FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1. Name and Address of Reporting Issuer

Pacific Asia China Energy Inc.
Suite 700, 1620 Dickson Avenue
Kelowna, British Columbia V1Y 9Y2

Item 2. Date of Material Change

May 20, 2008

Item 3. Press Release

A press release disclosing the material change was issued through Canada Newswire and filed on SEDAR on May 20, 2008.

Item 4. Summary of Material Change

On May 20, 2008, Pacific Asia China Energy Inc. ("**PACE**") announced that it has entered into an agreement (the "**Amendment Agreement**") with GREKA China Ltd. ("**GREKA**") to amend the Arrangement Agreement made as of March 27, 2008 among GREKA, GREKA Acquisitions Ltd. ("**Acquisitionco**") and PACE pursuant to which GREKA, through Acquisitionco, will acquire all of the issued and outstanding shares of PACE. Under the Amendment Agreement, PACE shareholders will receive $0.35 per share in consideration for the sale of their shares to GREKA.

Item 5. Full Description of Material Change

On May 20, 2008, PACE announced that it has entered into the Amendment Agreement with GREKA to amend the Arrangement Agreement made as of March 27, 2008 among GREKA, Acquisitions and PACE pursuant to which GREKA, through Acquisitionco, its wholly-owned British Columbia subsidiary, will acquire all of the issued and outstanding shares of PACE. Under the Amendment Agreement, PACE shareholders will receive $0.35 per share in consideration for the sale of their shares to GREKA – rather than the originally offered price of $0.38. The total value of the transaction is approximately $32.40 million. The adjustment in the purchase price was due to pertinent findings during GREKA's due diligence.

The amendment and the Amendment Agreement have been approved by a majority of PACE's Board of Directors. A majority of PACE's Board of Directors has also resolved to recommend to shareholders that they vote in favour of the transaction, subject to receipt by the Board of an opinion from PACE's financial advisor, Haywood Securities Inc., that the consideration to be received by PACE's shareholders is fair from a financial point of view, subject to the assumptions and conditions set forth in such opinion.

The structure of the transaction remains unchanged by the Amendment Agreement. The transaction will be carried out by way of a statutory plan of arrangement under Section 288 of the *Business Corporations Act* (British Columbia), and must be approved by the applicable court and by 66⅔ percent of the votes cast by holders of PACE's shares. All warrants and options of PACE are to be cancelled under the plan of arrangement and the arrangement is also subject to 66⅔ percent of votes cast by all holders of warrants, options and shares voting as a single class. Completion of the transaction is subject to customary closing conditions and is expected to occur during the third quarter 2008, shortly after receipt of shareholder and court approvals. The due diligence condition in favour of GREKA has now been removed.

Directors and officers of PACE holding an aggregate of approximately 11.0 percent of the outstanding shares of PACE, have entered into an agreement with GREKA to vote their shares in favour of the transaction, subject to their ability to withdraw such support in the event that the Arrangement Agreement, as amended, is terminated.

Details regarding these and other terms of the transaction are set out in the Arrangement Agreement, which was filed on SEDAR on March 28, 2008. In addition, a copy of the Amendment Agreement is attached hereto as Schedule "B" and forms a part hereof.

Item 6. Reliance on Subsection 7.1(2) or (3) of National Instrument 51-102

Not Applicable

Item 7. Omitted Information

No information has been omitted from this report on the basis that it is confidential.

Item 8. Executive Officer

For further information, please contact Devinder Randhawa, Chairman and Chief Executive Officer of PACE, at (250) 868-8445.

Item 9. Date of Report

May 22, 2008.

Forward-Looking Statements and Information

Certain statements in this material change report constitute forward-looking statements and forward-looking information within the meaning of applicable securities laws including, without limitation, statements and information with respect to the proposed form and effective date of the transaction. Such statements and information involve known and unknown risks and uncertainties, including those discussed in this material change report and the risk that the securityholders of PACE or the applicable court may not approve the proposed transaction, that the required regulatory or third party consents and approvals to the transaction may not be obtained or that other conditions to completion of the transaction may not be satisfied or waived which may cause actual results, timing, performance or achievements to be materially different from those expressed or implied by such forward-looking statements and information. These risks and uncertainties are in addition to other risks and factors which may impact PACE's business generally. Consequently, all of the forward-looking statements and information contained in this material change report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by PACE will be realized. PACE undertakes no obligation to update or revise such forward-looking statements and information even if circumstances should change, except as required under applicable laws. Investors should not place undue reliance on forward-looking statements and information.

SCHEDULE "A"

PRESS RELEASE

PACIFIC ASIA CHINA ENERGY

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TSX.V SYMBOL : PCE **May 20, 2008**

PACIFIC ASIA CHINA ENERGY INC. TO BE ACQUIRED BY GREKA CHINA LTD. FOR APPROXIMATELY $32.40 MILLION

PACIFIC ASIA CHINA ENERGY INC. (the "Company") today announced that it has entered into an agreement (the "Amendment Agreement") with GREKA China Ltd. ("GREKA") to amend the Arrangement Agreement made as of March 27, 2008 among GREKA, GREKA Acquisitions Ltd. ("Acquisitionco") and the Company pursuant to which GREKA, through Acquisitionco, its wholly-owned British Columbia subsidiary, will acquire all of the Company's outstanding shares. Under the Amendment Agreement, shareholders will receive $0.35 per share in consideration for the sale of their shares to GREKA - rather than the originally offered price of $0.38. The total value of the transaction is approximately $32.40 million. The adjustment in the purchase price was due to pertinent findings during GREKA's due diligence.

The amendment and the Amendment Agreement have been approved by a majority of the Company's Board of Directors. A majority of the Company's Board of Directors has also resolved to recommend to shareholders that they vote in favour of the transaction, subject to the receipt by the Board of Directors of an opinion from the Company's financial advisor, Haywood Securities Inc., that the consideration to be received by the Company's shareholders is fair from a financial point of view, subject to the assumptions and conditions set forth in such opinion.

About the Transaction

The structure of the transaction remains unchanged by the Amendment Agreement. The transaction will be carried out by way of a statutory plan of arrangement under Section 288 of the *Business Corporations Act* (British Columbia), and must be approved by the applicable court and by 66⅔ percent of the votes cast by holders of the Company's shares. All warrants and options of the Company are to be cancelled under the plan of arrangement and the arrangement is also subject to 66⅔ of votes cast by all holders of warrants, options and shares voting as a single class. Completion of the transaction is subject to customary closing conditions and is expected to occur during the third quarter 2008, shortly after receipt of shareholder and court approvals. The due diligence condition in favour of GREKA has now been removed.

Details regarding these and other terms of the transaction are set out in the Arrangement Agreement, which was filed by the Company on the SEDAR website at www.sedar.com, and in the Amendment Agreement, which will be filed on SEDAR. Further information regarding the transaction will also be contained in a proxy circular that the Company will mail to holders of its common shares in connection with the special meeting of shareholders to be held to approve the transaction. It is expected that these materials will be mailed in early June 2008 for a meeting to be held on or about July 7, 2008. Once mailed, the proxy circular will be available at www.sedar.com. All shareholders are urged to read the proxy circular once it is available.

Shareholder Support Agreements

Directors and officers of the Company holding an aggregate of approximately 11.0 percent of the outstanding common shares of the Company, have entered into agreements with GREKA to vote their shares in favour of the transaction, subject to their ability to withdraw such support in the event that the Arrangement Agreement, as amended, is terminated.

Financial and Legal Advisors

Haywood Securities Inc. is acting as financial advisor to the Company with respect to the transaction. The Company's legal advisor is Blake, Cassels & Graydon LLP.

Green Dragon Gas

Green Dragon Gas (GDG.L) is a vertically integrated gas supplier committed to providing optimum shareholder returns through the execution of an environmentally progressive niche business plan. GREKA is Green Dragon's wholly-owned subsidiary. GREKA is a gas supplier based in China with a focus on the exploration, development, production, distribution and sales of natural gas from coal seams, commonly known as coal bed methane or CBM. It expects to generate its own CBM supply from three projects in Shanxi province, one project in Jiangxi province and one project in Anhui province covering acreage holdings with an aggregate area of 6,620 km3 and an estimated 18.1 Tcf of GIP in aggregate. Greka expects to distribute the CBM production in these projects to its customers mainly in the form of compressed natural gas by trucks and to a lesser extent, via pipelines in the form of petroleum natural gas.

About the Company

Pacific Asia China Energy Inc. is a Canadian based resource company specializing in the strategic development of Coal Bed Methane projects in China, CBM drilling and coal degasification through its 50 percent owned subsidiary, Pace Mitchell Drilling Corp. The common shares of the Company are listed on the TSX Venture Exchange under the symbol "PCE".

Forward-Looking Information

This press release contains "forward-looking information" that is based on the Company's current expectations, estimates, forecasts and projections. This forward-looking information includes, among other things, statements with respect to the potential acquisition of the Company by Greka, the value of the transaction, the meeting of the Company's securityholders to consider the transaction and the approval of the transaction by the Company's shareholders, as well as the Company's plans, outlook and business strategy. The words "may", "would", "could", "should", "will", "likely", "expect," "anticipate," "intend", "estimate", "plan", "forecast", "project" and "believe" or other similar words and phrases are intended to identify forward-looking information.

Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the Company's actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking information. Such factors include, but are not limited to: uncertainties related to the ability of the Company and Greka to satisfy the closing conditions to the transaction, the outcome of the vote by the Company's securityholders and the decision of the court.

This list is not exhaustive of the factors that may affect our forward-looking information. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking information. The Company disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise.

ON BEHALF OF THE BOARD

"Devinder Randhawa"

____

Devinder Randhawa, Chairman & CEO

For Investor Relations:
Craig Christy
Ph: 877-979-7028

SCHEDULE "B"

AMENDMENT AGREEMENT

AMENDMENT AGREEMENT TO ARRANGEMENT AGREEMENT

THIS AGREEMENT is made as of the 19th day of May, 2008,

AMONG:

GREKA CHINA LTD., a corporation incorporated under the laws of the Cayman Islands and having an office located in Hong Kong

("**GREKA**")

AND:

GREKA ACQUISITIONS LTD., a corporation incorporated pursuant to the laws of British Columbia and having an office located in Vancouver, British Columbia

("**Acquisitionco**")

AND:

PACIFIC ASIA CHINA ENERGY INC., a corporation incorporated pursuant to the laws of British Columbia and having an office located in Kelowna, British Columbia

("**PACE**")

RECITALS:

A. GREKA, Acquisitionco and PACE are parties to an arrangement agreement made as of March 27, 2008 (the "**Arrangement Agreement**"); and

B. The parties hereto now wish to amend the Arrangement Agreement in accordance with the terms of this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES THAT for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto, the parties hereto agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Unless the context otherwise requires, all capitalized terms which are used in this Agreement and which are not otherwise defined herein shall have the respective meanings attributed to such terms in the Arrangement Agreement.

ARTICLE 2
AMENDMENTS

2.1 Section 1.1 of the Arrangement Agreement is hereby amended by:

(1) deleting the words "on or about May 23, 2008" from subsection 1.1(y) and replacing them with the words "on or about July 3, 2008;" and

(2) deleting the words "on or before July 31, 2008" from subsection 1.1(nn)(i) and replacing them with "on or before August 31, 2008;".

2.2 Section 2.2 of the Arrangement Agreement is hereby amended by deleting the reference to "CDN $0.38" and replacing it with "CDN $0.35."

2.3 Section 2.5 of the Arrangement Agreement is hereby amended by:

(1) deleting subsection 2.5(a) in its entirety;

(2) deleting subsection 2.5(c) in its entirely and replacing it with the following:

"the board of directors of PACE has advised it that subject to the provisions of section 5.2 relating to the existence of a Superior Proposal, a majority of the members of the board of directors of PACE intend to vote the PACE Shares held by them in favour of the Arrangement and will so represent in the Proxy Circular;" and

(3) deleting subsection 2.5(d) in its entirely and replacing it with the following:

"the board of directors of PACE has advised it that, subject to the provisions of section 5.2 relating to the existence of a Superior Proposal and provided that Haywood Securities Inc. has not withdrawn or materially amended the fairness opinion referred to in subsection 4.1(a), a majority of the directors:

i) have determined that the Arrangement is fair to the PACE Shareholders and is in the best interests of PACE, and will so represent in the Proxy Circular; and

ii) will recommend that the PACE Shareholders vote in favour of the Arrangement and will so represent in the Proxy Circular."

2.4 Section 2.6 of the Arrangement Agreement is hereby amended by deleting the words "not later than April 25, 2008" and replacing them with the words "not later than May 30, 2008."

2.5 Section 3.1 of the Arrangement Agreement is hereby amended by:

(1) deleting the words "none of which are exercisable at a price less than $0.38" from subsection 3.1(f)(ii) and replacing them with the words "none of which are exercisable at a price less than CDN$0.35;" and

(2) deleting subsection 3.1(u) in its entirety.

2.6 Section 4.1 of the Arrangement Agreement is hereby amended by:

(1) adding the following subsection:

"4.1(a) the board of directors of PACE shall have received, prior to the date of mailing of the Proxy Circular in respect of the PACE Meeting, a written opinion of Haywood Securities Inc., the independent financial advisor to the board of directors of PACE, for inclusion in the Proxy Circular that, as of the date of such opinion, the consideration under the Arrangement is fair from a financial point of view to the PACE Shareholders, subject to the assumptions and limitations described in such opinion;" and

(2) deleting the words "on or before June 30, 2008" from subsection 4.1(d) and replacing them with the words "on or before August 15, 2008."

2.7 Section 4.2 of the Arrangement Agreement is hereby amended by deleting subsection 4.2(b) in its entirety.

2.8 Schedule A to the Arrangement Agreement is hereby amended by:

(1) deleting the reference to "CDN $0.38" in subsection 1.1(hh) and replacing it with "CDN $0.35."

ARTICLE 3
GENERAL

3.1 Except as amended by Article 2 of this Agreement, the Arrangement Agreement remains in full force and effect, unamended.

3.2 This Agreement may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall constitute one and the same agreement.

3.3 This Agreement shall be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties have executed this Agreement.

GREKA CHINA LTD.

Per: (signed) *Randeep Grewal*
Authorized Signatory

GREKA ACQUISITIONS LTD.

Per: (signed) *Randeep Grewal*
Authorized Signatory

PACIFIC ASIA CHINA ENERGY INC.

Per: (signed) *Devinder Randhawa*
Authorized Signatory