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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 ACQUISITION OF 51% OF THE ENTIRE EQUITY INTEREST IN AN OIL TECHNOLOGY COMPANY

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

MEMORANDUM OF UNDERSTANDING IN RESPECT OF THE POSSIBLE ACQUISITION

Reference is made to the announcements of the Company dated 21 December 2009 and 1 March 2010 respectively in relation to the Possible Acquisition.

The Board announces that the Further Extension Letter has been entered into among Easyrich, Mr. Poon and the Vendors on 31 May 2010, and pursuant to which the parties to the MOU agree to further extend (i) the date for entering into a legally-binding Formal Agreement from on or before 31 May 2010 to on or before 31 July 2010 (or such later date as the parties to the MOU may agree); and (ii) the expiry date of the MOU from 31 May 2010 to 31 July 2010 (or such later date as the parties to the MOU may agree). Save for the above, no other amendments were made to the MOU (as amended by the Extension Letter and the Further Extension Letter).

The Board wishes to emphasize 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 and connected 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 Acquisition 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 Rules (the “**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Reference is made to the announcements (the “**Announcements**”) of the Company dated 21 December 2009 and 1 March 2010 respectively in relation to, among other matters, the proposed acquisition by Easyrich from the Vendors of 51% of the entire equity interest in the Target. Terms used herein shall have the same meanings as defined in the Announcements unless the context requires otherwise.

The Board announces that as additional time is required for the Purchaser to conduct due diligence review on the business of the Target, a further extension letter (the “**Further Extension Letter**”) has been entered into among Easyrich, Mr. Poon and the Vendors on 31 May 2010, and pursuant to which the parties to the MOU agree to further extend (i) the date for entering into a legally-binding Formal Agreement from on or before 31 May 2010 to on or before 31 July 2010 (or such later date as the parties to the MOU may agree); and (ii) the expiry date of the MOU from 31 May 2010 to 31 July 2010 (or such later date as the parties to the MOU may agree). Save for the above, no other amendments were made to the MOU (as amended by the Extension Letter and the Further Extension Letter).

The Board considers the entering into of the Further Extension Letter is in the interests of the Company and the Shareholders as a whole.

The Board wishes to emphasize 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 and connected 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 Acquisition will be made by the Company in the event when any Formal Agreement has been signed.

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

Hong Kong, 31 May 2010

As at the date of this statement, 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 Cheung Kwan Hung.