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## **HAO TIAN RESOURCES GROUP LIMITED**

**昊天能源集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 00474)**

### **MEMORANDUM OF UNDERSTANDING RELATING TO A POSSIBLE VERY SUBSTANTIAL DISPOSAL**

This Announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

The Board wishes to announce that on 23 July 2012 (after trading hours), the Company entered into the MOU with the Target Company and the Purchaser in relation to the Proposed Transaction with details set out below. The MOU and the negotiations undertaken in relation thereto are non-legally binding on the parties except for such provisions in the MOU as specified in this Announcement.

The Target Company is a direct wholly-owned subsidiary of the Company. Through the Target Company, Venture Path, West China and Baicheng Wenzhou, the Company owns the Target Mine.

It is expected that the Proposed Transaction, if proceeded with, may constitute a very substantial disposal for the Company under the Listing Rules. In this regard, the Company will comply with the relevant reporting, announcement and Shareholders' approval requirements under the Listing Rules.

**The Board wishes to emphasize that no binding agreement in relation to the Proposed Transaction has been entered into as at the date of this Announcement. Shareholders and/or investors should note that the Proposed Transaction contemplated under the MOU may or may not proceed. If the Proposed Transaction materialises, it may constitute a very substantial disposal on the part of the Company. Accordingly, Shareholders are advised to exercise caution when trading in the Shares. Further announcement in respect of the Proposed Transaction will be made by the Company in the event where the Formal Agreement in relation to the Proposed Transaction has been entered into by the Company.**

This Announcement is made by the Company pursuant to Rule 13.09 of the Listing Rules.

## **MEMORANDUM OF UNDERSTANDING IN RELATION TO THE PROPOSED TRANSACTION**

The Board wishes to announce that on 23 July 2012 (after trading hours), the Company entered into the MOU with the Target Company and the Purchaser in relation to the Proposed Transaction.

### **PRINCIPAL TERMS OF THE MOU**

#### **(i) Assets to be acquired**

Pursuant to the MOU, the Company intends to sell to the Purchaser, and the Purchaser intends to purchase from the Company, the entire issued share capital of the Target Company.

#### **(ii) Consideration**

The consideration for the Proposed Transaction shall be HK\$1.58 billion, comprising of (i) HK\$735 million to be settled by allotment and issue to the Company (or its designated nominee) of new ordinary shares of Up Energy at an issue price of HK\$2.00 per share (the “**Consideration Shares**”); and (ii) HK\$845 million to be settled in cash. The Purchaser shall pay a deposit by way of issue and allotment to the Company (or its designated nominee) of 210,660,000 Consideration Shares (the “**Deposit Shares**”) at an issue price of HK\$2.00 within 5 days from the date of grant of requisite approval

by the Stock Exchange to the issue and allotment of the Deposit Shares. The Purchaser shall obtain all necessary authorizations and approvals for the due issue and allotment of the Deposit Shares (including, without limitation, requisite approval from the Stock Exchange) as soon as practicable after execution of the Formal Agreement and in any event by no later than 10 business days after the date of the Formal Agreement. The Deposit Shares shall be held in escrow by such escrow agent and on such terms to be agreed upon between the Company and the Purchaser pending Completion. The remaining Consideration amount shall be settled in full by the Purchaser on the Completion Date.

Pursuant to the MOU, if the average closing price (the “**Shortfall Determinant Market Price**”) of the shares of Up Energy for the 5 trading days immediately before the 3rd anniversary of the Completion Date is less than HK\$2.00, then Up Energy shall allot and issue such number of additional new shares in Up Energy to the Company (or its designated nominee) calculated as follows:–

$$\frac{(\text{HK\$455 million} - (\text{Shortfall Determinant Market Price} \times 227,500,000))}{\text{Shortfall Determinant Market Price}}$$

The Company (or its designated nominee) shall have the right (the “**Put Option**”) to sell to Up Energy, and Up Energy shall repurchase, up to 140 million Consideration Shares at HK\$2.20 per Consideration Share in the event that the Shortfall Determinant Market Price is less than HK\$2.20. The Company (or its designated nominee) may exercise the Put Option at any time within the period of 10 business days after the 3rd anniversary of the Completion Date.

### **(iii) Conditions Precedent to the Proposed Transaction**

Completion of the Proposed Transaction is conditional upon, among other things, the following:

- (a) the Purchaser having received a Competent Person’s Report (as defined under Chapter 18 of the Listing Rules) issued from such Competent Person (as defined under Chapter 18 of the Listing Rules) as designated by the Purchaser, relating to the state and condition of the Target Mine and covering such matters as required by the Listing Rules in form and substance satisfactory to the Purchaser;

- (b) the Company having received a Competent Person's Report (as defined under Chapter 18 of the Listing Rules) issued from such Competent Person (as defined under Chapter 18 of the Listing Rules) as designated by the Company, relating to the state and condition of the Target Mine and covering such matters as required by the Listing Rules in form and substance satisfactory to the Company;
- (c) the Purchaser having received a Valuation Report (as defined under Chapter 18 of the Listing Rules) issued from such Competent Evaluator (as defined under Chapter 18 of the Listing Rules) as designated by the Purchaser, relating to the valuation of the Target Mine covering such matters as required by the Listing Rules in form and substance satisfactory to the Purchaser;
- (d) all necessary approvals and consent from the respective shareholders of Up Energy and the Company having been obtained in relation to the Proposed Transaction and/or acquisition of the Target Group and the Target Mine (including, without limitation, the passing of requisite shareholders resolutions in accordance with the relevant requirements of the Listing Rules);
- (e) all requisite approvals, consent and authorisations required under all applicable laws and regulations and relevant authorities (including, without limitation, all applicable PRC and Hong Kong laws and regulations and authorities), the Stock Exchange and the Listing Rules in relation to the Proposed Transaction and/or the acquisition of the Target Group and the Target Mine and implementation thereof and all other matters incidental thereto, having been duly obtained;
- (f) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Consideration Shares (including, without limitation, the Deposit Shares);
- (g) the Purchaser and the Company having entered into the Formal Agreement in relation to the Proposed Transaction (in such form and structure to be agreed between the Company and the Purchaser) and other relevant documents in relation to the Proposed Transaction on or before 14 September 2012;

- (h) the Target Group having obtained approval from the relevant PRC government authority for the proposed increase in the Target Mine's annual production to 900ktpa;
- (i) the Purchaser having obtained not less than HK\$545,000,000 in credit approval and grant of loan from such bank as agreed between the Company and the Purchaser;
- (j) any and all outstanding indebtedness (including any shareholders loans but excluding any outstanding indebtedness which the Company may elect, at any time prior to the Completion, to be settled via deduction from the Consideration amount) owed by each Target Group company to its shareholders, the Company or any third party having been settled and discharged in full on or before the Completion Date;
- (k) satisfactory completion of due diligence review of the Target Group and the Target Mine to the satisfaction of the Purchaser; and
- (l) the Purchaser having received a PRC legal opinion in respect of the Target Group and the Target Mine in form and substance satisfactory to the Purchaser.

In the event any of the above conditions precedent are not fulfilled in full on or before 31 December 2012 (or such later date as agreed between the Company and the Purchaser), or, in the case of condition precedent (g) above, the parties to the MOU fail to enter into a Formal Agreement and other relevant documents on or before 14 September 2012, the MOU shall immediately terminate and cease to be of effect and the parties thereto shall not have any further rights and obligations hereunder (save for rights and obligations relating to any antecedent breach of the MOU).

**(iv) Due Diligence**

The parties to the MOU agree that the Purchaser's representatives and advisers (including its legal advisers, financial advisers and other representatives) shall have the right to conduct such due diligence on the Target Group and the Target Mine as required for the Proposed Transaction, with effect from the date of the MOU. The Company agrees to provide such assistance as the Purchaser may reasonably require in relation to such due diligence.

**(v) Validity Period**

The MOU shall be valid for the duration of the Validity Period. In the event any of the conditions precedent set out in paragraph (iii) above are not fulfilled in full on or before 31 December 2012 (or such later date as agreed between the Company and the Purchaser), or, in the case of condition precedent (g) above, the parties to the MOU fail to enter into a Formal Agreement and other relevant documents on or before 14 September 2012, the MOU shall terminate immediately and cease to be of effect and any further rights and obligations thereunder (save for the rights and obligations relating to any antecedent breach of the MOU).

**(vi) Confidentiality**

Save as otherwise required by applicable law, rules, regulations or authorities (including, without limitation, the Listing Rules or pursuant to any request by the Stock Exchange), no announcement, circular or communication concerning the existence or content of the MOU shall be made by any party thereto without the prior written approval of each of the other parties (such approval not to be unreasonably withheld or delayed).

Each party to the MOU shall treat as strictly confidential all information received or obtained (whether by such party itself or its advisers, employees or representatives) as a result of discussing, entering into or performing the MOU which relates to (i) the subject matter and provisions of the MOU; (ii) the negotiations relating to the MOU; or (iii) each of the other parties (including any legal, financial, and operational information relating to such party which has not entered into the public domain).

**(vii) Representations, Warranties, Undertakings and Indemnity**

Each of the Company and the Purchaser agrees to give such representations, warranties, undertakings and indemnity as are appropriate and/or usual in transactions of similar nature to the Proposed Transaction, including but not limited to the Consideration Shares being subject to restrictions on disposal and transfer by the Company for a 12-month period after Completion (the terms of such lock-up to be subject to further discussion between the Purchaser and the Company).

**(viii) Exclusivity**

The Company agrees that during the Validity Period it shall not (and shall procure that none of the Target Group companies shall) enter into any discussions or negotiations or enter into any agreement with any party (other than the Purchaser or its affiliates) at any time commencing from the date of the MOU up to (and including) 14 September 2012 relating to the acquisition of the Target Group or the Target Mine.

**(ix) Governing Law**

The MOU shall be governed by, and interpreted in accordance with, the laws of Hong Kong. The parties to the MOU agree that any disputes relating to the MOU which cannot be resolved between the parties shall be referred to and resolved finally by arbitration at the Hong Kong International Arbitration Centre in accordance with the UNCITRAL Arbitration Rules.

As at the date of this Announcement, no definitive terms have been agreed and no legally binding agreement has been entered into between the Purchaser and the Company in relation to the Proposed Transaction. Save for the provisions relating to the Validity Period, confidentiality, the nature of the MOU, fees and expenses, exclusivity and governing law, the terms of the MOU and the negotiations undertaken in relation thereto are not legally binding on the Purchaser and the Company.

## **INFORMATION ON THE TARGET COMPANY AND TARGET MINE**

As at the date of this Announcement, the Target Company is a direct wholly-owned subsidiary of the Company. The Target Company wholly owns Venture Path which wholly owns West China and Baicheng Wenzhou, and through Baicheng Wenzhou wholly owns and operates the Target Mine.

The Target Mine has resumed production in late December 2011 after rectification of certain safety issues in response to the requests of the relevant PRC governmental authorities and completion of measures to improve the ventilation system. The new mining shafts of the Target Mine, which would increase annual production capacity to 900,000 tonnes, are pending approval from the government of the Xinjiang Uygur Autonomous Region.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a wholly-owned subsidiary of Up Energy, a company listed on the Main Board of the Stock Exchange. The Up Energy Group is principally engaged in the mining, washing and marketing of coking coal in the PRC.

## **REASONS FOR THE PROPOSED TRANSACTION**

The Group is a key player in energy and resources areas, currently is principally engaged in the mining, washing and marketing of coking coal in the PRC. As part of the Group's strategy, the Company wishes to shift its business focus from the mining industry into the oil and gas industry and the Company has been actively identifying and exploring new business opportunities with a view to enhance the value of the Company. Hence, the Board is of the view that it is in the Company's interest to enter into the Proposed Transaction.

## **LISTING RULES IMPLICATIONS FOR POSSIBLE TRANSACTIONS UNDER MOU**

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, as at the date of this Announcement, the Purchaser and its ultimate beneficial owners, are third parties independent of and not connected with, the Company and its connected persons.

If the Proposed Transaction is to proceed, it is expected that the Proposed Transaction would constitute a very substantial disposal for the Company under the Listing Rules. In this regard, the Company will comply with the relevant reporting, announcement and Shareholders' approval requirements under the Listing Rules.



**The Board wishes to emphasize that no binding agreement in relation to the Proposed Transaction has been entered into as at the date of this Announcement. Shareholders and/or investors should note that the Proposed Transaction contemplated under the MOU may or may not proceed. If the Proposed Transaction materialises, it may constitute a very substantial disposal on the part of the Company. Accordingly, Shareholders are advised to exercise caution when trading in the Shares. Further announcement in respect of the Proposed Transaction will be made by the Company in the event where a Formal Agreement in relation to the Proposed Transaction has been entered into by the Company.**

## **DEFINITIONS**

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

“Baicheng Wenzhou”	means 拜城溫州礦業開發有限公司 (Baicheng Wenzhou Mining Development Co., Ltd.)**, an indirect wholly-owned subsidiary of the Company established in the PRC which operates the Target Mine;
“Board”	means the board of Directors;
“Company”	means Hao Tian Resources Group Limited (Stock Code: 474), a company incorporated in the Cayman Islands with limited liability whose Shares are listed on the Main Board of the Stock Exchange;
“Completion”	completion of the Proposed Transaction;
“Completion Date”	completion date of the Proposed Transaction;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;

“Director(s)”	means the director(s) of the Company;
“Formal Agreement”	means the formal sale and purchase agreement(s) in relation to the Proposed Transaction to be entered into between the Company and the Purchaser in such form and structure to be agreed between the Company and the Purchaser should the Proposed Transaction proceed;
“Group”	means the Company and its subsidiaries;
“HK\$”	means Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	means The Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	means The Rules Governing the Listing of Securities on the Stock Exchange;
“MOU”	means the non-legally binding (save for provisions on the Validity Period, confidentiality, nature of the MOU, fees and expenses, exclusivity and governing law) memorandum of understanding dated 23 July 2012 entered into between the Company, the Target Company and the Purchaser in relation to the Proposed Transaction;
“PRC”	means The People’s Republic of China (which for the purpose of this Announcement excludes Hong Kong, Taiwan and Macau);
“Proposed Transaction”	means the proposed sale by the Company to the Purchaser the entire issued share capital of the Target Company;

“Purchaser”	means Able Goal Group Limited (to be renamed as Up Energy Mining Limited), a wholly-owned subsidiary of Up Energy incorporated in the British Virgin Islands;
“Share(s)”	means ordinary share(s) in the share capital of the Company, with a par value of HK\$0.05 each;
“Shareholder(s) ”	means the shareholder(s) of the Company;
“Stock Exchange”	means The Stock Exchange of Hong Kong Limited;
“Target Company”	means Champ Universe Limited (冠宇有限公司) *, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability;
“Target Group”	means the Target Company and its subsidiaries;
“Target Mine”	means 拜城温州礦業開發有限公司一礦3號井(No. 3 decline of Mine One of Baicheng Wenzhou Mining Development Co., Ltd)** located at Baicheng County, Aksu Prefecture, Xinjiang Uygur Autonomous Region, the PRC;
“Up Energy”	Up Energy Development Group Limited, (Stock Code: 307), a company incorporated in Bermuda with limited liability whose shares are listed on the Main Board of the Stock Exchange;
“Up Energy Group”	means Up Energy and its subsidiaries;
“Validity Period”	means the validity period of the MOU commencing from the date of the MOU up to (and including) 14 September 2012;

- “Venture Path” means Venture Path Limited, a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands with limited liability; and
- “West China” means West China Coal Mining Holdings Limited (西部煤業控股有限公司), an indirect wholly-owned subsidiary of the Company incorporated in Hong Kong.

By order of the Board of  
**Hao Tian Resources Group Limited**  
**Fok Chi Tak**  
*Company Secretary*

Hong Kong, 23 July 2012

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Ma Lishan and Mr. Xu Hai Ying; and four independent non-executive Directors, namely Mr. Zhu Yongguang, Mr. Ma Lin, Mr. Chan Ming Sun Jonathan and Dr. Zhiliang Ou, J.P..*

\* *Chinese name for identification purpose only*

\*\* *English name is translated for identification purpose only*