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PetroAsian Energy Holdings Limited

中亞能源控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 850 & Warrant code: 344)

**FURTHER EXTENSION OF LETTER OF INTENT IN RESPECT OF
POSSIBLE ACQUISITION OF 52% OF THE PARTICIPATING
INTERESTS IN MODAMUJI SAG, HAILAER OILFIELD
OIL AND GAS PROJECT**

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

**MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE
POSSIBLE ACQUISITION**

Reference is made to the announcements of the Company dated 12 May 2010 and 12 August 2010 respectively in relation to the Possible Acquisition.

The Board announces that the Further Extension Letter has been entered into between the Company and the Vendor on 13 December 2010, and pursuant to which the parties to the LOI agree to further extend (i) the expiry date of the Exclusivity Period; (ii) the date for entering into a legally-binding Formal Agreement; and (iii) the expiry date of the LOI from on or before the date falling 210 days from the date of the LOI (or such later date as the parties to the LOI may agree) to on or before 30 June 2011 (or such later date as agreed by the parties thereto).

Save for the above, no other amendments were made to the MOU (as amended by the Extension Letter and the Further Extension Letter).

The Board wishes to emphasize that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event when any Formal Agreement has been signed.

This announcement is made by the Company pursuant to Rule 13.09 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcements (the “**Announcements**”) of the Company dated 12 May 2010 and 12 August 2010 respectively in relation to, among other matters, the proposed acquisition by the Company from the Vendor of 52% of the Participating Interests. Terms used herein shall have the same meanings as defined in the Announcements unless the context requires otherwise.

Under the LOI (as amended by the extension letter dated 12 August 2010), it is agreed that Both the Company and the Vendor will proceed to the negotiation for a legally-binding Formal Agreement on or before the date falling 210 days from the date of the LOI (or such later date as agreed by the parties thereto). In addition, save and except with consent from the Company, the Vendor will not within 210 days from the date of the LOI (or such later date as agreed by the parties thereto) negotiate with any other party for the Possible Acquisition (the “**Exclusivity Period**”). It is also stated that if the Formal Agreement is not entered into on or before the date falling 210 days from the date of the LOI (or such later date as agreed by the parties thereto), the LOI shall cease and terminate and the Vendor shall forthwith refund the Deposit (without interest) to the Company.

The Board announces that as more time is required for furnishing the technical review/ valuation of the Project, which forms part of the due diligence review conducted by the Company, a further extension letter (the “**Further Extension Letter**”) has been entered into between the Company and the Vendor on 13 December 2010, and pursuant to which the parties to the LOI agree to further extend (i) the expiry date of the Exclusivity Period; (ii) the date for entering into a legally-binding Formal Agreement; and (iii) the expiry date of the LOI from on or before the date falling 210 days from the date of the LOI (or such later date as the parties to the LOI may agree) to on or before 30 June 2011 (or such later date as agreed by the parties thereto).

Save for the above, no other amendments were made to the MOU (as amended by the Extension Letter and the Further Extension Letter).

The Board considers the entering into of the Further Extension Letter is in the interests of the Company and the Shareholders as a whole.

The Board wishes to emphasize that no binding agreement in relation to the Possible Acquisition has been entered into as at the date of this announcement. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition is materialised, it may constitute a notifiable transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealing in the securities of the Company. Further announcement in respect of the Possible Acquisition will be made by the Company in the event when any Formal Agreement has been signed.

By order of the Board
PetroAsian Energy Holdings Limited
Poon Sum
Chairman

Hong Kong, 13 December 2010

As at the date of this announcement, the Board comprises (i) three executive directors, namely Mr. Poon Sum, Mr. Wong Kwok Leung and Mr. Poon Wai Kong; and (ii) three independent non-executive directors, namely Mr. Chan Kam Ching, Paul, Mr. Chan Shu Kin and Mr. Cheung Kwan Hung.