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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)

PROPOSAL OF CHANGE OF JOINT AUDITORS

The Board proposes that, subject to the passing of the necessary resolutions at the EGM, Baker Tilly Hong Kong Limited be removed as one of the joint auditors of the Group and Messrs. Deloitte & Touche Tohmatsu together with Lau & Au Yeung C.P.A. Limited (being the remaining joint auditors of the Group) be appointed as the new joint auditors of the Group.

A circular containing information on the removal of Baker Tilly and the appointment of Deloitte and Lau & Au Yeung as the new joint auditors of the Group together with a notice convening the EGM will be despatched to the shareholders of the Company as soon as possible.

The Board (the “**Board**”) of directors (each a “**Director**”) of PetroAsian Energy Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) announces that, subject to the passing of the necessary resolutions at the extraordinary general meeting of the Company (the “**EGM**”), Baker Tilly Hong Kong Limited (“**Baker Tilly**”) shall be removed as one of the joint auditors of the Group and Messrs. Deloitte & Touche Tohmatsu (“**Deloitte**”) together with Lau & Au Yeung C.P.A. Limited (“**Lau & Au Yeung**”) (being the remaining joint auditors of the Group) shall be appointed as the new joint auditors of the Group and to hold office until the conclusion of the next annual general meeting of the Company.

The reasons for the proposed change of joint auditors of the Group are that since the acquisition of an interest in the Fulaerjiqu oil field in Qiqihar City, Heilongjiang, PRC in 2006, the Group has over the past years been increasing its investments in natural resource projects. As at the date hereof, investments of the Group in natural resources include oil field projects in Qiqihar City and Tunisia, North Africa; as well as an interest in vanadium mining project in Guizhou Province, PRC. In addition, as announced by the Company on 12 May 2010, the Group has signed a letter of intent for a possible investment in a gas and oil field project in Inner Mongolia, PRC. In view of the growing significance of natural resource projects in the Group's business activities, in order to leverage on their geographical advantage and expertise in the energy market, as well as to meet the general expectation of the financial investment community, the Directors consider it is imperative to engage an audit firm which has relatively greater exposure in the natural resource industry and wider geographical coverage and international network as the auditors of the Group.

Whilst the Board (including members of the audit committee) has never doubted about the capability of and have always been satisfied with the professionalism and work quality of Baker Tilly, after considering and having weighed the respective strengths of Baker Tilly, Deloitte and Lau & Au Yeung in respect of, amongst other matters, the human resources availability both globally and locally, the depth of their experience and exposure in the industry which the Group is currently engaged in, the range of and the strength in other services which the Group can draw upon as well as the fee proposals, the Board (including the members of the audit committee) resolved to propose to appoint Deloitte and Lau & Au Yeung as the new joint auditors of the Company.

Lau & Au Yeung is retained as the joint auditors due to their experiences and familiarity with the Group's business in the paints, blended solvents and plastic colorants and at the same time achieves an overall efficacy on the cost and changeover of the auditors of the Group. The Directors consider that such decision would be in the best interests of the Company and its shareholders (the "**Shareholders**") as a whole and could facilitate the future development plans to meet its medium to long-term business strategies.

The Directors are aware of the timeframe for the publication of the financial results of the Group as stipulated in the Rules (the “**Listing Rules**”) Governing the Listing of Securities on the Stock Exchange. With this regard, the Directors have obtained assurance from both Deloitte and Lau & Au Yeung that the stipulated timeframe is achievable. While the appointment Deloitte as one of the joint auditors of the Group shall be subject to the passing of the necessary resolutions at the EGM, Lau & Au Yeung has already commenced audit work on the accounts of the Group for the financial year ended 31 March 2010. It is expected that, provided that the appointment of new joint auditors is approved at EGM, the change of joint auditors of the Company will not affect the audit and the release of the annual results of the Company for the financial year ended 31 March 2010 in compliance with the Listing Rules.

To the best of the Directors’ knowledge, save as disclosed above, there are no matters that needed to be brought to the attention of the Shareholders and the Board is not aware of any matters, including any other disagreement or any unresolved issue between the Group and Baker Tilly that should be brought to the attention of the Shareholders and the creditors of the Group. Upon receipt of the clearance letter from Baker Tilly and if the Directors are aware of any information regarding the change of joint auditors which should be brought to the attention of the Shareholders and the creditors of the Group, further announcement will be made as soon as practicable.

A circular containing information on the removal of Baker Tilly and the appointment of Deloitte and Lau & Au Yeung as the new joint auditors of the Company, together with a notice convening the EGM will be despatched to the Shareholders as soon as possible.

By Order of the Board
PetroAsian Energy Holdings Limited
POON SUM
Chairman

24 May 2010, Hong Kong,

As at the date of this announcement, the Board consists of (i) three executive Directors namely Mr. POON Sum (Chairman), Mr. WONG Kwok Leung and Mr. POON Wai Kong; (ii) three independent non-executive Directors, namely Mr. CHAN Shu Kin, Mr. CHAN Kam Ching, Paul and Mr. CHEUNG Kwan Hung.