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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)

MEMORANDUM OF UNDERSTANDING IN RESPECT OF POSSIBLE INVESTMENT IN HARBIN ZHONGFU ENERGY COMPANY LIMITED

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

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE INVESTMENT

The Board announces that on 18 April 2011, the Company entered into the non-legally binding MOU with the Target in relation to the Possible Investment.

The Target is a company established under the laws of PRC with limited liability and is principally engaged in the transmission of CNG (compressed natural gas) and the operation of CNG stations in Harbin, the PRC.

The Board wishes to emphasize that no binding agreement in relation to the Possible Investment has been entered into as at the date of this announcement. As such, the Possible Investment may or may not proceed. If the Possible Investment 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 Investment 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 Listing Rules.

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE INVESTMENT

The Board announces that on 18 April 2011, the Company entered into the non-legally binding memorandum of understanding with the Target in relation to the Possible Investment.

MOU

Date: 18 April 2011

Parties:

As purchaser: the Company; and

As Target: 哈爾濱中孚能源有限公司(Harbin Zhongfu Energy Company Limited#)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Target and its ultimate beneficial owners and their respective associates, is not a connected person of the Company and is an independent third party not connected with the Company and its connected persons.

MAJOR TERMS OF THE MOU

Under the MOU, it is proposed that the Company will invest certain amount of money into the Target by way of capital injection, and immediately after such capital injection, the Company will become interested 51% of the entire enlarged registered capital of the Target. After completion of the Possible Investment, the existing shareholders of the Target shall in aggregate remain interested in 49% of the entire enlarged registered capital of the Target.

Capital commitment

The exact amount of the capital commitment on the part of the Company for the Possible Investment shall be subject to further negotiation between the Company and the Target, and will be confirmed in the Formal Agreement. No deposit is required to be paid by the Company upon the entering into of the MOU.

Formal Agreement

The entering into of the Formal Agreement shall be subject to, including but not limited to, the due diligence review to be conducted by the Company on the Target, which shall be conducted from the date of the MOU until 90 days thereafter (or such later date to be agreed by the parties thereto). The Company and the Target will proceed to the negotiation for a legally-binding Formal Agreement on or before the date falling 90 days after the date of the MOU (or such later date to be agreed by the parties thereto).

Exclusivity and binding effect

It is also agreed that upon the entering into of the MOU, the Target will not negotiate with any party for the Possible Investment before the completion of the due diligence review to be conducted by the Company.

The MOU does not constitute any legally-binding commitment in respect of the Possible Investment. The Possible Investment is subject to the execution and completion of the Formal Agreement.

Listing Rules implications

If the Formal Agreement is entered into, it is expected that the Possible Investment may constitute a notifiable transaction on the part of the Company pursuant to the Listing Rules. In this regard, the Company will comply with the reporting, disclosure and/or Shareholders' approval requirements under the Listing Rules.

REASONS FOR THE POSSIBLE INVESTMENT

The Group is principally engaged in manufacture and sale of paints, blended solvents and plastic colorants, trading of chemical materials, provision of painting service, exploitation and sale of crude oil, and lease of investment properties and the sales of properties held for trading.

The Target is a company established under the laws of the PRC with limited liability in July 2008. The registered capital of the Target is RMB10 million (equivalent to approximately HK\$11.9 million) as at the date hereof. The Target is principally engaged in the transmission of natural gas and the operation of CNG (compressed natural gas) stations and SNG (synthetic natural gas) station in Harbin, the PRC. The Target was among the first companies to engage in the CNG stations in Harbin and is currently operating 4 CNG gas stations and one SNG main station in Harbin.

In striving for its market position as an integrated energy and chemical group, the Group has been proactively seeking various business opportunities to enhance its energy-related business portfolio. The Directors consider the Possible Investment to be beneficial to the Group and the Shareholders as a whole as it allows that Group to tap into the benefits of the CNG and SNG stations business in the PRC.

In light of the above and having considered the favourable market conditions of energy-resources related business worldwide, the Directors believe that the potential of the energy-related business is tremendous. The Directors consider that through the Possible Investment, the Group will be able to further explore the market of gas stations operation business, thus diversifying its revenue and its profit base.

The Board wishes to emphasise that no binding agreement in relation to the Possible Investment has been entered into as at the date of this announcement. As such, the Possible Investment may or may not proceed. If the Possible Investment 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 Investment will be made by the Company in the event when any Formal Agreement has been signed.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“associate(s)”	has the meaning ascribed to this term under the Listing Rules
“Board”	the board of Directors from time to time
“Company”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to this term under the Listing Rules
“Director(s)”	director(s) of the Company
“Formal Agreement”	the formal sale and purchase agreement which may or may not be entered into in relation to the Possible Investment
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“MOU”	the non-legally binding memorandum of understanding dated 18 April 2011 entered into between the Company and the Target setting out the preliminary understanding in relation to the Possible Investment
“Possible Investment”	the Possible Investment by the Company into the Target, such that immediately thereafter the Company will be interested in 51% of the entire enlarged registered capital of the Target as contemplated under the MOU

“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholders”	holder(s) of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	哈爾濱中孚能源有限公司 (Harbin Zhongfu Energy Company Limited [#]), a company established under the laws of the PRC with limited liability
“RMB”	Renminbi, the lawful currency of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

English translations of the Chinese words for illustration purpose only

For the purpose of this announcement, unless otherwise specified, conversion of RMB into HK\$ is based on the approximate exchange rate of RMB84 to HK\$100. This exchange rate is for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be exchanged at this or any other rate at all.

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

Hong Kong, 18 April 2011

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.