 2004 and a wholly-owned subsidiary of the Company
“AGM”	the annual general meeting of the Company to be held at Aberdeen Room, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 10:00 a.m. on Tuesday, May 9, 2017
“Announcement”	an announcement of the Company made on March 27, 2017 in relation to, among others, the RSU Grants
“Annual Mandate”	a specific and unconditional mandate proposed to be granted to the Directors to exercise all powers of the Company to grant RSUs pursuant to the Post-IPO RSU Scheme in respect of underlying Shares not exceeding 2.0% of the Shares in issue as at the date of passing the proposed ordinary resolution No. 7 as set out in the notice of the AGM
“Applicable Period”	the period from the date of passing the resolution granting the Annual Mandate, to the earliest of (a) the conclusion of the next annual general meeting of the Company; (b) the end of the period within which the Company is required by any applicable laws or by the Articles to hold the next annual general meeting of the Company; and (c) the date on which the Annual Mandate is varied or revoked by an ordinary resolution of the Shareholders in a general meeting of the Company
“associate(s)”	has the same meaning as defined in the Listing Rules
“Audit Committee”	the audit committee of the Board
“Board”	the board of directors of the Company
“BVI”	the British Virgin Islands
“CBM”	coalbed methane
“Chairman”	the chairman of the Board

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“Chief Executive Officer”	the chief executive officer of the Company
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise, excluding Hong Kong, Macau and Taiwan
“close associate(s)”	has the same meaning as ascribed to it under the Listing Rules
“CNPC”	China National Petroleum Corporation (中國石油天然氣集團公司), a state-owned enterprise established on February 9, 1990 and existing under the laws of the PRC and one of the four state-owned enterprises authorized by the PRC government to partner with foreign companies to explore, develop and produce China’s CBM assets and an independent third party
“Company”	AAG Energy Holdings Limited (previously known as AAG Energy Inc.), a company incorporated in the Cayman Islands with limited liability on December 23, 2014, with its Shares listed on the Main Board of the Stock Exchange on June 23, 2015 (Stock Code: 2686)
“Connected Grantees”	Dr. Zou, Mr. Barrett, Mr. Law, Mr. Li, Mr. Parks and Mr. Wu
“connected person(s)”	has the same meaning as ascribed to it under the Listing Rules
“CUCBM”	China United Coalbed Methane Corporation Ltd. (中聯煤層氣有限責任公司), the Chinese partner in the Panzhuang concession, a company established under the laws of the PRC on May 13, 1996 and one of the four state-owned enterprises authorized by the PRC government to partner with foreign companies to explore, develop and produce China’s CBM assets and an independent third party
“Director(s)”	the director(s) of the Company
“Dr. Zou”	Dr. Stephen Xiangdong Zou (鄒向東), the Chairman and an executive Director
“EBITDA”	an acronym for earnings before interest, taxes, depreciation and amortization

DEFINITIONS

“EGM”	an extraordinary general meeting of the Company to be held at Aberdeen Room, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 a.m. or immediately after the conclusion of the AGM on Tuesday, May 9, 2017, to consider and, if desirable, to approve the proposed resolutions as set out in the notice of such meeting which is set out on pages 60 to 62 of this circular, or any adjournment thereof
“Group”	the Company and its subsidiaries
“HK\$”	the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Financial Adviser” or “Akron Corporate”	Akron Corporate Finance Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to the Independent Shareholders in respect of the non-exempt connected transaction relating to the RSU Grant to the Connected Grantees
“Independent Shareholders”	the Shareholders who are not required under the Listing Rules to abstain from voting at the EGM to approve the non-exempt connected transaction relating to the RSU Grant to the Connected Grantees
“independent third party”	any entity or party which is not connected (as defined in the Listing Rules) to the Directors, substantial shareholders or chief executives of the Company or its subsidiaries, or any of their respective associates
“Latest Practicable Date”	April 13, 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Committee”	has the same meaning as defined in the Listing Rules
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

DEFINITIONS

“Mabi PSC”	the production sharing contract for the Mabi concession which was originally entered into on July 15, 2004, by CUCBM, the owner of the CBM exploration rights for the Mabi concession, and AACI, in which CUCBM and AACI held 30% and 70% participation interest, respectively, and was subsequently amended by CUCBM, AACI and AAGI on August 25, 2005, pursuant to which AAGI replaced AACI to become the foreign contractor and operator for the Mabi project of the Company
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Stock Exchange. For the avoidance of doubt, the Main Board excludes the Growth Enterprise Market
“Mr. Barrett”	Mr. Fredrick J. Barrett, an independent non-executive Director
“Mr. Law”	Mr. Stephen Cheuk Kin Law (羅卓堅), an independent non-executive Director
“Mr. Li”	Mr. Jing Li (李京), the Chief Executive Officer and the president of the Company
“Mr. Parks”	Mr. Robert Ralph Parks, an independent non-executive Director
“Mr. Wu”	Mr. Yaowen Wu (吳耀文), an independent non-executive Director
“New Business Committee”	the new business committee of the Board
“Nomination Committee”	the nomination committee of the Board
“Non-connected Grantees”	a total of 64 grantees under the RSU Grants who are not connected persons of the Company
“Option(s)”	an option or right to purchase Shares under the Pre-IPO Share Option Scheme

DEFINITIONS

“Panzhuang PSC”	the production sharing contract for the Panzhuang concession which was originally entered into on March 3, 2003, by CUCBM, the owner of the exploration rights for the Panzhuang concession and an independent third party, and was subsequently amended on July 8, 2005, pursuant to which SAEI replaced the independent third party to become the foreign contractor and operator for the Panzhuang project of the Company
“Parent Company”	AAG Energy Limited (previously known as Asian American Gas Limited and China CBM Investment Holdings Limited), an exempted company incorporated and existing under the laws of the Cayman Islands with limited liability on November 9, 2007 and the parent company of the Company
“PetroChina”	PetroChina Company Limited (中國石油天然氣股份有限公司), a company established under the laws of the PRC on November 5, 1999 and listed on the Stock Exchange (Stock code: 0857) and the de facto Chinese partner in the Mabi concession by way of assignment by CNPC and a subsidiary of CNPC, one of the four state-owned enterprises authorized by the PRC government to partner with foreign companies to explore, develop and produce China’s CBM assets and an independent third party
“Post-IPO RSU Scheme”	the post-IPO restricted share unit scheme adopted by the Company on June 5, 2015, which took effect on June 23, 2015. Details of the Post-IPO RSU Scheme and RSUs granted thereunder are set out in the Prospectus and the Announcement
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Board on March 31, 2015 and effective on the same date, under which Options are awarded to eligible participants. Details of Pre-IPO Share Option Scheme and Options granted thereunder are set out in the Prospectus
“Prospectus”	the prospectus of the Company published on June 11, 2015
“Related Transactions”	all the transactions contemplated under the RSU Grant to the Connected Grantees (including the allotment and issue of any new Shares thereunder)
“Remuneration Committee”	the remuneration committee of the Board

DEFINITIONS

“RSU(s)”	restricted share unit(s), being a contingent right to receive Shares which is granted under the Post-IPO RSU Scheme
“RSU Grant to the Connected Grantees”	the proposed conditional grant of an aggregate of 10,906,933 RSUs to the Connected Grantees pursuant to the Post-IPO RSU Scheme as approved by the Remuneration Committee and the Board after approval of the annual results of the Group for the year ended December 31, 2016 on March 24, 2017
“RSU Grant to the Non-connected Grantees”	the proposed conditional grant of an aggregate of 15,426,249 RSUs to the Non-connected Grantees pursuant to the Post-IPO RSU Scheme as approved by the Remuneration Committee and the Board after approval of the annual results of the Group for the year ended December 31, 2016 on March 24, 2017
“RSU Grants”	the RSU Grant to the Non-connected Grantees and the RSU Grant to the Connected Grantees
“SAEI”	Sino-American Energy, Inc. (Samoa), a company incorporated and existing under the laws of Samoa, a wholly owned subsidiary of AAGI and an indirect wholly owned subsidiary of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) of US\$0.0001 each in the issued capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholders(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it in the Listing Rules
“substantial shareholder”	has the same meaning as defined in the Listing Rules
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, as amended from time to time

DEFINITIONS

“The Zou 2011 Family Trust”	an irrevocable discretionary trust set up by Dr. Zou on August 29, 2011 for the benefit of his family members and of which HSBC Bank USA, N.A. is the trustee
“The Zou 2012 Family Trust”	an irrevocable trust by Dr. Zou on August 16, 2012 for the benefit of his family members and of which J.P. Morgan Trust Company of Delaware is the trustee
“U.S.” or “United States”	the United States of America, its territories and possessions and all areas subject to its jurisdiction
“Zou GRAT”	an irrevocable grantor retained annuity trust set up by Dr. Zou on August 16, 2012 for the benefit of himself and his family members and of which J.P. Morgan Trust Company of Delaware is the trustee
“%”	per cent

References to time and dates in this circular are to Hong Kong time and dates.

LETTER FROM THE BOARD



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)

Executive Director:

Dr. Stephen Xiangdong Zou (*Chairman*)

Non-executive Directors:

Mr. Peter Randall Kagan
Mr. Gordon Sun Kan Shaw
Mr. Zhen Wei
Mr. Lei Jin
Dr. Guiyong Cui
Mr. Saurabh Narayan Agarwal

Independent Non-executive Directors:

Mr. Yaowen Wu
Mr. Robert Ralph Parks
Mr. Stephen Law Cheuk Kin
Mr. Fredrick J. Barrett

Registered Office:

P.O. Box 31119
Grand Pavilion, Hibiscus Way
802 West Bay Road
Grand Cayman
KY1-1205
Cayman Islands

*Head Office and Principal Place
of Business in Hong Kong:*

Unit 2109–10, 21st Floor
China Merchants Tower
Shun Tak Centre
No. 168–200 Connaught Road Central
Hong Kong

Principal Place of Business in China:

1701, 17/F
Tower A, Landmark Office Towers
8 North Dongsanhuan Road
Chaoyang District
Beijing
PRC
Postal code: 100004

April 19, 2017

To the Shareholders

Dear Sir/Madam,

**NON-EXEMPT CONNECTED TRANSACTION — PROPOSED GRANT
OF RESTRICTED SHARE UNITS TO CONNECTED GRANTEEES
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

1. INTRODUCTION

Reference is made to the Announcement in respect of the RSU Grants. The purpose of this circular is to provide you with details in respect of the ordinary resolutions to be proposed at the EGM to be held on Tuesday, May 9, 2017 and the advice from the Independent Financial Adviser to the Independent Shareholders in respect of the non-exempt connected transaction relating to the RSU Grant to the Connected Grantees and the Related Transactions.

LETTER FROM THE BOARD

2. NON-EXEMPT CONNECTED TRANSACTION — PROPOSED GRANT OF RESTRICTED SHARE UNITS TO CONNECTED GRANTEEES

(1) Introduction

Reference is made to the Announcement, in which the Company announced, among other things, that after approval of the annual results of the Group for the year ended December 31, 2016 on March 24, 2017, the Board approved the proposed conditional grant of an aggregate of 10,906,933 RSUs to the Connected Grantees under the Post-IPO RSU Scheme, subject to the Independent Shareholders' approval. Such RSUs to be granted to the Connected Grantees will be settled by way of issue and allotment of 10,906,933 Shares pursuant to the Annual Mandate to be obtained at the AGM, as and when the RSUs vest.

(2) Proposed Grant of Restricted Share Units to Connected Grantees

The Board approved the proposed conditional grant of an aggregate of 10,906,933 RSUs to the Connected Grantees under the Post-IPO RSU Scheme on March 24, 2017. The RSU Grant to the Connected Grantees is subject to the Independent Shareholders' approval at the EGM. As at the Latest Practicable Date, such 10,906,933 RSUs have not been granted to the Connected Grantees and no grant letter with respect to such RSUs has been issued to the Connected Grantees in the manner set forth under the Post-IPO RSU Scheme. The 10,906,933 RSUs will only be granted, and the relevant grant letter will only be issued to the Connected Grantees if the Independent Shareholders approve such grant in accordance with the requirements of Chapter 14A of the Listing Rules.

(3) Terms of the RSUs under the RSU Grant to the Connected Grantees

In accordance with the terms of the Post-IPO RSU Scheme and as approved by the Remuneration Committee and the Board, the RSUs will be conditionally granted to the Connected Grantees under the following terms:

- the Connected Grantees are not required to pay for the grant of any RSUs under the Post-IPO RSU Scheme and no consideration is required from them to be allotted and issued with the Shares underlying the respective RSUs upon vesting;
- each of these RSUs to be granted to the 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 Connected Grantees may not exercise any voting rights in respect of any Shares underlying the RSUs that have not yet vested; and

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- for each of Dr. Zou and Mr. Li, the RSUs granted to him 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 March 31, 2017; 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 March 31, 2017 pursuant to the following payout schedule (the “**KPI-linked RSUs 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 each independent non-executive Director, the RSUs granted to him shall vest as follows:
 - (1) 25% of the RSUs will be vested immediately after the acceptance of the RSU Grants by the relevant independent non-executive Director;
 - (2) 37.5% of the RSUs will be time-based and shall vest at the rate of one-third (1/3) for each 12-month period commencing from March 31, 2017; and
 - (3) 37.5% of the RSUs shall be KPI-linked RSUs and shall be divided into three equal instalments, with each instalment being linked with one of the three KPIs and vested at the rate of one-third (1/3) for each 12-month period commencing from March 31, 2017 pursuant to the KPI-linked RSUs Payout Schedule.

For the purposes of the above, key performance indicators (“**KPIs**”) refer to (i) EBITDA; (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

LETTER FROM THE BOARD

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.

In accordance with the terms of the Post-IPO RSU Scheme and the applicable Listing Rules, any material variation to the terms of the RSUs under the RSU Grant to the Connected Grantees (including the vesting schedule and the vesting criteria) proposed by the Board will be subject to approval by the independent shareholders of the Company.

(4) Interests of the Connected Grantees in the Securities of the Company

As at the Latest Practicable Date, the interests of the Connected Grantees in the Shares under the RSU Grant to the Connected Grantees are set out below:

		Number of RSUs conditionally granted under the RSU Grant to the Connected Grantees			Percentage of the Company's total issued share capital as at the Latest Practicable Date (enlarged by the issue of the
Name of Connected Grantees	Position	Number of RSUs conditionally granted	Number of underlying RSU involved	Company's total issued share capital as at the Latest Practicable Date ⁽¹⁾	maximum number of Shares pursuant to the RSU Grant to the Connected Grantees) ⁽¹⁾
Stephen Xiangdong Zou	Chairman and Executive Director	4,028,976	4,028,976	0.12%	0.12%
Yaowen Wu	Independent non-executive Director	450,000	450,000	0.01%	0.01%
Robert Ralph Parks	Independent non-executive Director	450,000	450,000	0.01%	0.01%
Fredrick J. Barrett	Independent non-executive Director	450,000	450,000	0.01%	0.01%
Stephen Cheuk Kin Law	Independent non-executive Director	450,000	450,000	0.01%	0.01%
Jing Li	Chief Executive Officer and President	5,077,957	5,077,957	0.15%	0.15%
Total		10,906,933	10,906,933	0.33%⁽²⁾	0.33%⁽²⁾

Notes:

- (1) Without taking into account any Shares to be allotted and issued upon the exercise of any Options granted under the Pre-IPO Share Option Scheme and any Shares to be issued pursuant to any previous grant of RSUs under the Post-IPO RSU Scheme.
- (2) The aggregate percentage may not add up to 0.33% due to rounding.

Subject to the Independent Shareholders' approval of the RSU Grant to the Connected Grantees at the EGM, 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

LETTER FROM THE BOARD

Shares that may be issued to the Connected Grantees in accordance with and subject to the terms of the RSU Grant to the Connected Grantees would be 10,906,933, representing (i) approximately 0.33% of the total issued share capital of the Company as at the Latest Practicable Date and (ii) approximately 0.33% of the total enlarged issued share capital of the Company (enlarged by the issue of the maximum number of Shares pursuant to the RSU Grant to the Connected Grantees) as at the Latest Practicable Date, without taking into account any Shares to be allotted and issued upon the exercise of any Options granted under the Pre-IPO Share Option Scheme and any Shares to be issued pursuant to any previous grant of RSUs under the Post-IPO RSU Scheme.

In addition, certain of the Connected Grantees held certain interests in the Shares as at the Latest Practicable Date. The total interests in the Shares of the Connected Grantees before and upon the vesting in full of the RSUs under the RSU Grant to the Connected Grantees as at the Latest Practicable Date are set forth below:

Name of Connected Grantees	As at the Latest Practicable Date			
	Before the vesting in full of the RSUs under the RSU Grant to the Connected Grantees		Upon the vesting in full of the RSUs under the RSU Grant to the Connected Grantees	
	<i>Number of Shares</i>	<i>Approximate %⁽⁶⁾</i>	<i>Number of Shares</i>	<i>Approximate %⁽⁶⁾</i>
Stephen Xiangdong Zou ⁽¹⁾	211,201,220	6.35%	215,230,196	6.45%
Yaowen Wu ⁽²⁾	477,708	0.01%	927,708	0.03%
Robert Ralph Parks ⁽³⁾	715,708	0.02%	1,165,708	0.03%
Fredrick J. Barrett ⁽²⁾	477,708	0.01%	927,708	0.03%
Stephen Cheuk Kin Law	nil	nil	450,000	0.01%
Jing Li ⁽⁴⁾	<u>63,586,595</u>	<u>1.91%</u>	<u>68,664,552</u>	<u>2.06%</u>
Sub-total	<u>276,458,939</u>	<u>8.31%</u>	<u>287,365,872</u>	<u>8.61%</u>
Other substantial shareholders and/or connected persons of the Company ⁽⁸⁾	<u>2,060,387,251</u>	<u>61.93%</u>	<u>2,060,387,251</u>	<u>61.73%</u>
Public shareholders of the Company	<u>989,934,055</u>	<u>29.76%</u>	<u>989,934,055</u>	<u>29.66%</u>
Total	<u><u>3,326,780,245⁽⁵⁾</u></u>	<u><u>100.00%⁽⁶⁾</u></u>	<u><u>3,337,687,178⁽⁷⁾</u></u>	<u><u>100.00%⁽⁶⁾</u></u>

Notes:

- (1) As of the Latest Practicable Date, Dr. Zou beneficially owns interests in 126,524,107 Shares, 11,942,710 Shares and 6,621,733 Shares of which represent interests in the outstanding Options and outstanding RSUs he held under the Pre-IPO Share Option Scheme and the Post-IPO RSU Scheme, respectively. Dr. Zou is deemed to be interested in 63,075,458 Shares and 9,612,371 Shares for the purposes of the SFO, which is beneficially owned by Dr. Zou's descendants as

LETTER FROM THE BOARD

beneficiaries of The Zou 2011 Family Trust and The Zou 2012 Family Trust, respectively. Dr. Zou is also deemed to be interested in 11,989,284 Shares for the purposes of the SFO, which are beneficially owned by Dr. Zou and his descendants as beneficiaries of the Zou GRAT. Each of The Zou 2011 Family Trust, The Zou 2012 Family Trust and the Zou GRAT is a discretionary trust established by Dr. Zou as a settlor and its beneficiaries are Dr. Zou and his family members.

- (2) All these interests represent interests in outstanding Options they hold under the Pre-IPO Share Option Scheme as of the Latest Practicable Date.
- (3) As of the Latest Practicable Date, Mr. Parks beneficially owns interests in 715,708 Shares of the Company. 477,708 Shares of which represent the interests in the outstanding Options he held under the Pre-IPO Share Option Scheme.
- (4) As of the Latest Practicable Date, Mr. Li owns 63,586,595 Shares through China Energy Holdings Limited, a company wholly-owned by Mr. Li. Among these interests, 42,915,168 Shares and 6,621,733 Shares of which represent interests in the outstanding Options and outstanding RSUs he held under the Pre-IPO Share Option Scheme and the Post-IPO RSU Scheme, respectively.
- (5) It means the total issued Shares as of the Latest Practicable Date.
- (6) The aggregate percentage may not add up to 100% due to rounding.
- (7) It is enlarged by the issue of the maximum number of Shares pursuant to the RSU Grant to the Connected Grantees.
- (8) The Shares held by “Other substantial shareholders and/or connected persons of the Company” do not include the Shares held by the Connected Grantees.

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 of the Group as at the Latest Practicable Date.

(5) Market Value

Based on the closing price of HK\$1.28 per Share as quoted on the Stock Exchange on March 24, 2017, being the date on which the Board approved the conditional grant of RSUs, the market value of the RSUs in connection with the RSU Grant to the Connected Grantees amounts to approximately HK\$14.0 million.

Based on the closing price of HK\$1.25 per Share as quoted on the Stock Exchange on the Latest Practicable Date, the market value of the RSUs in connection with the RSU Grant to the Connected Grantees amounts to approximately HK\$13.6 million.

(6) Reasons and Benefits of the RSU Grant to the Connected Grantees

Purpose of the RSU Grant to the Connected Grantees

The RSU Grant to the Connected Grantees 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 Company and the employees in order to maximize the motivation of the Directors and senior management of the Company.

LETTER FROM THE BOARD

Rationale of the RSU Grant to the Connected Grantees

The Board proposed to remunerate the Connected Grantees with an award of the RSUs after considering their respective roles, background and contributions. Details of the roles and contributions of the Connected Grantees to the strategic and sustainable development of the Group are as follows:

Name	Role and Positions	Length of services in the Group	Contributions
Stephen Xiangdong Zou	Chairman and Executive Director; the chairman of the Nomination Committee	13 years	Responsible for our Group's overall development and growth strategies, investor and public relations, board governance and supervision of key management issues
Yaowen Wu	Independent non-executive Director; a member of the Nomination Committee and a member of the New Business Committee	2 years	Responsible for independently overseeing the management
Robert Ralph Parks	Independent non-executive Director; the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the New Business Committee	2 years	Responsible for independently overseeing the management
Fredrick J. Barrett	Independent non-executive Director; the chairman of the New Business Committee and a member of the Remuneration Committee	2 years	Responsible for independently overseeing the management
Stephen Cheuk Kin Law	Independent non-executive Director; the chairman of the Audit Committee and a member of the Nomination Committee	1 year	Responsible for independently overseeing the management

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Name	Role and Positions	Length of services in the Group	Contributions
Jing Li	Chief Executive Officer and President	9 years	Responsible for our Group's overall business development and growth strategies, operations, the technical group and environmental, health and safety matters, as well as the Group's government and partner relations, sales and marketing, human resource management and public relationship

Background and biography of the Connected Grantees

Dr. Stephen Xiangdong Zou

Dr. Stephen Xiangdong Zou (鄒向東), aged 59, is the primary founder of the Group, an executive Director and the chairman of the Board. Dr. Zou is primarily responsible for the Group's overall development and growth strategies, investor and public relations, board governance and supervision of key management issues. Dr. Zou has been the chairman and chief executive officer of the Parent Company since February 2008 and October 2013, respectively. He has been a director, the chief executive officer and chairman of the board of directors of AAGI since July 2004, August 2006 and October 2013, respectively. He was the president of AAGI from July 2005 to October 2013. He has been a director and the president of SAEI since June 2007.

Dr. Zou has over 31 years of experience in energy resources fields in the U.S. and the PRC, mainly in coal, CBM and petroleum exploration and development. He is considered one of the pioneers of China's CBM industry. From 1999 to 2006, he was a director, executive vice president, president and chief China representative of AACI and was responsible for development and implementation of AACI's short-term and long-term work plans, management of its daily operations and business development, including project acquisition, assessment and approvals, contract negotiation and approvals, and partner relations. During this period, he identified and developed two coal mining projects, the Daning coal mine and the Gaohe coal mine, and two CBM projects.

Dr. Zou was the general manager of CBM projects of Phillips China Inc. (菲力浦斯中國有限公司) from 1996 to 1997. He was responsible for the project coordination between Phillips China Inc. and its partners, overall management of the projects, negotiation of the production sharing contract and coordination of the support processes from Phillips China Inc. From 1994 to 1996, Dr. Zou was the vice president of CBM Energy Associates, L.C. and was responsible for its in-country management, partner relations and business development, including identification,

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contract negotiation and development of two CBM concessions, which led to the establishment of Shanxi Hedong CBM Company, Ltd., a joint venture established by CBM Energy Associates, L.C., Shanxi Energy Enterprise (Group) Corporation and four other local companies in Shanxi Province, and Fuxin Sino-American CBM Co. Ltd., a joint venture established by CBM Energy Associates, Inc. and Fuxin Energy Development Corporation, as the operators of the CBM concessions. From 1994 to 1997, Dr. Zou was the vice chairman and general manager for both Shanxi Hedong CBM Company, Ltd. and Fuxin Sino-American CBM Co., Ltd. and managed their daily operations, CBM explorations (drillings and reservoir evaluation), CBM sales contracts' negotiations and partner relations.

From 1989 to 1993, while pursuing his doctorate degree at the department of geology and geography of West Virginia University, Dr. Zou was a teaching assistant as well as a research assistant on a project sponsored by the U.S. Department of Energy entitled "Measuring and Predicting Reservoir Heterogeneity in Complex Deposystems." Prior to that, he worked as an engineer at the branch of geology & exploration, China Central Coal Research Institute (中國煤炭科學研究院地質勘探分院) from 1985 to 1989 and worked at Shanxi No. 2 Coal Geological Exploration Co. (山西煤田地質勘探二隊) from 1975 to 1978. Dr. Zou obtained a bachelor of engineering degree in coal geology and exploration from Shanxi Mining College (山西礦業學院) in May 1982 and obtained a master degree from China Central Coal Research Institute (中國煤炭科學研究院) in December 1985. Dr. Zou earned his doctor of philosophy degree in geology from West Virginia University in December 1993.

Mr. Yaowen Wu

Mr. Yaowen Wu (吳耀文), aged 73, is an independent non-executive Director. Mr. Wu is primarily responsible for independently overseeing the management. Mr. Wu joined the Group in June 2015.

Mr. Wu has served as chairman of the board of China Coal Energy Group Ltd (中國中煤能源集團有限公司) since October 2008. Mr. Wu served as an outside director of Baosteel Group Co. Ltd (寶鋼集團有限公司) from October 2005 to March 2013. Mr. Wu served as deputy general manager in charge of the overseas business of China National Petroleum Corporation (中國石油天然氣集團公司) from December 1996 to December 2003. Mr. Wu served as one of the board members and vice chairman in PetroChina from May 1999 to July 2004. Mr. Wu also served as chief petroleum engineer of the National Energy Ministry of the PRC (國家能源局) from July 1988 to May 1993. Prior to that, Mr. Wu was a general manager of Qinghai Petroleum Administration Bureau (青海石油管理局) from September 1986 to July 1988. He was a deputy general manager of China Offshore Oil Donghai Corporation from July 1983 to October 1986.

Mr. Wu obtained a bachelor of science degree in drilling engineering from the China University of Petroleum (中國石油大學, formerly known as 北京石油學院) in August 1968. Mr. Wu is a senior engineer in professor grade.

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Mr. Robert Ralph Parks

Mr. Robert Ralph Parks, aged 73, is an independent non-executive Director. Mr. Parks is primarily responsible for independently overseeing the management. Mr. Parks joined the Group in June 2015.

Mr. Parks was appointed as the chairman of Oaktree Capital (Hong Kong) Limited (“Oaktree”), covering the Asia Pacific region from February 2007 until March 2012. He is a member of the board of trustees of Rice University in Houston, Texas in the United States and serves as chairman of the board of Rice Management Company, which oversees the university’s endowment. He was appointed as an adviser to the investment committee of the Carnegie Corporate, a charitable foundation, in New York City. He is also an independent non-executive director of Ambow Education in Beijing, PRC. He completed his last term as an independent non-executive director of The Siam Commercial Bank Public Company Limited (SET: SCB) in Bangkok, Thailand.

Mr. Parks has over 40 years of experience in investment banking and has held senior management positions in Asia Pacific, Europe and the United States. Prior to joining Oaktree, he was chairman and chief executive officer in JP Morgan Asia Pacific from early 2001 to November 2006. Prior to that, Mr. Parks joined the Beacon Group in 1997 and was a partner from 1998 to 2000. Mr. Parks joined Goldman Sachs & Co. in the beginning of 1981 and became a partner in 1986 and was a limited partner for two years until 1996. Mr. Parks started his investment banking career with Merrill Lynch in 1970. In 1995, Mr. Parks founded Pear Tree Point School in Darien, Connecticut, USA, an independent elementary day school, of which he remains the sole proprietor to the present time.

Mr. Parks obtained his bachelor of arts degree from Rice University in June 1966 and his master of business administration degree from Columbia University in June 1970.

Mr. Fredrick J. Barrett

Mr. Fredrick J. Barrett, aged 56, is an independent non-executive Director. Mr. Barrett is primarily responsible for independently overseeing the management. Mr. Barrett joined the Group in June 2015.

Mr. Barrett has over 31 years of experience in the energy and resources industry. Mr. Barrett currently serves as a non-executive director for Tamboran Resources, a private independent exploration and production oil and gas company headquartered in Sydney, Australia since September 2014. Mr. Barrett also currently serves as chairman of the Compensation Committee for Tamboran. From 2014 to 2015, Mr. Barrett served on an advisory panel and steering committee for Santos Ltd. (ASX: STO), a leading oil and gas producer headquartered in Adelaide, Australia, providing technical and strategic advice on their unconventional programs in Australia. Mr. Barrett served various positions in the Bill Barrett Corporation from 2002 to 2013, which was co-founded by him in January 2002, and he retired in

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January 2013. He served as president and executive director from January 2002 to July 2006, chief executive officer and chairman of the board from March 2006 to January 2013 and also served as chief operating officer from June 2005 to February 2006 and also served as president from July 2010 to January 2013, respectively. Prior to that, Mr. Barrett was a senior geologist for Barrett Resources in the U.S. Rocky Mountain Region from 1997 to 2001, and a geologist from 1989 to 1996. Mr. Barrett was a partner in the Terred Oil Company from 1987 to 1989, a private oil and gas partnership providing geologic services for the U.S. Rocky Mountain Region. Mr. Barrett worked as a project and wellsite geologist intern-in-training for various periods for Barrett Resources from 1983 to 1986, and held similar training internship roles for various periods for Barrett Energy and Aeon Energy from 1981 to 1983.

Mr. Barrett obtained his Bachelor of Science and master of science degrees in geology from Ft. Lewis College, Durango, Colorado, USA and Kansas State University, Manhattan Kansas, USA in April 1984 and March 1989, respectively. Mr. Barrett graduated from the Harvard Business School Advanced Management Program in May 2005.

Mr. Stephen Cheuk Kin Law

Mr. Stephen Cheuk Kin Law (羅卓堅), aged 54, is an independent non-executive Director. Mr. Law is primarily responsible for independently overseeing the management. Mr. Law joined the Group in July 2016.

Prior to joining the Group, Mr. Law was serving as the finance director and a member of the executive directorate of MTR Corporation Limited (HKSE:66) (“**MTR**”). Prior to MTR, Mr. Law was the chief financial officer at Guoco Group Limited (HKSE:53) (“**Guoco**”). Prior to Guoco, Mr. Law was a managing director at TPG, one of the largest global private equity funds. Prior to TPG, Mr. Law also worked in direct investment at Morningside. Mr. Law is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Mr. Law is also a council member of HKICPA, and a vice-president of the Hong Kong Business Accountants Association, and an adjunct professor of the Hong Kong Polytechnic University. In addition, Mr. Law was appointed by Ministry of Finance of the PRC (the “**MOF**”) as an expert consultant to advise the MOF on finance and management accounting.

Mr. Law holds a bachelor degree in science (civil engineering) from the University of Birmingham, the United Kingdom and also received a master degree in business administration from the University of Hull, the United Kingdom.

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Mr. Jing Li

Mr. Jing Li (李京), aged 47, is the Chief Executive Officer and the president of the Company. Mr. Li was the co-chief executive officer and the president of the Company from October 2013 to October 2016. He has been the president of the Parent Company since October 2013. He was the senior vice president and the vice president of business development of the Parent Company from March 2011 to October 2013 and from February 2008 to March 2011, respectively. He was the vice president of business development of AAGI from February 2008 to October 2013 and has been the president of AAGI since October 2013. He is primarily responsible for the Group's overall development and growth strategies, operations, the technical group, health and safety matters, as well as government and partner relations, sales and marketing, human resource managements and public relationship.

Mr. Li has over 17 years of experience in business development, project management and marketing and sales management in CBM and coal exploration and development business. Before joining the Group, from December 1999 to June 2008, he held various positions with AACI including deputy president of business development, business development director, project manager and marketing manager. Mr. Li worked as a sales manager in Beijing Micromatic Machinery Co., Ltd. (北京邁克羅邁帝克機械有限公司) from June 1995 to May 1997 and a mechanical engineer in Capital Steel Corporation (首都鋼鐵集團) from July 1992 to May 1995.

Mr. Li obtained his bachelor degree in engineering from Shanghai Jiao Tong University (上海交通大學) in July 1992 and his bachelor degree in economics from Peking University (北京大學) in August 1998. He received his master of business administration degree from China Europe International Business School (中歐國際工商學院) in April 2000.

Basis and factors considered by the Remuneration Committee

The Remuneration Committee took into account of the following basis and factors when considering the RSU Grant to the Connected Grantees:

- (a) salaries and compensation practices (such as compensation component, compensation structure and compensation level) paid by comparable companies (which were selected based on the following criteria: (i) 15 US-listed companies in oil and gas industry which involve exploration, production, refining and marketing activities, which have similar business nature and business model as the Group; (ii) key executives remuneration data are available for comparison purpose; and (iii) companies with similar market capitalization as the Company, the “**Comparables**”, where the median market capitalization of the Comparables is approximately USD538 million by end of 2016, which is similar to market capitalization of the Company of approximately USD536 million) payable to directors and chief executive officers thereof;

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- (b) time commitment of the Connected Grantees;
- (c) responsibilities of the Connected Grantees; and
- (d) the long term incentive nature of granting RSUs to align the interests of the Connected Grantees with the Company together with the Shareholders,

and considered that the RSU Grant to the Connected Grantees is fair and reasonable, on normal commercial terms or better and in the interest of the Company and the Shareholders as a whole.

Retention of talent and continuity of the Directors and experienced senior management team

The Board considered that each of the Connected Grantees possesses expertise and experience in his own area. The Board believes that the retention of the Connected Grantees as a vital part of the Directors and the experienced senior management team of the Group is beneficial for the development and expansion of the Group, and can avoid any potential disruption to the existing operation of the Group resulting from the lack of continuity of an experienced senior management team. In addition, the Directors believe that the stability of the senior management team of the Group is an important ingredient for success in the development and value optimization of unconventional gas resources to supply clean energy to the Chinese economy. Accordingly, the Connected Grantees were identified by the Board as most suitable persons among the connected persons of the Company to be granted with RSUs in accordance with the following selection criteria: (i) to align the interest of the eligible persons with the continue performance of the Group; (ii) to recognize the past contributions made by the eligible persons; (iii) to motivate, attract and retain the eligible persons to provide continuing future contributions to the Group; and (iv) to provide an additional form of reward to the eligible persons which is similar to a deferred bonus payment without cash outflow. In addition, to prevent the perception that those who are director representatives of the pre-IPO investors of the Company will be offered special treatments, the connected persons of the Company who are the non-executive Directors have not been considered in relation to granting of RSUs.

The Board proposed to remunerate each of the Connected Grantees by granting such RSUs after considering and balancing the factors below, as well as the basis as disclosed in the above paragraph headed “Basis and factors considered by the Remuneration Committee”.

- despite the fluctuation in the PRC economic environment, the Group’s gross gas production and gross gas sales volume have increased significantly since 2014 under the leadership of the Connected Grantees. The granting of time-linked and performance-linked RSUs to the Connected Grantees is an recognition of the Connected Grantees’

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contribution for the past year and is also believed to be able to effectively motivate them to provide continuing contributions to the Group in the future;

- the market value of the underlying Shares in relation to the RSUs under the RSU Grant to the Connected Grantees is immaterial as compared to the Group's financial condition for the most recent financial year;
- the RSU Grant to the Connected Grantees as part of the remuneration package of the Connected Grantees will provide the Connected Grantees with certainty of monetary benefits regardless of the share price performance. Such benefit, which can be realized and is readily available at the end of the vesting period and completion of the performance targets, is similar to paying a deferred bonus, and hence, is an effective complementary incentive; and
- after consideration of the various alternatives, such as performance bonus and carried interest, the Directors have considered the RSU Grant to the Connected Grantees to be the most appropriate given that, as opposed to the other alternatives, the RSU Grant to the Connected Grantees will enable the Company to prevent cash outflow while allowing added incentives to the Connected Grantees to make contribution to the Group. In addition, the economic benefits of the RSU Grant to the Connected Grantees are dependent on the improvement in the performances of the Group and hence the Connected Grantees can only benefit when all the Shareholders are also in a position to benefit.

In addition, in arriving the number of RSUs to be granted to the Connected Grantees, after making reference to (i) the annual remuneration of key executives of the Comparables in 2015; and (ii) remuneration packages of each Connected Grantee (excluding share-based benefits associated with share options and RSUs already granted), the Board has determined the number of RSUs proposed to be granted to the respective Connected Grantees on the basis that their respective remuneration packages.

RSUs for Chairman and Chief Executive Officer of the Company

The remuneration package (excluding share-based benefits) of each of Dr. Stephen Xiangdong Zou (Chairman and Executive Director) and Mr. Jing Li (Chief Executive Officer and president of the Company) when aggregating with the fair value of the underlying Shares in relation to the respective RSUs to be granted (estimated based on closing price of HK\$1.28 as of March 24, 2017, the date that the Board approved the conditional grant of RSUs) is lower than but comparable to median of the total remuneration of Chairman and Chief Executive Officer of the Comparables of approximately USD2.25 million (equivalent to approximately HK\$17.8 million) and USD2.75 million (equivalent to approximately HK\$21.3 million), respectively.

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RSUs for independent non-executive Director

The annual directors' fee (excluding share-based benefits) of each of the Connected Grantees who are independent non-executive Directors (namely Mr. Yaowen Wu, Mr. Robert Ralph Parks, Mr. Fredrick J. Barrett and Mr. Stephen Cheuk Kin Law) when aggregating with the fair value of the underlying Shares in relation to the respective RSUs to be granted (estimated based on closing price of HK\$1.28 as of March 24, 2017, the date that the Board approved the conditional grant of RSUs) is lower than but comparable to median of the total remuneration of independent non-executive directors of the Comparables of approximately USD120,000 (equivalent to approximately HK\$931,000).

Due to the limited numbers of Hong Kong listed companies comparable to the Group in terms of similarity in industry, business nature, business model and market capitalization, the Company has looked to comparable companies listed on stock exchanges in the U.S. which are among the most recognized stock exchanges in the world. The Company considers it is paramount to stay competitive in compensation package offered to key executives among companies in the same industry worldwide because the geographical mobility of the talents are relatively high in the oil and gas industry given the limited numbers of companies participating in such industry and evidenced by the great difference in background of the key executives of the Company. Therefore, the Company considers that the U.S.-listed Comparables provide a meaningful sample size and a reasonable benchmark to make reference for determining number of RSUs to be granted to the Connected Grantees according to their respective positions in order to motivate, attract and retain the Connected Grantees.

Based on the foregoing, the number of RSUs to be granted to the Connected Grantees was recommended by the Remuneration Committee and determined by the Board and the Connected Grantees upon arm's length negotiation with each of them taking into account all of the aforementioned factors and the average monetary values of the RSUs granted to directors and/or chief executive officers of other comparable companies (such as public) companies in the oil and gas exploration, production, refining and marketing industries with comparable market capitalization.

Dilution effect

Assuming the Connected Grantees become fully entitled to all RSUs after the vesting period and completion of the performance targets, the number of Shares to be issued pursuant to the RSU Grant to the Connected Grantees would be limited to 10,906,933, or approximately 0.33% of the total issued share capital of the Company as at the Latest Practicable Date, without taking into account any Shares to be allotted and issued upon the exercise of any Options granted under the Pre-IPO Share Option Scheme and any Shares to be issued pursuant to any previous grant of RSUs under the Post-IPO RSU Scheme. The Directors believe that this is relatively immaterial in percentage terms and acceptable in view of the expected economic benefits to the Group.

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Directors' Views

Saved as the disadvantage of dilution effect as disclosed above, the Board is not aware of any other disadvantages to the Company of the RSU Grant to the Connected Grantee. Given that the Directors believe that the RSU Grant to the Connected Grantees will incentivize the Connected Grantees and help in retaining talent for the long term and contribute to the sustainable development of the Group without having a negative impact on the Group's cashflow, the Directors (excluding Dr. Zou, Mr. Wu, Mr. Parks, Mr. Barrett and Mr. Law, who are the Connected Grantees) consider that the terms of the RSU Grant to the Connected Grantees and the Related Transactions are in the ordinary and usual course of business of the Company and on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors who are the Connected Grantees have abstained from voting on the relevant resolutions of the Board approving the grant of RSUs to themselves.

(7) Conditions

The RSU Grants shall be subject to the following conditions:

- (a) the Stock Exchange granting approval for the listing of, and permission to deal in, Shares to be issued pursuant to the vesting schedule of any RSUs granted under the Post-IPO RSU Scheme;
- (b) the Annual Mandate, to be approved by the Shareholders at the AGM; and
- (c) the approval by the Independent Shareholders at the EGM in respect of the RSU Grant to the Connected Grantees and the Related Transactions.

Annual Mandate

Reference is made to the circular of the Company dated March 31, 2017 for the AGM, in relation to, among others, proposed renewal of the Annual Mandate to issue Shares under the Post-IPO RSU Scheme. Pursuant to Clause 4.2 of the Post-IPO RSU Scheme, the Directors propose to refresh the scheme mandate limit by an ordinary resolution at the AGM which gives the Directors a specific and unconditional mandate to exercise all the powers of the Company to grant RSUs in respect of underlying Shares not exceeding 2.0% of the Shares in issue as at the date of passing such mandate, and to allot, issue and deal with the Shares underlying the RSUs granted pursuant to the Post-IPO RSU Scheme during the Applicable Period as and when such RSUs vest. Subject to the passing of the relevant resolution to approve the Annual Mandate and on the basis that no further Shares are issued or repurchased between the Latest Practicable Date and the date of the AGM, the Directors would be authorized to exercise the powers of the Company to grant RSUs in respect of a maximum number of 66,535,604 underlying Shares.

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It is expected that an aggregate of 26,333,182 Shares will be issued upon the vesting of all the RSUs granted under the RSU Grants.

The Company will seek the Annual Mandate from the Shareholders for the RSU Grants at the AGM.

No fund will be raised by the Company as a result of the issue and allotment of the Shares in accordance with the vesting of any RSUs granted under the RSU Grants pursuant to the Annual Mandate.

Listing Approval

An application will be made by the Company as soon as practicable to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be allotted and issued to satisfy the RSUs which may be granted under the Post-IPO RSU Scheme pursuant to the Annual Mandate.

Letter of Grant

Letter of grant in respect of the RSU Grants will be given to the grantees after all the conditions mentioned under the paragraph headed “Conditions” above have been fulfilled.

(8) 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 each of each of Dr. Zou, Mr. Wu, Mr. Parks, Mr. Barrett and Mr. Law is a Director and as Mr. Li is the Chief Executive Officer, and therefore each of the Connected Grantees is a connected person of the Company. The RSU Grant to the Connected Grantees and the Related Transactions (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.

Pursuant to Chapter 14A of the Listing Rules, the Connected Grantees and their respective associates (in aggregate holding 276,458,939 Shares, approximately 8.31% of the Shares in issue as at the Latest Practicable Date, without taking into account any Shares to be allotted and issued upon the exercise of any Options granted under the Pre-IPO Share Option Scheme and any Shares to be issued pursuant to any previous grant of RSUs under the Post-IPO RSU Scheme) are required to abstain from voting on the ordinary resolutions at the EGM to approve the RSU Grant to the Connected Grantees and the Related Transactions. Accordingly, the Connected Grantees and their respective associates shall abstain from voting at the EGM on the resolutions approving the RSU Grant to the Connected Grantees and the Related Transactions with respect to all the Shares they hold. To the best of the Directors’ knowledge, information and belief, none of

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the Shareholders, other than the Connected Grantees and their respective associates, is materially interested in approving the RSU Grant to the Connected Grantees and the Related Transactions as at the Latest Practicable Date, thus only the Connected Grantees and their respective associates, but not other Shareholders, are required to abstain from voting at the resolutions in respect to the RSU Grant to the Connected Grantees and the Related Transactions at the EGM.

(9) Independent Financial Adviser

Pursuant to Rule 13.39(6)(c) of the Listing Rules, in the event that all independent non-executive directors of an issuer have a material interest in the relevant transaction or arrangement, no independent board committee can be formed. As all of the independent non-executive Directors are the Connected Grantees, each of the independent non-executive Directors is regarded as having a material interest in the RSU Grant to the Connected Grantees. Accordingly, no independent board committee has been formed to advise the Independent Shareholders in respect of the RSU Grant to the Connected Grantees and the Related Transactions.

Akron Corporate Finance Limited has been appointed as the Independent Financial Adviser to advise only the Independent Shareholders in this regard. The letter of advice from the Independent Financial Adviser to the Independent Shareholders is set out on pages 27 to 55 of this circular.

(10) Information about the Company

The Company is the leading independent CBM producer in China. The Company focuses on the development and value optimization of unconventional gas resources to supply clean energy to the Chinese economy. The Company has production sharing contracts with two of the four state-owned enterprises authorized by the Chinese government to partner with foreign companies to explore, develop and produce China's CBM assets, namely CUCBM and PetroChina (through its parent company, CNPC). Pursuant to these production sharing contracts, the Company is the operator of the Panzhuang and Mabi concessions, granting it the right to explore, develop and produce the CBM within them. The Company holds 80% and 70% of the participating interests under the Panzhuang PSC and the Mabi PSC, respectively. The Group will continue to pursue further development of the Panzhuang concession and development preparation of the Mabi concession.

(11) General

Your attention is drawn to the general information set out in the Appendix to this circular.

LETTER FROM THE BOARD

3. RECOMMENDATION

The Directors (excluding Dr. Zou, Mr. Wu, Mr. Parks, Mr. Barrett and Mr. Law, who are the Connected Grantees) are of the opinion that the proposed ordinary resolutions to approve the RSU Grant to the Connected Grantees and the Related Transactions set out in the notice of the EGM are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors (excluding Dr. Zou, Mr. Wu, Mr. Parks, Mr. Barrett and Mr. Law, who are the Connected Grantees) recommend the Shareholders to vote in favour of the proposed ordinary resolutions to approve the RSU Grant to the Connected Grantees and the Related Transactions.

Your attention is drawn to the letter from the Independent Financial Adviser, which contains its advice to the Independent Shareholders in relation to the RSU Grant to the Connected Grantees and the Related Transactions and the principal factors and reasons considered by it in arriving at its opinions. The text of the letter from the Independent Financial Adviser is set out on pages 27 to 55 of this circular.

4. EXTRAORDINARY GENERAL MEETING AND PROXY ARRANGEMENT

The notice of the EGM is set out on pages 60 to 62 of this circular.

Pursuant to the Listing Rules and the Articles, any vote of Shareholders at a general meeting must be taken by poll except where the chairman of such meeting, in good faith, decides to allow a resolution relating purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Listing Rules. An announcement on the poll vote results will be published by the Company after the EGM in the manner prescribed under the Listing Rules.

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aagenergy.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited at the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

Yours faithfully,
For and on behalf of the Board
AAG Energy Holdings Limited
Stephen Xiangdong Zou
Chairman and Executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from the Independent Financial Adviser to the Independent Shareholders in respect of the RSU Grant to the Connected Grantees and the Related Transactions, and is prepared for inclusion in this circular.



19 April 2017

To the Independent Shareholders

Dear Sirs,

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

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Shareholders in respect of the RSU Grant to the Connected Grantees and the Related Transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular issued by the Company to its Shareholders dated 19 April 2017 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

After approval of the annual results of the Group for the year ended 31 December 2016 on 24 March 2017, the Board approved the proposed conditional grant of an aggregate of 10,906,933 RSUs to the Connected Grantees, being Dr. Stephen Xiangdong Zou (the Chairman and an executive Director), Mr. Yaowen Wu (an independent non-executive Director), Mr. Robert Ralph Parks (an independent non-executive Director), Mr. Frederick J. Barrett (an independent non-executive Director), Mr. Stephen Cheuk Kin Law (an independent non-executive Director) and Mr. Jing Li (the Chief Executive Officer and the president of the Company), under the Post-IPO RSU Scheme adopted on 5 June 2015 and effective on 23 June 2015.

As each of Dr. Zou, Mr. Wu, Mr. Parks, Mr. Barrett and Mr. Law is a Director and as Mr. Li is the Chief Executive Officer, and therefore each of the Connected Grantees is a connected person of the Company. The RSU Grant to the Connected Grantees and the Related Transactions (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. We, Akron Corporate Finance Limited, have been appointed as the Independent Financial Adviser to advise the Independent Shareholders in this regard.

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Pursuant to Chapter 14A of the Listing Rules, the Connected Grantees and their respective associates (in aggregate holding 276,458,939 Shares, approximately 8.31% of the Shares in issue as at the Latest Practicable Date, without taking into account any Shares to be allotted and issued upon the exercise of any Options granted under the Pre-IPO Share Option Scheme and any Shares to be issued pursuant to any previous grant of RSUs under the Post-IPO RSU Scheme) are required to abstain from voting on the ordinary resolutions at the EGM to approve the RSU Grant to the Connected Grantees and the Related Transactions. Accordingly, the Connected Grantees and their respective associates shall abstain from voting at the EGM on the resolutions approving the RSU Grant to the Connected Grantees and the Related Transactions with respect to all the Shares they hold.

To the best of the Directors' knowledge, information and belief, none of the Shareholders, other than the Connected Grantees and their respective associates, is materially interested in approving the RSU Grant to the Connected Grantees and the Related Transactions as at the Latest Practicable Date, thus only the Connected Grantees and their respective associates, but not other Shareholders, are required to abstain from voting at the resolutions in respect to the RSU Grant to the Connected Grantees and the Related Transactions at the EGM.

As all of the independent non-executive Directors are the Connected Grantees, each of the independent non-executive Directors is regarded as having a material interest in the RSU Grant to the Connected Grantees. Accordingly, no independent board committee has been formed to advise the Independent Shareholders in respect of the RSU Grant to the Connected Grantees and the Related Transactions.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interests with the Company that could reasonably be regarded as relevant to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser. In the past two years, there are no engagement between the Group and us. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no arrangements exist whereby we had received any fees or benefits from the Company. Accordingly, we are qualified to give independent advice in respect of the RSU Grant to the Connected Grantees and the Related Transactions.

BASIS OF OUR ADVICE

In formulating our advice and recommendation to the Independent Shareholders, we have relied on the statements, information, opinion and representations contained or referred to in the Circular and the statements, information, opinion and representations provided to us by the management of the Company and the Directors. We have discussed with the management of the Company on the factors considered and basis of determining the RSU Grant to the Connected Grantees. We have also reviewed, among other things, the Circular, the annual report of the Company for the year ended 31 December 2016, the rule of the Post-IPO RSU Scheme and information provided by the management of the Company in relation to the RSU Grant to the Connected Grantees. We have assumed that all information and representations contained or referred to in the Circular and all information and representations which have been provided by the management of the Company and the Directors, for which they are solely

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and wholly responsible, were true, accurate and complete at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors as set out in the Circular were reasonably made after due and careful inquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and representations contained in the Circular.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular as a whole misleading.

We consider that we have taken sufficient and necessary steps to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, or its subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the RSU Grant to the Connected Grantees and Related Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS CONSIDERED

In giving our recommendation to the Independent Shareholders in respect of the RSU Grant to the Connected Grantees and the Related Transactions, we have taken into consideration the following factors and reasons:

1. Background of the Group

The Group is principally engaged in exploration, development and production of CBM and focuses on the development and value optimization of unconventional gas resources to supply clean energy in the PRC. The Company has production sharing contracts with two of the four state-owned enterprises authorized by the Chinese government to partner with foreign companies to explore, develop and produce China's CBM assets, namely CUCBM and PetroChina (through its parent company, CNPC).

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Pursuant to these production sharing contracts, the Company is the operator of the Panzhuang and Mabi concessions, granting it the right to explore, develop and produce the CBM within them. The Company holds 80% and 70% of the participating interests under the Panzhuang PSC and the Mabi PSC, respectively.

The Panzhuang concession has entered into production phase on 1 November 2016. As at 31 December 2016, Mabi concession was still in exploration phase.

According to the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”), the Group will continue to pursue further development of the Panzhuang concession and development preparation of the Mabi concession.

2. The Post-IPO RSU Scheme

The Company adopted the Post-IPO RSU Scheme on 5 June 2015 which became effective on 23 June 2015. According to the Post-IPO RSU Scheme, the Board may grant RSUs to eligible persons under the Post-IPO RSU Scheme, who might be either (i) existing employees, directors or officers of the Company or other members of the Group; and/or (ii) any other person selected by the Board at its sole discretion from time to time. It is believed that the future success and long term development of the Group is critically dependent on its ability to retain capable and competent personnel. Having considered that no consideration is required to be paid by the grantees for obtaining their RSUs and upon vesting subject to fulfillment of vesting conditions which are both time-based and KPI-linked, the Board is of the view that the grant of RSUs is an effective way to reward, retain and incentivize personnel.

3. Background of the Connected Grantees

The Connected Grantees comprise five Directors and one senior management of the Group. Each of the Connected Grantees possesses relevant expertise and plays a significant role in leading and/or managing for continual operation and development of the Group.

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As set out in the Letter from the Board, details of the roles and contributions of the Connected Grantees to the strategic and sustainable development of the Group are as follows:

Name	Role and Positions	Length of services in the Group	Contributions
Stephen Xiangdong Zou	Chairman and Executive Director; the chairman of the Nomination Committee	13 years	Responsible for the Group's overall development and growth strategies, investor and public relations, board governance and supervision of key management issues
Yaowen Wu	Independent non-executive Director (the "INED"); a member of the Nomination Committee and a member of the New Business Committee	2 years	Responsible for independently overseeing the management
Robert Ralph Parks	INED; the chairman of the Remuneration Committee, a member of the Audit Committee and a member of the New Business Committee	2 years	Responsible for independently overseeing the management
Fredrick J. Barrett	INED; the chairman of the New Business Committee and a member of the Remuneration Committee	2 years	Responsible for independently overseeing the management

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Name	Role and Positions	Length of services in the Group	Contributions
Stephen Cheuk Kin Law	INED; the chairman of the Audit Committee and a member of the Nomination Committee	1 year	Responsible for independently overseeing the management
Jing Li	Chief Executive Officer and President	9 years	Responsible for the Group's overall business development and growth strategies, operations, the technical group and environmental, health and safety matters, as well as the Group's government and partner relations, sales and marketing, human resource management and public relationships

Biographical details of each of the Connected Grantees

Dr. Zou

Dr. Zou, aged 59, is the primary founder of the Group, an executive Director and the chairman of the Board. Dr. Zou is primarily responsible for the Group's overall development and growth strategies, investor and public relations, board governance and supervision of key management issues. Dr. Zou has been the chairman and chief executive officer of the Parent Company since February 2008 and October 2013, respectively. He has been a director, the chief executive officer and chairman of the board of directors of AAGI since July 2004, August 2006 and October 2013, respectively. He was the president of AAGI from July 2005 to October 2013. He has been a director and the president of SAEI since June 2007.

Dr. Zou has over 31 years of experience in energy resources fields in the U.S. and the PRC, mainly in coal, CBM and petroleum exploration and development. He is considered one of the pioneers of China's CBM industry. From 1999 to 2006, he was a director, executive vice president, president and chief China representative of AACI and was responsible for development and implementation of AACI's short term and long-term work plans, management of its daily operations and business development, including project acquisition, assessment and approvals, contract negotiation and approvals, and partner relations. During this period, he identified and developed two coal mining projects, Daning coal mine and Gaohe coal mine, and two CBM projects.

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Dr. Zou was the general manager of CBM projects of Phillips China Inc. (菲力浦斯中國有限公司) from 1996 to 1997. He was responsible for the project coordination between Phillips China Inc. and its partners, overall management of the projects, negotiation of the production sharing contract and coordination of the support processes from Phillips China Inc. From 1994 to 1996, Dr. Zou was the vice president of CBM Energy Associates, L.C. and was responsible for its in-country management, partner relations and business development, including identification, contract negotiation and development of two CBM concessions, which led to the establishment of Shanxi Hedong CBM Company Ltd., a joint venture established by CBM Energy Associates, L.C. Shanxi Energy Enterprise (Group) Corporation and four other local companies in Shanxi Province, and Fuxin Sino-American CBM Co. Ltd., a joint venture established by CBM Energy Associates, Inc. and Fuxin Energy Development Corporation, as the operators of the CBM concessions. From 1994 to 1997, Dr. Zou was the vice chairman and general manager for both Shanxi Hedong CBM Company, Ltd. and Fuxin Sino-American CBM Co., Ltd. and managed their daily operations, CBM explorations (drillings and reservoir evaluation), CBM sales contracts' negotiations and partner relations.

From 1989 to 1993, while pursuing his doctorate degree at the department of geology and geography of West Virginia University, Dr. Zou was a teaching assistant as well as a research assistant on a project sponsored by the U.S. Department of Energy entitled "Measuring and Predicting Reservoir Heterogeneity in Complex Deposystems". Prior to that, he worked as an engineer at the branch of geology & exploration, China Central Coal Research Institute (中國煤炭科學研究院地質勘探分院) from 1985 to 1989 and worked at Shanxi No. 2 Coal Geological Exploration Co. (山西煤田地質勘探二隊) from 1975 to 1978. Dr. Zou obtained a bachelor of engineering degree in coal geology and exploration from Shanxi Mining College (山西礦業學院) in May 1982 and obtained a master degree from China Central Coal Research Institute (中國煤炭科學研究院) in December 1985. Dr. Zou earned his doctor of philosophy degree in geology from West Virginia University in December 1993.

Mr. Li

Mr. Li, aged 47, is the Chief Executive Officer and the president of the Company. Mr. Li was the co-chief executive officer and the president of the Company from October 2013 to October 2016. He has been the president of the Parent Company since October 2013. He was the senior vice president and the vice president of business development of the Parent Company from March 2011 to October 2013 and from February 2008 to March 2011, respectively. He was the vice president of business development of AAGI from February 2008 to October 2013 and has been the president of AAGI since October 2013. He is primarily responsible for the Group's overall development and growth strategies, operations, the technical group, health and safety matters, as well as government and partner relations, sales and marketing, human resource managements and public relationships.

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Mr. Li has over 17 years of experience in business development, project management and marketing and sales management in CBM and coal exploration and development business. Before joining the Group, from December 1999 to June 2008, he held various positions with AACI including deputy president of business development, business development director, project manager and marketing manager.

Mr. Li worked as a sales manager in Beijing Micromatic Machinery Co., Ltd. (北京邁克羅邁帝克機械有限公司) from June 1995 to May 1997 and a mechanical engineer in Capital Steel Corporation (首都鋼鐵集團) from July 1992 to May 1995. Mr. Li obtained his bachelor degree in engineering from Shanghai Jiao Tong University (上海交通大學) in July 1992 and his bachelor degree in economics from Peking University (北京大學) in August 1998. He received his master of business administration degree from China Europe International Business School (中歐國際工商學院) in April 2000.

Mr. Wu

Mr. Wu, aged 73, is an INED. Mr. Wu is primarily responsible for independently overseeing the management. Mr. Wu joined the Group in June 2015.

Mr. Wu has served as chairman of the board of China Coal Energy Group Ltd (中國中煤能源集團有限公司) since October 2008. Mr. Wu served as an outside director of Baosteel Group Co. Ltd (寶鋼集團有限公司) from October 2005 to March 2013. Mr. Wu served as deputy general manager in charge of the overseas business of China National Petroleum Corporation (中國石油天然氣集團公司) from December 1996 to December 2003. Mr. Wu served as one of the board members and vice chairman in Petro China Company Limited (中國石油天然氣股份有限公司) from May 1999 to July 2004. Mr. Wu also served as chief petroleum engineer of the National Energy Ministry of the PRC (國家能源局) from July 1988 to May 1993. Prior to that, Mr. Wu was a general manager of Qinghai Petroleum Administration Bureau (青海石油管理局) from September 1986 to July 1988. He was a deputy general manager of China Offshore Oil Donghai Corporation from July 1983 to October 1986.

Mr. Wu obtained a bachelor of science degree in drilling engineering from the China University of Petroleum (中國石油大學, formerly known as 北京石油學院) in August 1968. Mr. Wu is a senior engineer in professor grade.

Mr. Parks

Mr. Parks, aged 73, is an INED. Mr. Parks is primarily responsible for independently overseeing the management. Mr. Parks joined the Group in June 2015.

Mr. Parks was appointed as the chairman of Oaktree Capital (Hong Kong) Limited (“Oaktree”), covering the Asia Pacific region from February 2007 until March 2012. He is a member of the board of trustees of Rice University in Houston, Texas in the United States and serves as chairman of the board of Rice Management Company, which oversees the university’s endowment. He was appointed as an adviser to the investment committee of the Carnegie Corporate, a charitable foundation, in New York City. He is

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also an independent non-executive director of Ambow Education in Beijing, PRC. He completed his last term as an independent non-executive director of The Siam Commercial Bank Public Company Limited (SET: SCB) in Bangkok, Thailand.

Mr. Parks has over 40 years of experience in investment banking and has held senior management positions in Asia Pacific, Europe and the United States. Prior to joining Oaktree, he was chairman and chief executive officer in JP Morgan Asia Pacific from early 2001 to November 2006. Prior to that, Mr. Parks joined the Beacon Group in 1997 and was a partner from 1998 to 2000. Mr. Parks joined Goldman Sachs & Co. in the beginning of 1981 and became a partner in 1986 and was a limited partner for two years until 1996. Mr. Parks started his investment banking career with Merrill Lynch in 1970. In 1995, Mr. Parks founded Pear Tree Point School in Darien, Connecticut, USA, an independent elementary day school, of which he remains the sole proprietor to the present time. Mr. Parks obtained his bachelor of arts degree from Rice University in June 1966 and his master of business administration degree from Columbia University in June 1970.

Mr. Barrett

Mr. Barrett, aged 56, is an INED. Mr. Barrett is primarily responsible for independently overseeing the management. Mr. Barrett joined the Group in June 2015.

Mr. Barrett has over 31 years of experience in the energy and resources industry, mainly in oil and gas exploration and production. Mr. Barrett currently serves as a non-executive director for Tamboran Resources, a private independent exploration and production oil and gas company headquartered in Sydney, Australia since September 2014. Mr. Barrett also currently serves as chairman of the Compensation Committee for Tamboran Resources. From 2014 to 2015, Mr. Barrett served on an advisory panel and steering committee for Santos Ltd. (ASX: STO), a leading oil and gas producer headquartered in Adelaide, Australia, providing technical and strategic advice on their unconventional programs in Australia. Mr. Barrett served various positions in the Bill Barrett Corporation from 2002 to 2013, which was co-founded by him in January 2002, and he retired in January 2013. He served as president and executive director from January 2002 to July 2006, chief executive officer and chairman of the board from March 2006 to January 2013 and also served as chief operating officer from June 2005 to February 2006 and also served as president from July 2010 to January 2013, respectively. Prior to that, Mr. Barrett was a senior geologist for Barrett Resources in the U.S. Rocky Mountain Region from 1997 to 2001, and a geologist from 1989 to 1996. Mr. Barrett was a partner in the Terred Oil Company from 1987 to 1989, a private oil and gas partnership providing geologic services for the U.S. Rocky Mountain Region. Mr. Barrett worked as a project and well site geologist intern-in-training for various periods for Barrett Resources from 1983 to 1986, and held similar training internship roles for various periods for Barrett Energy and Aeon Energy from 1981 to 1983.

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Mr. Barrett obtained his Bachelor of Science and master of science degrees in geology from Ft. Lewis College, Durango, Colorado, USA and Kansas State University, Manhattan Kansas, USA in April 1984 and March 1989, respectively. Mr. Barrett graduated from the Harvard Business School Advanced Management Program in May 2005.

Mr. Law

Mr. Law, aged 54, is an INED. Mr. Law is primarily responsible for independently overseeing the management. Mr. Law joined the Group in July 2016.

Mr. Law held managerial and financial executive positions in various listed companies and financial institutions. Mr. Law has more than 30 years of experience in accounting, financial management and corporate finance. Mr. Law previously held positions as the finance director and a member of the executive directorate of MTR Corporation Limited (HKSE:66) (“**MTR**”). Prior to joining MTR, Mr. Law was the chief financial officer at Guoco Group Limited (HKSE:53) (“**Guoco**”). Prior to Guoco, Mr. Law was a managing director at TPG, one of the largest global private equity funds. Prior to TPG, Mr. Law also worked in direct investment at Morningside. Mr. Law is a member of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). Mr. Law is also a council member of HKICPA, and a vice-president of the Hong Kong Business Accountants Association, and an adjunct professor of the Hong Kong Polytechnic University. In addition, Mr. Law was appointed by Ministry of Finance of the PRC (the “**MOF**”) as an expert consultant to advise the MOF on finance and management accounting. Mr. Law holds a bachelor degree in science (civil engineering) from the University of Birmingham, the United Kingdom and also received a master degree in business administration from the University of Hull, the United Kingdom.

As stated above, the Connected Grantees possess extensive industry experience, educational background and expertise in energy resources, financial management and corporate finance sectors which are valuable and essential for future development and management of the Group.

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4. RSU Grant to the Connected Grantees

On 24 March 2017, the Board approved the proposed conditional grant of an aggregate of 10,906,933 RSUs to the Connected Grantees in accordance with the terms of the Post-IPO RSU Scheme.

Set out below summarizes information of the RSU Grant to the Connected Grantees:

Name of Connected Grantees	Position	Number of RSUs to be granted	Fair value of underlying Shares in relation to the RSUs as at the date of grant <i>(Note 1)</i> HK\$	Theoretical annualized fair value of RSUs vested <i>(Note 2)</i> HK\$	Percentage of the Company's total issued share capital as at the Latest Practicable Date <i>(Note 3)</i> %
Stephen Xiangdong Zou	Chairman and Executive Director	4,028,976	5,157,089	1,289,272	0.12%
Yaowen Wu	INED	450,000	576,000	288,000	0.01%
Robert Ralph Parks	INED	450,000	576,000	288,000	0.01%
Fredrick J. Barrett	INED	450,000	576,000	288,000	0.01%
Stephen Cheuk Kin Law	INED	450,000	576,000	288,000	0.01%
Jing Li	Chief Executive Officer and President	5,077,957	6,499,785	1,624,946	0.15%
Total		<u>10,906,933</u>	<u>13,960,874</u>	<u>4,066,218</u>	<u>0.33%</u>

Notes:

1. Fair value of the underlying Shares in relation to the RSUs in connection with the RSU Grant to the Connected Grantees are estimated based on closing price of HK\$1.28 as at 24 March 2017, being the date on which the Board approved the conditional grant of RSUs.
2. For prudence purpose, it is assumed that 100% of the relevant KPI Target for the KPI-linked RSUs will be met with maximum number of RSUs which will be vested in a financial year being used for calculation.
3. The aggregate percentage may not add up to 0.33% due to rounding.

The RSU Grant to the Connected Grantees serves to (i) align the interest of the Connected Grantees with the continue performance of the Group; (ii) recognize the past contributions made by the Connected Grantees; (iii) motivate, attract and retain the

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Connected Grantees to provide continuing future contributions to the Group; and (iv) provide an additional form of reward to the Connected Grantees which is similar to a deferred bonus payment without cash outflow.

As advised by the management of the Company, we are given to understand that the number of RUSs to be granted to each Connected Grantees was recommended by the Remuneration Committee and is determined by the Board after taking into account factors including, performance, role, responsibilities, time commitment and annual remuneration of the Connected Grantees. In addition, the Remuneration Committee and the Board has also taken into account the remuneration packages and compensation practices of directors and/or chief executive officers of other comparable companies (such as public companies in oil and gas exploration, production, refining and marketing industries with comparable market capitalization) (the “**Comparables**”).

Upon our discussion with the management of the Company, we are made known that the Comparables comprises of 15 companies which were selected based on the following criteria: (i) US-listed companies in oil and gas industry which involve exploration, production, refining and marketing activities, which have similar business nature and business model as the Group; (ii) key executives remuneration data are available for comparison purpose; and (iii) companies with similar market capitalization as the Company. Median market capitalization of the Comparables is approximately USD538 million by end of 2016 which is similar to market capitalization of the Company of approximately USD536 million.

Taking into account (i) the business model, operation and business activities carried out by the Comparables have closer resemblance to that of the Group when compared with peers listed on the Stock Exchange (the “**HK Peers**”); (ii) there are only limited number of companies in the HK Peers; (iii) salaries and compensation practices (such as compensation component, compensation structure and compensation level) regarding the remuneration packages of different category of key executives (e.g. Chairmen, Chief Executive Officers and independent non-executive directors) of the Comparables are readily available for comparison purpose. In addition, the Comparables offer share-based incentives to key executives; (iv) only limited number of the HK Peers offer share-based incentive schemes; (v) limited information are available on remuneration practices and packages towards different category of key executives of the HK Peers; and (vi) it is paramount for the Group to stay competitive in compensation package offered to key executives among companies in the same industry worldwide because the geographical mobility of the talents are relatively high in the oil and gas industry given the limited numbers of companies participating in such industry and evidenced by the great difference in background of the key executives of the Company, we consider that the Comparables (with remuneration information regarding different category of key executives available) provides a meaningful sample size and a reasonable benchmark of remuneration packages of the Group’s peers in order for the Board to make reference for determining number of RSUs to be granted to the Connected Grantees according to their respective positions in order to motivate, attract and retain the Connected Grantees.

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As advised by the management of the Company, we note that the remuneration packages of the Comparables for Chairman and Chief Executive Officer comprise of basic salary, short term incentive (e.g. bonus) and long term incentive (“LTI”). Grant of restricted share units is most commonly adopted as LTI for key executives of the Comparables and is mainly granted on an annual basis. We are made known that, in arriving at the number of RSUs to be granted to the Connected Grantees, the Board has made reference to (i) the annual remuneration of key executives of the Comparables in 2015; and (ii) remuneration packages of the Connected Grantees (excluding share-based benefits associated with share options and RSUs already granted). Number of RSUs proposed to be granted to the respective Connected Grantees determined by the Board on the basis that their respective remuneration packages after grant of RSUs will be at a level comparable to that of the Comparables as assessed by the Board.

Set out below is the summary of the remuneration information of the Comparables which have been considered by the Board for determining number of RSUs to be granted:

Total annual remuneration in 2015	Chairman <i>USD'000</i>	Chief Executive Officer <i>USD'000</i>	Independent non-executive directors <i>USD'000</i>
Median	2,250	2,750	120

RSUs for Chairman and Chief Executive Officer of the Company

Upon our discussion with the management of the Company and review of the information of the Comparables and calculation schedule of number of RSUs to be granted to the Connected Grantees, we note that remuneration package (excluding share-based benefits) of each of Mr. Stephen Xiangdong Zou (Chairman and Executive Director) and Mr. Jing Li (Chief Executive Officer and President) when aggregating with the fair value of the underlying Shares in relation to the respective RSUs to be granted (estimated based on closing price of HK\$1.28 as at 24 March 2017, the date that the Board approved the grant of RSUs) will be lower than but comparable to median of the total remuneration of Chairman and Chief Executive Officer of the Comparables of approximately USD2.3 million (equivalent to approximately HK\$17.8 million) and USD2.8 million (equivalent to approximately HK\$21.3 million) respectively.

RSUs for INEDs

We note that the median of total remuneration of independent non-executive directors of the Comparables is approximately USD120,000 (equivalent to approximately HK\$931,000). We note that annual directors’ fee (excluding share-based benefits) of each of the Connected Grantees who are INEDs (namely Mr. Yaowen Wu, Mr. Robert Ralph Parks, Mr. Fredrick J. Barrett and Mr. Stephen Cheuk Kin Law) when aggregating with the fair value of the underlying Shares in relation to the respective RSUs to be granted (estimated based on closing price of

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HK\$1.28 as at 24 March 2017, the date that the Board approved the grant of RSUs) is lower than but comparable to the total remuneration of independent non-executive directors of the Comparables.

Based on the foregoing, we consider that the basis of determining number of RSUs to be granted to the Connected Grantees is fair and reasonable.

On the same date, the Board also approved the proposed conditional grant of an aggregate of 15,426,249 RSUs to a total of 64 Non-connected Grantees in accordance with the terms of the Post-IPO RSU Scheme.

It is noted that the terms of the RSU Grant to the Connected Grantees, including the vesting schedules (except in the case of the RSUs conditionally granted to the INEDs) and performance targets, are the same as those applied for the Non-connected Grantees except that the RSU Grant to the Connected Grantees and any transactions contemplated thereunder are subject to the approval by the Independent Shareholders. Other than the aforesaid approval, terms of the RSU Grant to the Connected Grantees are set out below:

- the Connected Grantees are not required to pay for the grant of any RSUs under the Post-IPO RSU Scheme and no consideration is required from them to be allotted and issued with the Shares underlying the respective RSUs upon vesting;
- each of these RSUs to be granted to the 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 Connected Grantees may not exercise any voting rights in respect of any Shares underlying the RSUs that have not yet vested; and
- for each of Dr. Zou and Mr. Li, the RSUs granted to him 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 2017; 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 2017 pursuant to the following payout schedule (the “**KPI-linked RSUs Payout Schedule**”):
 - (a) 100% of the KPI-linked RSUs shall vest if 100% of the relevant KPI Target (as defined below) is met; or

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- (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 each INED, the RSUs granted to him shall vest as follows:
 - (1) 25% of the RSUs will be vested immediately after the acceptance of the RSU Grant by the relevant INED;
 - (2) 37.5% of the RSUs will be time-based and shall vest at the rate of one-third (1/3) for each 12-month period commencing from 31 March 2017; and
 - (3) 37.5% of the RSUs shall be 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-third (1/3) for each 12-month period commencing from 31 March 2017 pursuant to the KPI-linked RSUs Payout Schedule.

Key performance indicators (“**KPIs**”) refer to (i) EBITDA; (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.

We understand that (i) the vesting schedules (except in the case of the RSUs conditionally granted to the INEDs) and performance targets of the RSU Grant to the Connected Grantees are the same as for the RSU Grant to the Non-connected Grantees; (ii) the proposed grant of the RSUs to the Connected Grantees which comprise a combination of a time-based component and a performance-based component will facilitate the Group to retain the Connected Grantees and provide incentive to the Connected Grantees for continuing contribution to the Group in the future. In view of the foregoing, we consider that the RSU Grant to the Connected Grantees is fair and reasonable.

5. Reasons for and benefits of the RSU Grant to the Connected Grantees

As disclosed in the Letter from the Board, the RSU Grant to the Connected Grantees 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 Company and the employees in order to maximize the motivation of the Directors and the senior management of the Company. We are given to understand that the Company proposed to remunerate the Connected Grantees with an award of the RSUs after taking into the consideration of the respective roles, background and contributions of the Connected Grantees.

As disclosed in the 2016 Annual Report, the Company indicated that 2016 was a challenging year for oil and gas producers globally. The Group's revenue decreased from approximately RMB536.7 million for the year ended 31 December 2015 ("FY2015") to approximately RMB411.3 million for year ended 31 December 2016 ("FY2016"), representing a decrease of approximately 23.4%. The revenue drop was due to a decrease in average realized gas price of CBM after The National Development and Reform Commission of the People's Republic of China (the "NDRC") reduced the non-residential gas price in late 2015, which was partially offset by an increase in production. Given the aforesaid price reduction as announced by the NDRC, the Group's EBITDA decreased by approximately 26.9%, from approximately RMB371.9 million in FY2015 to approximately RMB271.8 million in FY2016. Despite the decrease in revenue, the Group managed to register a net profit of approximately RMB106.6 million in FY2016 from a net loss of approximately RMB56.9 million in FY2015.

In FY2016, with the Connected Grantees being the Directors and key management of the Group who are responsible for, among others, overall business development, growth strategies, daily operations of the Group and overseeing management of the Group, the Group continued to deliver growth in total gross production and gross sales volume before value added tax and local taxes of approximately 7% and 3.5% respectively. In addition, the Group's net proved and probable ("2P") natural gas reserve as at year-end 2016 demonstrated an increase of approximately 4.1%. Furthermore, Panzhuang concession entered into production phase on 1 November 2016.

With Panzhung concession entering to production phase and under a challenging business environment, it will call for an increase in efforts and contributions from the Connected Grantees in carrying out their duties and responsibilities.

Having considered that (i) each of the Connected Grantees possesses expertise and experience in his own area and is familiar with the operations of the Group; (ii) 50% of the RSUs proposed to be granted to Dr. Zou and Mr. Li are time-based which will be vested over a four-year period; (iii) 37.5% of the RSUs proposed to be granted to each of the INEDs are time-based which will be vested over a three-year period, we are of the view that the RSU Grant to the Connected Grantees as a vital part of retaining the Directors and experienced senior management of the Group is beneficial for the

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development and expansion of the Group, and can avoid any potential disruption to the existing operations of the Group resulting from the lack of continuity of an experienced senior management team.

Given that (i) 50% of the RSUs proposed to be granted to Dr. Zou and Mr. Li are KPI-linked; and (ii) 37.5% of the RSUs proposed to be granted to each of the INEDs are KPI-linked, we consider that the RSU Grant to the Connected Grantees would motivate the Connected Grantees to provide continuing contributions to the Group in the future for long term and sustainable development of the Group without causing a negative impact on the Group's cashflow.

Furthermore, we concur with the Directors that the RSU Grant to the Connected Grantees as part of the remuneration package will provide the Connected Grantees with certainty of monetary benefits regardless of the share price performance of the Company. Such benefit, which can be realised and is readily available at the end of the vesting period, is similar to paying a deferred bonus, and hence is an effective complementary incentive.

In light of the foregoing, we are of the view that the RSU Grant to the Connected Grantees and the Related Transactions are in the interests of the Company and the Shareholders as a whole.

6. RSUs granted by other comparable companies

According to our assessment as stated under the section headed "RSU Grant to the Connected Grantees", we consider that the Comparables provide a meaningful sample size and reasonable reference for determining number of RSUs to be granted to the Connected Grantees.

As an additional analysis for the RSU Grant to the Connected Grantees, we have compared the value and vesting period of RSU Grant to the Connected Grantees with restricted shares or share units granted to directors and/or senior management of other companies as disclosed in their latest annual reports/interim reports of the recent financial year/period (the "**Comparable RSU Grants**"). The purpose of such assessment is to analyze the reasonableness and fairness of the RSU Grant to the Connected Grantees. The selection criteria of the Comparable RSU Grants is set as below:

- (i) shares of which were publicly traded on the Stock Exchange as at the Latest Practicable Date and are principally engaged in exploration, development, extraction and/or production of oil and gas. The aforesaid selection has taken into account of the Group's current business model, being (i) development, exploration and production of CBM; and (ii) development and value optimization of unconventional gas resources for supplying clean energy to the Chinese economy (the "**Business Criteria**"); and
- (ii) have a share award scheme for granting restricted share units and have already granted such restricted share units to directors and/or senior management (the "**RSU Criteria**").

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In identifying the Comparable RSU Grants, we, on a best-effort basis, have identified (i) fifteen companies that satisfy the Business Criteria; and (ii) three companies out of the fifteen companies which fulfill the Business Criteria also satisfy the RSU Criteria (the “**Relevant Companies**”).

Set out below is the list of companies which satisfy the Business Criteria for deriving the Relevant Companies:

Stock Code	Company Name	Fulfillment of the Business Criteria	Fulfilment of the RSU Criteria	Principal activities
3	The Hong Kong and China Gas Co. Ltd.	Yes	No	Production, distribution and marketing of gas, water supply and emerging environmentally-friendly energy businesses in Hong Kong and the PRC; property development and investment activities in Hong Kong; oilfield extraction in Thailand.
166	New Times Energy Corporation Ltd.	Yes	No	Trading of oil products; exploration, exploitation, production and sale of natural resources.
228	China Energy Development Holdings Ltd.	Yes	No	Sales of food and beverages in Hong Kong, exploration and production of natural gas in PRC and money lending business.
467	United Energy Group Ltd.	Yes	No	Sales and production of crude oil, condensate, gas and liquified petroleum gas and provision of patented technology supporting services to oilfields.
603	China Oil and Gas Group Ltd. [#]	Yes	Yes	Investments in natural gas and energy related businesses.

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Stock Code	Company Name	Fulfillment of the Business Criteria	Fulfilment of the RSU Criteria	Principal activities
632	Pearl Oriental Oil Ltd.	Yes	No	Oil and natural gas and petroleum exploration, exploitation and production in certain natural gas and oil field located in Uinta Basin, Uintah County, Utah, the United States of America.
650	IDG Energy Investment Group Ltd.	Yes	No	Exploration, development and production of crude oil.
689	EPI (Holdings) Ltd.	Yes	No	Petroleum exploration and production.
702	Sino Oil and Gas Holdings Ltd.	Yes	No	Exploration, development and production of coalbed methane, exploitation and sale of crude oil and natural gas, and raw coal washing and sale of raw and cleaned coal in China.
933	Brightoil Petroleum (Holdings) Ltd. [#]	Yes	Yes	Oil and gas exploration, development and production, international trading and bunkering, marine transportation, oil storage and terminal facilities as well as E-commerce business.
1555	MIE Holdings Corporation [#]	Yes	Yes	Exploration, development, production and sale of oil and other petroleum products in the PRC, the Kazakhstan, and the USA.

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Stock Code	Company Name	Fulfillment of the Business Criteria	Fulfilment of the RSU Criteria	Principal activities
2012	Sunshine Oilsands Ltd.	Yes	No	Exploration for, and the development of, oil properties for the future production of bitumen in the Athabasca oil sands region in Alberta, Canada.
3395	Persta Resources Inc.	Yes	No	Natural gas and crude oil exploration, development and production.
8011	Polyard Petroleum International Group Ltd.	Yes	No	Investment holding, exploration, exploitation and development of oil and natural gas, and trading of petroleum-related products.
8270	China CBM Group Co. Ltd.	Yes	No	Exploitation, liquefaction production and sales of natural gas in the PRC.

Being the Relevant Companies

From the three Relevant Companies, we, on a best-effort basis, have identified seven Comparable RSU Grants. The above selection criteria, which have considered both the Business Criteria and the RSU Criteria, provide a meaningful comparison of the RSU Grant to the Connected Grantees with those of the other listed companies within the same sector of the Group. We consider that the Comparable RSU Grants are fair and representative samples for comparison purpose and represent an exhaustive list based on the said criteria and provide a relevant benchmark for the purpose of assessing the fairness and reasonableness of the terms of the RSU Grant to the Connected Grantees.

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We note that the responsibilities, the service terms, the business scale of each of the Comparable RSU Grants, including but not limited to the date of grant and other relevant criteria with respect to each grantee may differ. Nonetheless, in our opinion, the nature of business of listed companies and the role of the senior management in those companies are more relevant criteria for comparison purpose. Thus, the Comparable RSU Grants are considered reasonable references for the common market practice in granting restricted share units to directors and/or senior management of other listed companies amongst the same sector.

Company name and stock code	Market Capitalization as at the Latest Practicable Date (HK\$ million)	Principal Activities	Date of grant of restricted share units or share award	Number of the restricted share units or share award to directors and/or senior management	Vesting status	B Theoretical vesting for each year/ the respective financial year	C Fair value of the restricted share units awarded shares per share as at the date of grant (HK\$)	D = A x B x C Theoretical annualized fair value of the restricted share units or share award vested (HK\$)	Position of the grantees
Brightoil Petroleum (Holdings) Limited (933)	21,876.9	Oil and gas exploration, development and production, international trading and bunkering, marine transportation, oil storage and terminal facilities as well as E-commerce business.	13 June 2014	2,000,000	Vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2015, 12 June 2016, 12 June 2017, 12 June 2018 and 12 June 2019 respectively	20%	2.38	952,000	Directors
			13 June 2015	1,715,000	Vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2016, 12 June 2017, 12 June 2018, 12 June 2019 and 12 June 2020 respectively	20%	4.5	1,543,500	Directors
			25 July 2016	1,100,000	Vesting period in five tranches of 20% each of its awarded shares granted from the grant date to 12 June 2017, 12 June 2018, 12 June 2019, 12 June 2020 and 12 June 2021 respectively	20%	2.29	503,800	Directors

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Company name and stock code	Market Capitalization as at the Latest Practicable Date (HK\$ million)	Principal Activities	Date of grant of the restricted share units or share award	Number of the restricted share units or share award to directors and/or senior management	Vesting status	Theoretical vesting for each year/ the respective financial year	B	Fair value of the restricted share units awarded shares per share as at the date of grant (HK\$)	C	D = A x B x C	Theoretical annualized fair value of the restricted share units or share award vested (HK\$)	Position of the grantees
China Oil and Gas Group Limited (603)	3,437.2	Investments in natural gas and energy related businesses.	5 May 2014 15 July 2014	10,000,000 1,380,000	Vested immediately Vested immediately	100% 100%	1.28 1.37	1.28 1.37			12,800,000 1,890,600	Directors Directors
MIE Holdings Corporation (1555)	2,086.4	Exploration, development, production and sale of oil and other petroleum products in the PRC, the Kazakhstan, and the USA.	28 July 2015 20 November 2015	20,000,000 14,200,000	Vested immediately Not mentioned	100% N/A	0.66 0.95	0.66 0.95			13,200,000 N/A	Directors Directors and employees
											503,800 13,200,000	
											Average	5,148,317

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A	B	C	D = A x B x C
Company name and stock code	Theoretical vesting for each year/ the respective financial year	Fair value of the restricted share units awarded shares per share as at the date of grant	Theoretical annualized fair value of the restricted share units or share award vested
Market Capitalization as at the Latest Practicable Date (HK\$ million)	Vesting status	(HK\$)	(HK\$)
Principal Activities	Number of the restricted share units or share award to directors and/or senior management	Date of grant of the restricted share units or share award	Position of the grantees
The Company 4,158.5 Exploration, development and production of CBM and focuses on the development and value optimization of unconventional gas resources to supply clean energy in the PRC.	(i) Dr. Zou and Mr. Li: one fourth (1/4) for each 12-month period commencing from 31 March 2017; and (ii) INEDs: 25% will be vested immediately and 75% shall vest at one-third (1/3) for each 12-month period commencing from 31 March 2017	24 March 2017 <i>(Note 1)</i>	(i) 25% (For Dr. Zou and Mr. Li) (ii) 50% (For INEDs)
		1.28	4,066,218 <i>(Note 2)</i>
			(i) Dr. Zou (Chairman and Executive Director), Mr. Li (Chief Executive Officer and President); (ii) INEDs namely, Mr. Parks, Mr. Barrett, Mr. Law and Mr. Wu

(see further details of time-based and KPI-linked RSUs in the section headed "RSU Grant to the Connected Grantees" above)

Source: Website of the Stock Exchange

Note:

- The date represents that the Board approved the proposed conditional grant of 10,906,933 RSUs to the Connected Grantees, which is subject to the conditions set out in the Letter from the Board and acceptance by the Connected Grantees.
- For prudence and comparison purposes, it is assumed that 100% of the relevant KPI Target for the KPI-linked RSUs will be met with maximum number of RSUs which will be vested in a financial year being used for calculation.

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Vesting schedule

As set out in the section headed “RSU Grant to the Connected Grantees” above, assuming that 100% of the relevant KPI Target for the KPI-linked RSUs are met, RSU Grant to the Connected Grantee shall vest either (i) at the rate of one-fourth (1/4) for each 12-month period commencing from 31 March 2017 for RSUs proposed to be granted to Dr. Zou and Mr. Li (the “**Key Management Vesting Rate**”); or (ii) for those RSUs proposed to be granted to the INEDs, 25% of such RSUs to be granted will be vested immediately after the acceptance of the RSU Grants by the relevant INEDs and 75% of such RSUs proposed to be granted will vest at the rate of one-third (1/3) for each 12-month period commencing from 31 March 2017. As such, maximum vesting rate of those RSUs proposed to be granted to the INEDs in a financial year will be 50% (the “**Maximum INEDs Vesting Rate**”) (calculated as $25\% \times 100\% + 75\% \times 1/3 = 50\%$). Each of the Key Management Vesting Rate of 25% and the Maximum INEDs Vesting Rate of 50% falls within the range of the vesting rate of the Comparable RSU Grants between 20% and 100% and is below the average of approximately 60%. As indicated by the vesting rates of the Comparable RSU Grants, three of them were vested immediately within the financial year of such grant and three of them were vested in stages. Therefore, it is common for restricted share units to vest in stages or immediately. However, it should be noted that with a lower vesting rate in the grant of restricted share units, it will cause lesser immediate impact to the financial position of the Group. Given that the vesting period of the RSU Grant to the Connected Grantees is at the low end of the vesting rate of the Comparable RSU Grants, we consider that such vesting rate is acceptable as compared to the Comparable RSU Grants.

Monetary value of the RSUs

The theoretical maximum annualized value of the RSU Grant to the Connected Grantees of approximately HK\$4.1 million falls within the range of the Comparable RSU Grants from approximately HK\$0.50 million to approximately HK\$13.2 million and is below the average of approximately HK\$5.1 million. In light of the above, we considered the total monetary value of RSU Grant to the Connected Grantees acceptable.

Vesting conditions

We noted that (i) total number of 9,106,933 RSUs to be granted to Dr. Zou and Mr. Li, 50% of the aforesaid will be KPI-linked (i.e. 4,553,467 RSUs); and (ii) total number of 1,800,000 RSUs to be granted to the four INEDs, 37.5% of the aforesaid will be KPI-linked (i.e. 675,000 RSUs). As such, 5,228,467 RSUs, representing approximately 47.9% of 10,906,933 RSUs proposed under the RSU Grant to the Connected Grantees, are KPI-linked whereas none of the restricted share units granted by the Comparable RSU Grants are KPI-linked.

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As set out in the section headed “RSU Grant to the Connected Grantees” above, the vesting conditions of the RSU Grant to the Connected Grantees comprise a combination of a time-based component and a performance-based component. The RSUs will be vested not only according to the vesting schedule as discussed above, but will also subject to fulfillment of the KPI Target. As compared with the Comparable RSU Grants which did not have any performance-linked component, we consider that the vesting conditions of the RSU Grant to the Connected Grantees which are both time-based and performance-based are more meaningful to the Company and will better align the interests of the Connected Grantees with the Company. This will facilitate the Group to retain the Connected Grantees and provide incentive to the Connected Grantees for continuing contribution to the Group in the future, which will in turn be beneficial to the Group and the Shareholders as a whole.

Number of underlying Shares in relation to the RSUs for the Connected Grantees in aggregate and to each grantees individually

To further assess the fairness and reasonableness of the number of underlying Shares in relation to the RSUs for the Connected Grantees in aggregate and individually, a comparison of the number of underlying Shares in relation to the RSUs for the Connected Grantees and those of the Comparable RSU Grants are set out in the table below:

Company name and stock code	Date of grant of restricted share units or awarded shares	Number of restricted share units or share award (the “Awarded Units”) to directors and/or senior management	Identity of individual grantees	Percentage of total number of Awarded Units to the total issued share capital	Percentage of total number of Awarded Units to each grantees to the total number of Awarded Units in respective grant
Brightoil Petroleum (Holdings) Limited (933)	13 June 2014	600,000	Executive Director	0.007%	30.00%
		600,000	Executive Director	0.007%	30.00%
		200,000	Executive Director	0.002%	10.00%
		150,000	Non-executive Director	0.002%	7.50%
		150,000	Independent Non-executive Director	0.002%	7.50%
		150,000	Independent Non-executive Director	0.002%	7.50%
		150,000	Independent Non-executive Director	0.002%	7.50%
		2,000,000		0.023%	100.00%

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Company name and stock code	Date of grant of restricted share units or awarded shares	Number of restricted share units or share award (the "Awarded Units") to directors and/or senior management	Identity of individual grantees	Percentage of total number of Awarded Units to the total issued share capital	Percentage of total number of Awarded Units to each grantees to the total number of Awarded Units in respective grant
	13 June 2015	585,000	Executive Director	0.006%	34.11%
		585,000	Executive Director	0.006%	34.11%
		385,000	Executive Director	0.004%	22.45%
		40,000	Non-executive Director	Minimal	2.33%
		40,000	Independent Non-executive Director	Minimal	2.33%
		40,000	Independent Non-executive Director	Minimal	2.33%
		40,000	Independent Non-executive Director	Minimal	2.33%
		<u>1,715,000</u>		<u>0.017%</u>	<u>100.00%</u>
China Oil and Gas Group Limited (603)	25 July 2016	1,100,000	Directors	0.011%	N/A
	5 May 2014	10,000,000	Directors	0.189%	N/A
	15 July 2014	1,380,000	Directors	0.026%	N/A
	28 July 2015	20,000,000	Directors	0.343%	N/A
MIE Holdings Corporation (1555)	20 November 2015	14,200,000	Directors and employees	0.493%	N/A
The Company	24 March 2017	4,028,976	Chairman and Executive Director	0.121%	36.94%
		450,000	INED	0.014%	4.13%
		450,000	INED	0.014%	4.13%
		450,000	INED	0.014%	4.13%
		450,000	INED	0.014%	4.13%
		5,077,957	Chief Executive Officer and President	0.153%	46.56%
		<u>10,906,933</u>		<u>0.328%</u>	<u>100.00%</u>

Source: Website of the Stock Exchange

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The following table sets out the range of (i) the percentage of total number of Awarded Units to connected person to the total issued share capital; (ii) the percentage of total number Awarded Units to each of the connected person to the total issued share capital; and (iii) the percentage of total number of Awarded Units to each grantees to the total number of Awarded Units.

	Comparable RSU Grants	The Company
The percentage of total number of Awarded Units to the connected person to the total issued share capital	Range: 0.011% to 0.493%	0.328%
The percentage of total number of Awarded Units to each of the connected person to the total issued share capital	Range: Minimal to 0.007%	Range: 0.014% to 0.153%
The percentage of total number of Awarded Units to each grantees to the total number of Awarded Units in respective grant	Range: Executive directors: 10.00% to 34.11% Non-executive directors & Independent non-executive directors: 2.33% to 7.50%	Executive directors & Chief Executive Officer: 36.94% to 46.56% INEDs: 4.13%

As depicted from the table above, we understand that the percentage of the total number of RSUs to be granted to the Connected Grantees to the total issued share capital of the Company is approximately 0.328%, which is within the range from 0.011% to 0.493% of the Comparable RSU Grants.

Among the Comparable RSU Grants, two comparables have available information for Awarded Units granted to each individual grantees (the “**Individual Comparable Grants**”). As an additional reference, the percentage of the total number of RSUs to be granted to each Connected Grantees to the total issued share capital of the Company ranged from approximately 0.014% to 0.153%, which exceeds the range from minimal to approximately 0.007% of the Individual Comparable Grants (“**Individual Comparable Range**”).

As illustrated in the table above, we note that percentage of total number of Awarded Units to each grantees to the total number of Awarded Units for the Individual Comparable Grants ranges from (i) approximately 10.00% to 34.11% for

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grant to executive directors (the “**Executives Grant Ratio Range**”); and (ii) approximately 2.33% to 7.50% for grant to non-executive directors and independent non-executive directors (the “**Non-Executives Grant Ratio Range**”).

The percentage of number of RSUs granted to each grantees (the “**RSU Grant Ratio**”) under the RSU Grant to the Connected Grantees for Dr. Zou and Mr. Li are approximately 36.9% and 46.6% respectively, which are slightly above but comparable to the Executives Grant Ratio Range.

Regarding RSU Grant Ratio for each of the INEDs of approximately 4.13%, it lies within the Non-Executives Grant Ratio Range.

As set out in the section headed “RSU Grant to the Connected Grantees” above, the RSUs to be granted to the Connected Grantees is part of the remuneration package of the Connected Grantees which are set by the Company after considering (i) the annual remuneration of key executives of the Comparables in 2015; and (ii) remuneration packages of the Connected Grantees (excluding share-based benefits). The number of RSUs to be granted to the Connected Grantees is to align the remuneration packages of the Connected Grantees to a level comparable to that of the Comparables after such grant. As stated previously, we consider that the Comparables provide a meaningful sample size and reasonable reference for determining number of RSUs to be granted to the Connected Grantees.

In light of the aforesaid, despite percentage of the total number of RSUs to be granted to each Connected Grantees exceeds the Individual Comparable Range, we consider it is commercially sensible for the Company to propose the RSU Grant to the Connected Grantees after making reference to the Comparables to align respective remuneration packages of the Connected Grantees according to their respective positions to a level comparable to that of the Comparables after such grant to (i) retain and incentivize its Directors and senior management for continuing contribution in the future; and (ii) compensate its Directors and senior management for the performances made in the past.

Based on the aforesaid, we consider that the terms of the RSU Grant to the Connected Grantees are fair and reasonable.

7. Dilution effect to the Independent Shareholders

Assuming the Connected Grantees become fully entitled to all RSUs after the vesting period and completion of the performance targets, the number of Shares to be issued pursuant to the RSU Grant to the Connected Grantees would be limited to 10,906,933, or approximately 0.33% of the total issued share capital of the Company as at the Latest Practicable Date, without taking into account any Shares to be allotted and issued upon the exercise of any Options granted under the Pre-IPO Share Option Scheme and any Shares to be issued pursuant to any previous grant of RSUs under the Post-IPO RSU Scheme. We are of view and concur with the Director that this is immaterial in percentage terms and acceptable.

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8. Possible financial effects of the RSU Grant to the Connected Grantees

The RSU Grant to the Connected Grantees will vest over a four-year period (except in the case of the RSUs conditionally granted to the INEDs will vest over a three-year period). Based on the closing price of HK\$1.28 per Share as quoted on the Stock Exchange on 24 March 2017, being the date on which the Board approved the RSUs granted to the Connected Grantees, the market value of the RSUs proposed to be granted to the Connected Grantees is approximately HK\$14.0 million. Furthermore, approximately 47.9% of the RSUs proposed to be granted to the Connected Grantees are KPI-linked. Thus, the impact of the RSU Grant to the Connected Grantees on the financial results of the Group would be immaterial.

RECOMMENDATION

Having considered the factors and reasons as stated above, we are of the opinion that the terms of the RSU Grant to the Connected Grantees and Related Transactions are fair and reasonable, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Shareholders to vote in favour of the ordinary resolution in relation to the RSU Grant to the Connected Grantees and Related Transactions to be proposed at the EGM.

Yours faithfully,
For and on behalf of
Akron Corporate Finance Limited
Ross Cheung
Managing Director

Mr. Ross Cheung is a licensed person registered with the Securities and Future Commission of Hong Kong and regards as a responsible officer of Akron Corporate Finance Limited to carry on Type 6 (advising on corporate finance) regulated activity as defined under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong) and has over 14 years of experience in corporate finance industry.

The following are the general information in connection with the RSU Grant to the Connected Grantees and the Related Transactions.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this circular or this circular misleading.

2. DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS OR SHORT POSITIONS IN EQUITY SECURITIES OF THE COMPANY

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name	Position	Capacity/Nature of interest	Number of underlying Shares	Approximate percentage of shareholding
Dr. Zou ⁽¹⁾	Chairman and Executive Director	Beneficial owner	126,524,107(L) ⁽⁵⁾	3.80%(L)
		Founder of a discretionary trust	84,677,113(L)	2.55%(L)
Guiyong Cui	Non-executive Director	Beneficial owner	275,326(L)	0.01%(L)
Yaowen Wu ⁽²⁾	Independent non-executive Director	Beneficial owner	477,708(L)	0.01%(L)
Robert Ralph Parks ⁽³⁾	Independent non-executive Director	Beneficial owner	715,708(L)	0.02%(L)
Fredrick J. Barrett ⁽²⁾	Independent non-executive Director	Beneficial owner	477,708(L)	0.01%(L)
Jing Li ⁽⁴⁾	Chief executive officer and president	Interest in a controlled corporation	63,586,595(L)	1.91%(L)

Notes:

- (1) As of the Latest Practicable Date, Dr. Zou beneficially owns interests in 126,524,107 Shares, 11,942,710 Shares and 6,621,733 Shares of which represent interests in the outstanding Options and outstanding RSUs he held under the Pre-IPO Share Option Scheme and the Post-IPO RSU Scheme, respectively. Dr. Zou is deemed to be interested in 63,075,458 Shares and 9,612,371 Shares for the purposes of the SFO, which is beneficially owned by Dr. Zou's descendants as beneficiaries of The Zou 2011 Family Trust and The Zou 2012 Family Trust, respectively. Dr. Zou is also deemed to be interested in 11,989,284 Shares for the purposes of the SFO, which are beneficially owned by Dr. Zou and his descendants as beneficiaries of the Zou GRAT. Each of The Zou 2011 Family Trust, The Zou 2012 Family Trust and the Zou GRAT is a discretionary trust established by Dr. Zou as a settlor and its beneficiaries are Dr. Zou and his family members.
- (2) All these interests represent interests in outstanding Options they hold under the Pre-IPO Share Option Scheme as of the Latest Practicable Date.
- (3) As of the Latest Practicable Date, Mr. Parks beneficially owns interests in 715,708 Shares of the Company. 477,708 Shares of which represent the interests in the outstanding Options he held under the Pre-IPO Share Option Scheme.
- (4) As of the Latest Practicable Date, Mr. Li beneficially owns 63,586,595 Shares through China Energy Holdings Limited, a company wholly-owned by Mr. Li. Among these interests, 42,915,168 Shares and 6,621,733 Shares of which represent interests in the outstanding Options and outstanding RSUs he held under the Pre-IPO Share Option Scheme and the Post-IPO RSU Scheme, respectively.
- (5) The Letter "L" denotes the person's long position in such Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they would be taken or deemed to have under such provisions of the SFO); (b) to be recorded in the register required to be kept by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

3. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date,

- (a) none of the Directors had any direct or indirect interest in any assets which have been, since the date of the latest published audited accounts of the Company, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (b) none of the Directors was a director or employee of a company which had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under provisions of Divisions 2 and 3 of Part XV of the SFO;

- (c) none of the Directors had entered, or proposed to enter, into a service contract with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation);
- (d) none of the Directors and their respective associate(s) was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group; and
- (e) none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole.

4. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the Independent Financial Adviser who has given opinion or advice contained in this circular:

Name	Qualifications
Akron Corporate Finance Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear. The letter from the Independent Financial Adviser dated April 19, 2017 is given on pages 27 to 55 for incorporation herein.

As at the Latest Practicable Date, the Independent Financial Adviser did not have: (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or proposed to be acquired or disposed of by or leased to any member of the Group since December 31, 2016, the date to which the latest published audited financial statements of the Group were made up.

5. MATERIAL ADVERSE CHANGE

The Directors confirm that there was no material adverse change in the financial or trading position of the Group since December 31, 2016, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection at the head office and principal place of business of the Company in Hong Kong during normal business hours from the date of this circular up to and including the date of the EGM:

- (a) the letter of advice from the Independent Financial Adviser to the Independent Shareholders, the text of which is set out on pages 27 to 55 of on this circular;
- (b) the written consent of the Independent Financial Adviser referred to the paragraph headed “Qualification and Consent of Expert” in this appendix;
- (c) the full terms of the Post-IPO RSU Scheme; and
- (d) this circular.

7. LANGUAGE

In the event of inconsistency, the English text of this circular shall prevail over the Chinese text.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an extraordinary general meeting (the “**EGM**”) of AAG Energy Holdings Limited (the “**Company**”) will be held at Aberdeen Room, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong at 11:00 a.m. or immediately after the conclusion of the annual general meeting of the Company on Tuesday, May 9, 2017 for the purposes of considering and, if thought fit, passing (with or without amendments) the following purposes:

1. To consider and, if thought fit, pass with or without amendments, the following resolution as ordinary resolution:

“THAT:

- (a) the conditional grant of 4,028,976 restricted share units (“**RSU(s)**”) to Dr. Stephen Xiangdong Zou (the chairman of the Board and an executive director of the Company (the “**Director(s)**”), in accordance with the terms of the post-IPO RSU scheme of the Company (the “**Post-IPO RSU Scheme**”) and subject to all applicable laws, rules, regulations and the applicable award document(s), is hereby approved and confirmed;
- (b) the conditional grant of 450,000 RSUs to Mr. Yaowen Wu (an independent non-executive Director), in accordance with the terms of the Post-IPO RSU Scheme and subject to all applicable laws, rules, regulations and the applicable award document(s), is hereby approved and confirmed;
- (c) the conditional grant of 450,000 RSUs to Mr. Robert Ralph Parks (an independent non-executive Director), in accordance with the terms of the Post-IPO RSU Scheme and subject to all applicable laws, rules, regulations and the applicable award document(s), is hereby approved and confirmed;
- (d) the conditional grant of 450,000 RSUs to Mr. Fredrick J. Barrett (an independent non-executive Director), in accordance with the terms of the Post-IPO RSU Scheme and subject to all applicable laws, rules, regulations and the applicable award document(s), is hereby approved and confirmed;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (e) the conditional grant of 450,000 RSUs to Mr. Stephen Cheuk Kin Law (an independent non-executive Director), in accordance with the terms of the Post-IPO RSU Scheme and subject to all applicable laws, rules, regulations and the applicable award document(s), is hereby approved and confirmed;
- (f) the conditional grant of 5,077,957 RSUs to Mr. Jing Li (the chief executive officer of the Company and the president of the Company), in accordance with the terms of the Post-IPO RSU Scheme and subject to all applicable laws, rules, regulations and the applicable award document(s), is hereby approved and confirmed; and
- (g) any one or more of the Directors be and is/are hereby authorized to do all such acts and things and execute all such documents which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the RSU Grants and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Shares pursuant to the Post-IPO RSU Scheme, is hereby approved and confirmed.”

By Order of the Board
AAG Energy Holdings Limited
Stephen Xiangdong Zou
Chairman and Executive Director

Hong Kong, April 19, 2017

Notes:

1. All resolutions at the EGM will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aagenergy.com) in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at EGM is entitled to appoint a proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of Shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.
3. In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the vote(s) of the other joint holder(s) and for this purpose seniority shall be determined as that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Delivery of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the EGM and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF EXTRAORDINARY GENERAL MEETING

5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Thursday, May 4, 2017 to Tuesday, May 9, 2017, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of Shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17F., Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Tuesday, May 2, 2017.
6. In the event of inconsistency, the English text of this notice shall prevail over the Chinese text.
7. As at the date of this notice, the executive Director is Dr. Stephen Xiangdong Zou; the non-executive Directors are Mr. Peter Randall Kagan, Mr. Gordon Sun Kan Shaw, Mr. Zhen Wei, Mr. Lei Jin, Dr. Guiyong Cui and Mr. Saurabh Narayan Agarwal; and the independent non-executive Directors are Mr. Yaowen Wu, Mr. Robert Ralph Parks, Mr. Stephen Law Cheuk Kin and Mr. Fredrick J. Barrett.