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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)

ENTERING INTO OF A DISPOSAL AGREEMENT IN RELATION TO THE ENTIRE ISSUED SHARE CAPITAL OF CHINA OIL RESOURCES COMPANY LIMITED

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

THE DISPOSAL

On 17 December 2012 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company), the Purchaser as purchaser and the Company as the guarantor, entered into the Disposal Agreement pursuant to which the Vendor has conditionally agreed to sell, and the Purchaser has conditionally agreed to acquire, the Sale Share at the consideration of US\$700,000 (equivalent to approximately HK\$5,425,000).

This announcement is made by PetroAsian Energy Holdings Limited (the “**Company**”) pursuant to Rule 13.09(1) of the Listing Rules.

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The Disposal Agreement

Date: 17 December 2012 (after trading hours)

Parties: (1) Vendor: China Oil Resources Group Limited, a wholly owned subsidiary of the Company

(2) Purchaser: Fame Achiever Holdings Limited

(3) Guarantor: the Company

The Vendor is a wholly-owned subsidiary of the Company incorporated in the British Virgin Islands and is principally engaged in investment holding. It holds the entire issued share capital of China Oil.

The Purchaser is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial and associates is an Independent Third Party.

Asset to be disposed of

The Sale Share represents the entire issued share capital of China Oil.

Consideration of the Disposal

The consideration for the Disposal is US\$700,000 and shall be satisfied by the Purchaser in the following manner:

- (1) as to US\$140,000 (the “**Deposit**”) to the Vendor by the Purchaser upon signing of the Agreement in cash or by way of cashier order issued by a licensed bank in Hong Kong or other paying methods as agreed between the parties to the Agreement; and
- (2) as to the remaining balance of US\$560,000 shall be payable by the Purchaser upon Completion in cash or by way of cashier order issued by a licensed bank in Hong Kong or other paying methods as agreed between the parties to the Agreement.

Basis of consideration

The consideration for the Disposal was arrived at after arm’s length negotiation between the Vendor and the Purchaser with reference to (i) the unaudited consolidated net assets value of Disposal Group of approximately HK\$870,000 as at 30 November 2012; (ii) the unaudited consolidated loss after taxation of Disposal Group for the period from 1 April 2012 to 30 November 2012 of approximately HK\$1,972,000; and (iii) the reasons set out in the section headed “Reasons for and benefits of the Disposal”.

Conditions Precedent

Completion shall be subject to and conditional upon the fulfillment of the following conditions:

- (a) all necessary confirmations, consents, approvals and waivers (if any) required to be obtained on the part of the Vendor and Purchaser in respect of the transactions contemplated under the Agreement having been obtained (including but not limited to relevant government authorities, stock exchanges and other relevant authorities which has jurisdiction in relation to the transactions contemplated under the Agreement in Hong Kong, Tunisia, or the British Virgin Island), and such confirmations, consents, approvals and waivers has not been withdrawn, and if the abovesaid are subject to any conditions which will affect the other party, such conditions shall be fulfilled prior to the Completion;

- (b) the due diligence review to be conducted by the Purchaser under the Agreement shall be completed and the Purchaser shall notify the Vendor in relation to its satisfaction of the due diligence results regarding the businesses, assets, financial conditions respects of China Oil; and that there was no adverse material difference from the date of the Agreement and upon Completion;
- (c) the Purchaser being reasonably satisfied that all the warranties provided by the Vendor as set out in the Agreement remaining true and accurate upon Completion;
- (d) all necessary consents and approvals required to be obtained from the Stock Exchange pursuant to the Listing Rules or any other regulatory authorities on the part of the Vendor in respect of the transactions contemplated under the Agreement having been obtained;
- (e) the warranties provided by the Vendor, the Purchaser and the Guarantor as set out in the Agreement remaining true, accurate and not misleading in all material respects from the date of the Agreement and upon Completion;
- (f) the Vendor and the Purchaser comply with all relevant regulatory requirements (including but not limited to the requirements of the Listing Rules and other relevant regulatory requirements in Hong Kong and Tunisia) in relation to the transactions contemplated under the Agreement;
- (g) all necessary permits, approvals, authorisation, permission, consents, waivers and exemptions (if any) in relation to the operation of the business and assets of China Oil and its interest in 81.03% pursuant to the Production Sharing Contract, as set out in the Agreement shall be obtained from the relevant governmental authorities, regulatory authorities or agency and third parties;
- (h) the Vendor receiving a written confirmation from each of the parties to the Joint Operating Agreement who has the pre-emptive rights on the Participating Interests (other than PetroAsian Tunisia) stating its agreement on the terms of the Agreement and the transactions contemplated thereunder and its confirmation that it has not exercised, and consent to give up, its pre-emptive rights on the Participation Interests;

- (i) the Purchaser satisfied that the Tunisia legal opinion issued by the legal advisers qualified to practice in Tunisia in relation to the legality of the exploration rights, the Production Sharing Contract and the conditions (b) and (g) as stated above;
- (j) the transactions contemplated under the Agreement would not be deemed as a “Relevant Notifiable Transaction” under Chapter 18 of the Listing Rules; and
- (k) the Purchaser being reasonably satisfied that the net assets value (including but not limited to the exploration rights for oil and gas blocks situated in Ksar Hadada, Tunisia) of China Oil as shown in the valuation report prepared by the independent valuer who shall be appointed by the Purchaser and accepted by the Vendor to the Agreement as at the date of the Agreement shall be not less than US\$700,000;

Save as conditions (a), (d), (f), (g), (h), (j), (k) above, the above conditions including (b), (c), (e) and (i) above may be waived by the Purchaser by notice in writing to the Vendor. If the conditions have not been satisfied or waived within 45 days after the date of the Agreement, or such later date as the Vendor, the Purchaser and the Guarantor may agree, the Agreement shall cease and determine, thereafter the Vendor shall forthwith refund the above Deposit (without interest) to the Purchaser in any event, and neither party to the Agreement shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

In the event that Completion does not take place in accordance with the terms of the Agreement as a result of the sole default of the Purchaser, the Vendor shall forthwith forfeit the Deposit in full (without interest) under the Agreement and in full and final settlement of any liabilities of the Purchaser towards the Vendor and whereupon the Vendor shall not take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches of the terms hereof.

In the event that Completion does not take place in accordance with the terms of the Agreement as a result of the sole default of the Vendor, the Vendor shall forthwith refund the Deposit in full (without interest) and final settlement of any liabilities of the Vendor towards the Purchaser and whereupon the Purchaser shall not take any action to claim for damages or to enforce specific performance or any other rights and remedies save for any antecedent breaches of the terms hereof.

In any other event that Completion does not take place in accordance with the terms of the Agreement, the Vendor shall forthwith refund the Deposit in full (without interest) and in full and final settlement of any liabilities of the Vendor towards the Purchaser and whereupon neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

Undertakings given by the Purchaser

The Purchaser has irrevocably undertaken in favour of the Vendor that the Purchaser shall be responsible for the annual administrative and legal representative fees in Tunisia after Completion.

The Purchaser further undertaken and covenanted to the Vendor that the 8% interest held by Professor Kwong Ser Yuen Albert in PetroAsian Tunisia are shares not be subject to any future dilution and that the Purchaser shall be solely responsible for the paying interests pursuant to the Joint Operating Agreement after Completion.

In addition, the Purchaser acknowledged and agreed that the accounts receivable of the Disposal Group as at the Completion shall be the property of the Vendor. The Purchaser undertaken to pay the said accounts receivable to the Vendor in cash or by cashier order issued by a licensed bank in Hong Kong or by any other manner as agreed by the parties of the Agreement within seven days after receiving any amount of the said accounts receivable. In order to ascertain the figures of the said accounts receivable, the Vendor and the Purchaser shall jointly procure the provision of a completion accounts to be made up to the date of Completion of the Disposal within 30 days after the Completion.

In addition, it was also further acknowledged and confirmed by the Purchaser under the Agreement that prior to the date of Completion, all the credit balances standing to bank accounts of PetroAsian Tunisia in Tunisia shall be beneficially belong to the Vendor. The Purchaser further undertaken with the Vendor that it shall, at the date of Completion or any date thereafter, sign or procure the relevant companies to sign all documents or deeds in order to validly and immediately procure the Vendor to be the beneficial owner of the aforesaid credit balances.

Completion

Completion shall take place on the date falling tenth Business Days (or such later time and date as the Purchaser and the Vendor may agree) when all conditions precedent to the Agreement being fulfilled (or being waived). Upon Completion, China Oil will cease to be a wholly-owned subsidiary of the Company and the financial results of Disposal Group will no longer be consolidated into the results of the Group. Further, the Vendor shall arrange the existing directors and officers to be resigned and the Purchaser shall arrange to fill in the vacancy.

INFORMATION ON DISPOSAL GROUP

China Oil was incorporated in Hong Kong with limited liability on 21 November 2007, and is a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holdings. As at the date of this announcement, China Oil has 92% equity interest in PetroAsian Tunisia, which is principally engaged in exploration and exploitation of hydrocarbon deposits in Tunisia. Through PetroAsian Tunisia, China Oil has 78.03% Participating Interests and 81.03% Paying Interests in the Ksar Hadada Permit, which was granted by the Government of Tunisia in relation to the exploration of hydrocarbon deposits in five identified prospects with a total area of approximately 2,252 square kilometers in Ksar Hadada, which lies onshore in southeast Tunisia.

The Ksar Hadada Permit has an initial term of four years from 20 April 2004 to 19 April 2008 and was renewed, for its first time, to extend for three years from 20 April 2008 to 19 April 2011 upon expiry of its initial term. PetroAsian Tunisia acquired 51% Participating Interests and 52.96% Paying Interests in the Ksar Hadada Permit in 2009 and further increased its Participating Interests and Paying Interests in the Ksar Hadada Permit to 78.03% and 81.03% respectively in 2011. The second renewal of the Ksar Hadada Permit was approved and its term was further extended for three years from 20 April 2011 to 19 April 2014. The work obligations for the initial and the first renewal periods of validity of the Ksar Hadada Permit have been fulfilled. No commercial value on the two exploration wells drilled during the first renewal period of validity of the Ksar Hadada Permit were found and the wells were plugged and abandoned in 2010. The work obligations for the second renewal period of validity of the Ksar Hadada Permit include (i) acquisition, processing and interpretation of at least 100 kilometer 2D seismic; and (ii) drilling of an exploration well.

According to the unaudited consolidated financial statements of China Oil for the period from 1 April 2012 to 30 November 2012, which were prepared under generally accepted accounting principles of Hong Kong, no turnover had been recorded and the consolidated net loss before and after tax and extraordinary items were approximately HK\$1,972,000. The unaudited net assets value of China Oil was approximately HK\$870,000 as at 30 November 2012.

REASONS AND BENEFITS FOR THE DISPOSAL

The Group is principally engaged in exploration, exploitation and sale of crude oil, sale of chemical products, commodity trading, property investment and provision of painting service.

Taking into account (i) the unsatisfactory operating results of Disposal Group for the past 3 years as detailed above; (ii) the Disposal would enable to the Group to reduce potential loss of Disposal Group to the Group in coming years, avoid further fund injection as required to support the future operation of Disposal Group and to deploy more available resources to other investment opportunities with better prospects, the Board consider that the terms of the Agreement are fair and reasonable and are on normal commercial terms and that the Disposal is in the interests of the Company and the Shareholders as a whole.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

As a result of the Disposal, the Group is expected to record an unaudited gain on the Disposal of approximately HK\$5,400,000. Such gain is estimated based on the consideration receivable from the Disposal, i.e. US\$700,000, less the net assets of Disposal Group excluding the accounts receivable and balances at bank accounts of approximately HK\$Nil as at 30 November 2012 and other related costs and expenses.

The net sale proceeds of the Disposal after deducting all related expenses to be incurred for the Disposal of approximately HK\$5,400,000 are intended to be applied as the Group's general working capital.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the sale and purchase agreement dated 17 December 2012 entered into between the Vendor, the Purchaser and the Guarantor in relation to the Disposal
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors of the Company

“Business Day(s)”	a day (other than a Saturday, Sunday and public holidays) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“China Oil”	China Oil Resources Company Limited, a company incorporated in Hong Kong with limited liability, a wholly owned subsidiary of the Company
“Company”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Disposal in accordance with terms and conditions of the Agreement
“connected person(s)”	has the same meaning ascribed to it in the Listing Rules
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the Sale Share, subject to the terms and conditions of the Agreement
“Disposal Group”	China Oil and its subsidiary
“Group”	the Company and its subsidiaries
“Guarantor”	the Company, being the sole beneficial owner of China Oil
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons
“Joint Operating Agreement”	the joint operating agreement dated 8 June 2009 in relation to the operation of the Ksar Hadada Permit

“Ksar Hadada Permit”	the permit in relation to the exploration for hydrocarbon deposits in the Ksar Hadada area located in south eastern Tunisia granted by the Government of Tunisia
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Participating Interests”	as to any party or parties that comprise the PSC Contractors, the undivided interest of such party expressed as a percentage of the total interest of all parties that comprise the PSC Contractors in the rights and obligations derived from the Convention and the Production Sharing Contract
“Paying Interests”	as to any party or parties that comprise the PSC Contractors, the actual interest that such party is paying (for cash calls, and/or other paying obligations of the PSC Contractors) expressed as a percentage of the total interest of all parties that comprise the PSC Contractors and that have a paying interest, which may not be the same as its or their percentage(s) of the Participating Interests
“PetroAsian Tunisia”	PetroAsian Energy (Tunisia) Limited, a company incorporated in the British Virgin Islands with limited liability, which was beneficially owned as to 92% by China Oil and 8% by Professor Kwong Ser Yuen Albert as at the date of the Agreement
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Production Sharing Contract”	the production sharing contract dated 20 December 2003 in relation to the exploration and exploitation of hydrocarbon deposits in the Ksar Hadada Permit area and any extension, renewal or amendment thereto

“PSC Contractor(s)”	the parties to the Production Sharing Contract, namely PetroAsian Tunisia, Independent Resources (Ksar Hadada) Limited, Derwent Resources Ksar Hadada Limited and G.A.I.A. Srl as at the date of the Agreement
“Purchaser”	Fame Achiever Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Sale Share”	1 share of HK\$1.00 in capital of China Oil, being its entire issued share capital
“Share(s)”	ordinary share(s) of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor”	China Oil Resources Group Limited, a company incorporated in the British Virgin Island with limited liability which holds the Sale Share
“%”	per cent
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 17 December 2012

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