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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)

### **PLACING OF NEW SHARES UNDER GENERAL MANDATE**

#### **Placing Agent**



**Polaris Securities (Hong Kong) Limited**

#### **THE PLACING AGREEMENT**

On 11 February 2010 (after trading hours), the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising in aggregate 220,000,000 new Shares at the Placing Price of HK\$1.02 per Placing Share on behalf of the Company to not fewer than six Placees who and whose ultimate beneficial owners will be Independent Third Parties.

The Placing is conditional upon the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Placing Shares. An application will be made to the Listing Committee of the Stock Exchange for granting approval for the listing of, and permission to deal in, the Placing Shares.

The Placing Price was arrived at after arm's length negotiations between the Company and the Placing Agent. The Directors consider that the Placing Price, the terms of the Placing Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Placing Shares represent approximately 6.77% of the existing issued share capital of the Company and represent approximately 6.34% of the issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

The Placing Shares are to be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 21 August 2009.

The net proceeds of the Placing, after deduction of the Placing commission and other related expenses of approximately HK\$6,000,000, will be approximately HK\$218,400,000. The Directors intend to apply the net proceeds as funds for satisfying the second committed payment of the oil and gas project in Tunisia, North Africa and the balance, if any, will be used as funds for any potential acquisition in the future should suitable opportunities arise.

## **THE PLACING AGREEMENT**

### **Date**

11 February 2010

### **Issuer**

The Company

### **Placing Agent**

Polaris Securities (Hong Kong) Limited, who and whose ultimate beneficial owners are Independent Third Parties. The Placing Agent will charge the Company a placing commission of 2.5% of the gross proceeds from the Placing. The Placing commission was negotiated on arm's length basis between the Company and the Placing Agent and determined with reference to, amongst other things, the market rate and the price performance of the Shares. The Directors consider that the terms of the Placing, including the Placing commission, are fair and reasonable based on the current market conditions and the Placing is in the interests of the Company and the Shareholders as a whole.

## **Placees**

The Placing Shares will be placed to not fewer than six (6) Placees which will be independent individual, corporate and/or institutional investors, and who and whose ultimate beneficial owners are Independent Third Parties. Upon completion of the Placing, it is expected that none of the Placees will become a substantial Shareholder. If any of the Placees will become a substantial Shareholder after completion of the Placing, further announcement will be made by the Company.

## **Number of Placing Shares**

The Placing Shares of 220,000,000 ordinary Shares represent approximately 6.77% of the existing issued share capital of the Company as at the date of this announcement. The aggregate nominal value of the Placing Shares amounts to HK\$2,200,000.

## **Placing Price**

The Placing Price of HK\$1.02 represents (i) a discount of approximately 6.42% to the closing price of HK\$1.09 per Share as quoted on the Stock Exchange on 11 February 2010, being the date of the Placing Agreement; and (ii) a discount of approximately 9.73% to the average closing price per Share of HK\$1.13 as quoted on the Stock Exchange for the last five consecutive trading days up to and including the day before the Last Trading Day.

The Placing Price was determined with reference to the prevailing market price and the recent trading volume of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. In view of the highly volatile capital market conditions, the Directors (including the independent non-executive Directors) consider that the terms of the Placing are fair and reasonable based on the current market condition and that the Placing is in the interests of the Company and the Shareholders as a whole.

## **Ranking of Placing Shares**

The Placing Shares, when allotted and issued, will rank equally in all respects among themselves and with the Shares in issue on the date of allotment and issue of the Placing Shares.

### **Condition of the Placing**

The Placing is conditional upon the Listing Committee of the Stock Exchange granting listing of and permission to deal in the Placing Shares.

In the event that the condition of the Placing is not fulfilled in full on or before 1 March 2010 (or such later date as the parties to the Placing Agreement may agree), neither the Company nor the Placing Agent shall have any obligations and liabilities under the Placing.

### **Completion of the Placing**

Completion of the Placing will take place on the third Business Day following the fulfillment of the condition of the Placing.

### **General Mandate to issue the Placing Shares**

The Placing Shares will be issued under the General Mandate granted to the Directors at the annual general meeting of the Company held on 21 August 2009, subject to the limit of 533,604,421 Shares (representing 20% of the aggregate nominal amount of the share capital of the Company in issue on that date). The 220,000,000 Placing Shares to be allotted and issued will utilise approximately 41.23% of the General Mandate.

As at the date of this announcement, save for approximately 41.23% of the General Mandate has been utilized for the Previous Placing, the General Mandate has not been previously utilised prior to the date of this announcement.

### **Application for listing**

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

## **Termination of the Placing Agreement**

Notwithstanding anything contained in the Placing Agreement, the Placing Agent shall be entitled by notice to the Company given prior to 6:00 p.m. on the day immediately preceding the Placing Completion Date to terminate the Placing Agreement if

- (i) any Specified Event comes to the notice of the Placing Agent; or
- (ii) there develops, occurs or comes into force:
  - (a) any new law or regulation or any change in existing laws or regulations or the interpretation thereof which may in the opinion of the Placing Agent and in its reasonable opinion may materially and adversely affect the business or financial condition or prospects of the Group as a whole; or
  - (b) any local, regional, national or international event or change (whether or not permanent or forming part of a series of events or changes occurring or continuing, on and/or after the date of the Placing Agreement) of a political, military, economic or other nature (whether or not ejusdem generis with the foregoing) which, in the reasonable opinion of the Placing Agent and in its reasonable discretion will, or may be expected to, have a material adverse effect on the Placing; or
  - (c) any significant change (whether or not permanent) in local, regional, national or international market conditions (or in conditions affecting a sector of the market) which in the reasonable opinion of the Placing Agent and in its reasonable discretion has or may have a material adverse effect on the Placing; or

(iii) there is any adverse change in the business or in the financial or trading position of the Group taken as a whole which being unaware of by the Placing Agent and in the reasonable opinion of the Placing Agent and in its reasonable discretion is material in the context of the Placing.

If above notice is given by the Placing Agent, the Placing Agreement shall terminate and be of no further effect and neither party to the Placing Agreement shall be under any liability to the other party in respect of the Placing Agreement.

## **REASONS FOR THE PLACING**

The Group is principally engaged in manufacture and sale of paints, blended solvents and plastic colorants, trading of chemical materials, provision of painting service, property investment and exploitation and sale of crude oil.

The Directors are of the view that the Placing represents a good opportunity to raise additional funds for the Company while broadening the Shareholder and capital base of the Company.

The Board considers that the terms of the Placing are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **USE OF PROCEEDS**

The gross proceeds of the Placing will amount to HK\$224,400,000. The net proceeds from the Placing, after the deduction of the Placing commission and other related expenses, are estimated to be approximately HK\$218,400,000, representing a net issue price of approximately HK\$0.9927 per Placing Share. The Directors intend to apply the net proceeds as funds to for satisfying the second committed payment of the oil and gas project in Tunisia, North Africa and the balance, if any, will be used as funds for any potential acquisition in the future should suitable opportunities arise.

## FUND RAISING EXERCISE BY THE COMPANY IN THE PAST TWELVE MONTHS

Date of announcement	Event	Net proceeds	Intended use of proceeds	Actual use of proceeds
20 May 2009	Top-up placing and subscription of 225,000,000 Shares	Approximately HK\$71.63 million	To finance the potential acquisition of oil and gas project in Tunisia, North Africa	Used as intended
	Placing of 77,000,000 unlisted warrants	Approximately HK\$0.75 million upon issue of the warrants	As general working capital of the Group	Used as intended
		Approximately HK\$675,000 upon the exercise of the warrants		
		As at the date of this announcement, there were 75,500,000 warrants remain unexercised		
30 December 2009	Placing of 220,000,000	Approximately HK\$109.2 million	as general working capital of the Group and as funds for future development should suitable opportunities arise	Used as intended

## Changes in shareholding structure of the Company

Assuming there being no other changes in the share capital of the Company, the changes of the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the completion of the Placing are as follows:

Shareholders	As at the date of this announcement		Immediately after completion and the allotment and issue of the Placing Shares	
	No. of Shares	Approximate Percentage	No. of Shares	Approximate percentage
Mr. Poon Sum ( <i>Note 1</i> )	122,770,453	3.78%	122,770,453	3.54%
Mr. Poon Sau Tin ( <i>Note 2</i> )	46,224,453	1.42%	46,224,453	1.33%
Ever Source ( <i>Note 3</i> )	377,794,558	11.63%	377,794,558	10.90%
Mr. Poon Wai Kong ( <i>Note 4</i> )	2,300,000	0.07%	2,300,000	0.07%
Mr. Wong Kwok Leung ( <i>Note 5</i> )	16,285	–%	16,285	–%
Mr. Chan Shu Kin	1,061,500	0.03%	1,061,500	0.03%
Mr. Cheung Kwan Hung ( <i>Note 6</i> )	2,254,000	0.07%	2,254,000	0.07%
Mr. Chan Kam Ching, Paul ( <i>Note 7</i> )	4,000	–%	4,000	–%
<b>Public Shareholders</b>				
Placees	–	–%	220,000,000	6.34%
Other public Shareholders	2,695,002,038	83.00%	2,695,002,038	77.72%
Total	<u>3,247,427,287</u>	<u>100.00%</u>	<u>3,467,427,287</u>	<u>100.00%</u>

### Notes:

- Mr. Poon Sum is the chairman of the Company and is the brother of Mr. Poon Sau Tin. As at the date of the announcement, Mr. Poon Sum is also interested in 110,000,000 share options of the Company and warrants of the Company which conferred rights to subscribe for 9,629,537 Shares.
- Mr. Poon Sau Tin is the elder brother of Mr. Poon Sum.



3. Ever Source Enterprises Limited is also interested in warrants of the Company which conferred rights to subscribe for 31,482,879 Shares. The issued share capital of Ever Source Enterprises Limited is beneficially owned as to 50% by Time Concord Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sum, and as to 50% by Guidance Investments Limited, a company incorporated in the British Virgin Islands and indirectly owned by a discretionary trust, the beneficiaries of which are family members of Mr. Poon Sau Tin.
4. Mr. Poon Wai Kong is an executive Director and as at the date of this announcement he is also interested in 10,000,000 share options of the Company and warrants of the Company which conferred rights to subscribe for 100,000 Shares.
5. Mr. Wong Kwok Leung is an executive Director and as at the date of this announcement he is also interested in 316,000 share options of the Company and warrants of the Company which conferred rights to subscribe for 1,357 Shares.
6. Mr. Cheung Kwan Hung is an independent non-executive Director and as at the date of this announcement he is also interested in warrants of the Company which conferred rights to subscribe for 87,500 Shares.
7. Mr. Chan Kam Ching, Paul is an independent non-executive Director and as at the date of this announcement he is also interested in warrants of the Company which conferred rights to subscribe for 100,000 Shares.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, a Sunday and a public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours

“Company”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Stock Exchange
“Director(s)”	director(s) of the Company
“General Mandate”	the general mandate granted to the Directors by the Shareholders pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 21 August 2009, pursuant to which a maximum of 533,604,421 new Shares may fall to be allotted and issued as at the date of this announcement
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Independent Third Party”	a party which is not connected persons (as defined under the Listing Rules) of the Company and is independent of the Company and its connected persons
“Last Trading Day”	10 February 2010, being the last trading day for the Shares before the date of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Placees”	any individual(s), institutional or other professional investor(s) or any of their respective subsidiaries or associates procured by the Placing Agent to subscribe for any of the Placing Shares pursuant to the Placing Agreement

“Placing”	the placing, on a best efforts basis, of 220,000,000 new Shares to be allotted and issued pursuant to the terms of the Placing Agreements
“Placing Agent”	Polaris Securities (Hong Kong) Limited, a licensed corporation to carry out business in type 1 (dealing in securities), type 2 (dealing in futures contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities), type 5 (advising on futures contracts) and type 9 (asset management) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Placing Agreement”	the conditional placing agreement dated 11 February 2010 and entered into between the Company and the Placing Agent in relation to the placing of 220,000,000 new Shares
“Placing Completion Date”	the third Business Day following the day on which the condition precedent set out in the Placing Agreement is fulfilled
“Placing Share(s)”	220,000,000 new Shares to be placed under the Placing
“Placing Price”	HK\$1.02 per Placing Share
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Previous Placing”	the placing of 220,000,000 Shares as announced in the announcements of the Company dated 30 December 2009, of which the 220,000,000 Shares have been successfully placed with the placees and issued on 13 January 2010
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Shares
“Specified Event”	means an event occurring or matter arising on or after the date hereof and prior to the date of completion which if it had occurred or arisen before the date hereof would have rendered any of the undertakings, warranties and representations given by the Company in the Placing Agreement untrue or incorrect and such would have an adverse impact/effect on the Placing
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$ and cents”	Hong Kong dollars and cents, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 11 February 2010

*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.*