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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)

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

**TERMINATION OF LETTER OF INTENT IN RESPECT OF THE
POSSIBLE ACQUISITION**

Reference is made to the announcements of the Company dated 12 May 2010, 12 August 2010, 13 December 2010 and 28 June 2011 respectively in relation to the Possible Acquisition.

The Board announces that on 5 January 2012, the Deed of Termination was entered into between the Company and the Vendor, pursuant to which the parties thereto have mutually agreed to terminate the LOI.

Pursuant to the Deed of Termination, the Vendor shall return to the Company the Deposit (without interest) in the manner as described in this announcement.

Reference is made to the announcements (the “**Announcements**”) of the Company dated 12 May 2010, 12 August 2010, 13 December 2010 and 28 June 2011 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.

DEED OF TERMINATION

The Board announces that on 5 January 2012, the deed of termination (the “**Deed of Termination**”) was entered into between the Company and the Vendor, pursuant to which the parties thereto have mutually agreed to terminate the LOI.

Pursuant to the Deed of Termination, it is agreed that the LOI shall cease and terminate and all the obligations and responsibilities of the parties to the LOI shall be released save for the obligation on the part of the Vendor to return the Deposit (without interest) to the Company. Under the Deed of Termination, the Company agree that the Vendor may deduct RMB5 million (equivalent to approximately HK\$6.15 million) to cover the pre-operating expenses paid or incurred by the Vendor for the Project.

It was further agreed under the Deed of Termination that the Vendor shall return to the balance of the Deposit of RMB30 million (equivalent to approximately HK\$36.92 million) in the following manner:

- (1) RMB3 million (equivalent to approximately HK\$3.69 million) (without interest) shall be paid by the Vendor to the Company within 14 days from the date of the Deed of Termination; and
- (2) the balance of RMB27 million (equivalent to approximately HK\$33.22 million) (without interest) shall be paid by the Vendor to the Company on or before 30 September 2012.

REASONS FOR THE TERMINATION

Under the LOI (as amended by the Extension Letter, the Second Extension Letter and the Third Extension Letter), 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 on or before 31 December 2011 (or such later date as agreed by the parties thereto). However, as at the date hereof, it was unlikely that the Formal Agreement can be conclude and entered into. In light of the above, the parties to the LOI have mutually agreed to enter into the Deed of Termination to terminate the LOI.

The Board considers the entering into of the Deed of Termination is in the interests of the Company and the Shareholders as a whole.

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

Hong Kong, 5 January 2012

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.