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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)

FURTHER EXTENSION OF LONG STOP DATE AND EXCLUSIVITY PERIOD UNDER THE MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION OF THE ENTIRE EQUITY INTERESTS IN CHUANGXIN INSURANCE SALES CO., LTD.#

References are made to the announcement of PetroAsian Energy Holdings Limited (the “**Company**”) dated 4 May 2016 in relation to, among other things, the entering into of the non-legally binding memorandum of understanding (the “**MOU**”) dated 4 May 2016 in respect of the possible acquisition of 100% of the registered and paid up capital of 創信保險銷售有限公司 (Chuangxin Insurance Sales Co., Ltd.#) from 杭州投融長富金融服務集團有限公司 (Hangzhou Tou Rong Chang Fu Financial Services Group Limited#), a substantial shareholder of the Company, and the announcement of the Company dated 3 August 2016 in relation to, among other things, the extension of the long stop date and exclusivity period under the MOU (collectively, the “**Announcements**”). Capitalised terms used herein shall have the same meanings as those defined in the Announcements unless the context requires otherwise.

As disclosed in the Announcements, the Purchaser (or its designated subsidiary), the Vendor and the Vendor's Guarantor shall negotiate in good faith with the view of entering into the legally-binding Formal Agreement on or before 3 November 2016 (or such later date as may be agreed among the parties to the MOU in writing), and in the event that the Formal Agreement is not entered into among the Purchaser (or its designated subsidiary), the Vendor and the Vendor's Guarantor on or before 3 November 2016 (or such later date as may be agreed among the parties to the MOU in writing), the MOU shall be cancelled and in any event, the Vendor shall forthwith refund the Deposit (without interest) to the Purchaser.

In addition, as disclosed in the Announcements, in consideration of the expenses to be incurred by the Purchaser in negotiation of the MOU and conducting the Due Diligence Review, it is agreed that the Vendor will not, and will procure its directors, officers, employees, representatives and agents not to, directly or indirectly, during the period from the date of the MOU up to 3 November 2016 (or such later date as may be agreed among the parties to the MOU in writing), (i) solicit, initiate or encourage inquiries or offers from; or (ii) initiate or continue negotiations or discussions with or furnish any information to; (iii) enter into any agreement or statement of intent or understanding with, any person or entity (a) to sell or otherwise deal with equity interests in the Target; (b) to sell the business or assets of the Target Group; and/or (c) to approve the transfer of shareholding interests in any members of the Target Group or to enter into any transactions for the subscription of shares of any members of the Target Group and/or any transactions having similar effect.

As advised by the Vendor and the Vendor's Guarantor, the Target Group has obtained a nationwide licence to carry out the sale of insurance products, collection of insurance premium, loss investigation and claim settlement in respect of relevant insurance businesses as agent in the entire PRC (excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan) and is therefore expanding the geographical coverage of its business. In view of the aforesaid, additional time is required for the Due Diligence Review (including but not limited to the obtaining of a valuation report on the Target Group) and the negotiation of the terms of the Possible Acquisition, and the Purchaser, the Vendor and the Vendor's Guarantor agreed that the long stop date of 3 November 2016 is no longer realistic. As such, the parties entered into a further extension letter (the "**Further Extension Letter**") on 25 August 2016 (after trading hours of the Stock Exchange), pursuant to which the parties agreed to further extend the long stop date for the entering into of the Formal Agreement and the expiry date of the exclusivity period under the MOU (as amended and supplemented by the Extension Letter) to 31 December 2016 (or such later date as may be agreed among the Purchaser, the Vendor and the Vendor's Guarantor in writing).

In consideration of the Vendor and the Vendor's Guarantor agreeing to the further extension of the long stop date and the exclusivity period, the Purchaser shall pay to the Vendor a further deposit (the "**Further Deposit**") in the amount of RMB6,453,000 in cash to the Vendor within 3 days after the signing of the Further Extension Letter. The Further Deposit, as well as the Deposit in the amount of HK\$10,000,000 (equivalent to approximately RMB8,547,000) paid to the Vendor pursuant to the terms of the MOU, shall be applied for the settlement of part of the consideration at completion in the event that the Possible Acquisition materialises.

In the event that the Formal Agreement is not entered into among the Purchaser (or its designated subsidiary), the Vendor and the Vendor's Guarantor on or before 31 December 2016 (or such later date as may be agreed between the parties to the MOU in writing), the MOU shall be cancelled and in any event, the Vendor shall forthwith refund the Deposit and the Further Deposit (without interest) to the Purchaser.

The Directors consider that the terms of the Further Extension Letter are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Save for the aforementioned, all other terms of the MOU (as amended and supplemented by the Extension Letter) remain unchanged.

The Board wishes to emphasise 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 and a connected transaction on the part of the Company. Shareholders and investors are urged to exercise caution when dealings in the securities of the Company. Further announcement(s) in respect of the Possible Acquisition will be made by the Company as and when appropriate in accordance with the Listing Rules.

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

Hong Kong, 25 August 2016

The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for information purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).

For the purpose of this announcement, unless otherwise indicated, conversion of HK\$ into RMB is calculated at the approximate exchange rate of RMB1.00 to HK\$1.17. This exchange rate is adopted for illustration purpose only and does not constitute a representation that any amounts have been, could have been, or may be, exchanged at this rate or any other rate at all.

As at the date of this announcement, the Board comprises (i) five executive Directors, namely Mr. Li Zhenjun, Mr. Poon Sum, Mr. Wong Kwok Leung, Mr. Poon Wai Kong and Mr. Hu Dehua; (ii) one non-executive Director, namely Mr. Zaid Latif; and (iii) three independent non-executive Directors, namely Mr. Chan Shu Kin, Mr. Cheung Kwan Hung and Mr. Chiu Wai Piu.