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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)

TERMINATION OF THE DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 51% OF THE ENTIRE EQUITY INTEREST IN AN OIL TECHNOLOGY COMPANY

This announcement is made pursuant to Rule 14.36 of the Listing Rules.

Reference is made to the announcements of the Company dated 30 July 2010, 2 August 2010, 19 August 2010, 6 September 2010, 30 September 2010, 31 December 2010, 28 February 2011, 29 April 2011 and 29 July 2011 respectively in relation to, among other matters, the Acquisition.

The Board announces that as certain conditions precedent of the Completion remain unfulfilled as at the date hereof, the Agreement (as supplemented by the Supplemental Agreement and the Extension Letters) has been terminated pursuant to the terms and conditions thereto and the proposed Acquisition would not proceed to Completion.

This announcement is made pursuant to Rule 14.36 of the Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

Reference is made to the announcements (the “**Announcements**”) of the Company dated 30 July 2010, 2 August 2010, 19 August 2010, 6 September 2010, 30 September 2010, 31 December 2010, 28 February 2011, 29 April 2011 and 29 July 2011 respectively in relation to, among other matters, the Acquisition. Terms used herein shall have the same meanings as defined in the Announcements unless the context requires otherwise.

TERMINATION OF THE PROPOSED ACQUISITION

The Board announces that pursuant to the Agreement (as supplemented by the supplemental agreement (the “**Supplemental Agreement**”) dated 2 August 2011, the Extension Letter, the Further Extension Letter and the Third Extension Letter (collectively, the “**Extension Letters**”), the parties thereto agree that, among other matters, that if the conditions precedents of the Completion have not been satisfied or waived (as appropriate) at or before 4:00 p.m. on 31 August 2011, or such later date as the Purchasers and the Vendor may agree in writing, the Agreement shall cease and determine, and thereafter neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

As certain conditions precedents, including the obtaining of the Valuation Report on the Target, remain unfulfilled as at the date of this announcement, the Board announces that the Agreement has been terminated pursuant to the terms and conditions thereto and the Acquisition would not proceed to Completion.

Pursuant to the Agreement, if Completion does not take place or the conditions precedent of the Completion have not been fulfilled otherwise than due to the sole default of the Purchasers, the Vendor shall return to Honour Bright and Mr. Poon the Deposit of RMB6 million (equivalent to approximately HK\$6.82 million) paid to it by Honour Bright and Mr. Poon pursuant to the Agreement without interest. Save for the payment of the initial Deposit of RMB4.37 million (equivalent to approximately HK\$4.97 million) to the Vendor pursuant to the Agreement, the Group has not made any further payment to the Vendor related to the proposed acquisition. For the avoidance of doubt, as the Agreement has been terminated, no Consideration Shares will be issued to the Vendor.

The Board considers that the termination of the Agreement is in the interests of the Company and the Shareholders as a whole and shall not have any material adverse effect on the business of the Company.

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

Hong Kong, 1 September 2011

As at the date of this announcement, the Board comprises (i) three executive Directors, namely Mr. Poon Sum (Chairman), 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.