

Press Release
9 September 2011

The FRC publishes an enquiry report in relation to PetroAsian

(9 September 2011, Hong Kong) The Financial Reporting Council (the "FRC") publishes an enquiry report in relation to the consolidated financial statements of PetroAsian Energy Holdings Limited (formerly known as China Oil Resources Holdings Limited) ("PetroAsian") (Stock code: 00850) for the years ended 31 March 2008, 2009 and 2010 (the "2008, 2009 and 2010 Financial Statements"). The enquiry was initiated from the review of modified auditors' reports by the FRC.

On 19 November 2010, the FRC appointed a Financial Reporting Review Committee (E02-10) (the "FRRC") to conduct an enquiry. The enquiry was completed on 16 August 2011 and the report on the findings of the enquiry was adopted by the FRC on 1 September 2011.

The issue of this enquiry relates to the non-recognition of deferred tax liabilities in respect of the fair value gains on the exploitation rights arising from two acquisitions recognized in the 2008 and 2009 Financial Statements respectively, and its consequential impact on the 2010 Financial Statements. The non-recognition of deferred tax liabilities was a non-compliance with the relevant financial reporting standards.

While PetroAsian agreed that there were relevant non-compliances in the 2008, 2009 and 2010 Financial Statements, it advised that the relevant non-compliances would no longer exist following a prior period adjustment, a reversal of the fair value gains previously recognized, made in its consolidated financial statements for the year ended 31 March 2011. Accordingly, the FRRC recommends the FRC to take no further action against PetroAsian in relation to the 2008, 2009 and 2010 Financial Statements.

The FRC would like to remind preparers of financial statements to identify whether there is any taxable temporary difference arising from fair value adjustment on identifiable assets acquired and liabilities assumed in a business combination. The taxable temporary difference may result in the recognition of deferred tax.

The FRRC comprised five members, including Prof. LAU Hing-ling, Amy as the Chairman, Ms. CHAN Mei-bo, Mabel, Mrs. Ayesha M. LAU, Mr. LEUNG Chi-kwan, Andrew, J.P. and Ms. Josephine PRICE as members.

The [full report](http://www.frc.org.hk) is available on the website of the FRC (www.frc.org.hk).