
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in PetroAsian Energy Holdings Limited (the “Company”), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

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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 & Warrants code: 344)

PROPOSED CHANGE OF AUDITORS AND NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening an extraordinary general meeting (the “EGM”) of the Company to be held immediately after the conclusion of the extraordinary general meeting of the Company to be held at Imperial Room III, Mezzanine Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 21 June 2010 at 2:30 p.m. is set out on pages 7 to 8 of this circular. A form of proxy for use at the EGM is also enclosed with this circular.

Whether or not you are able to attend the EGM, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the branch share registrar of the Company in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M/F., Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible and in any event no later than 48 hours before the time appointed for the holding of the EGM. Completion and return of the enclosed form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment meeting should you so wish.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“Baker Tilly”	Baker Tilly Hong Kong Limited, Certified Public Accountants
“Board”	board of the Directors
“Company”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the main board of the Stock Exchange
“Directors”	directors of the Company
“Deloitte”	Deloitte Touche Tohmatsu, Certified Public Accountants
“EGM”	the extraordinary general meeting of Company to be convened to consider and, if thought fit, approve (i) the removal of Baker Tilly as one of the joint auditors of the Group; and (ii) the appointment of Deloitte and to act jointly with Lau & Au Yeung as new joint auditors of the Group
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Lau & Au Yeung”	Lau & Au Yeung C.P.A. Limited, Certified Public Accountants
“Latest Practicable Date”	27 May 2010, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Share(s)”	ordinary issued share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

LETTER FROM THE BOARD



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 & Warrants code: 344)

Executive Directors:

Mr. Poon Sum
Mr. Wong Kwok Leung
Mr. Poon Wai Kong

Independent non-executive Directors:

Mr. Chan Kam Ching, Paul
Mr. Chan Shu Kin
Mr. Cheung Kwan Hung

Registered office:

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

*Head office and principal place
of business in Hong Kong:*

Suite 1006
10/F., Ocean Centre
Harbour City
Tsim Sha Tsui
Kowloon
Hong Kong

28 May 2010

*To the Shareholders and, for information purpose only,
the warrant holders of the Company*

Dear Sir or Madam

PROPOSED CHANGE OF AUDITORS

INTRODUCTION

Reference is made to the announcement of the Company dated 24 May 2010 in relation to, among other matters, the proposed removal of Baker Tilly as one of the joint auditors of the Group and the proposed appointment of Deloitte to act jointly with Lau & Au Yeung as the new joint auditors of the Group.

LETTER FROM THE BOARD

PROPOSED REMOVAL AND APPOINTMENT OF JOINT AUDITORS

The Board proposes that, subject to the passing of the necessary resolutions at the EGM, Baker Tilly shall be removed as one of the joint auditors of the Group and Deloitte shall be appointed as one of the joint auditors of the Group to replace Baker Tilly, then Deloitte together with Lau & Au Yeung (being the remaining joint auditors of the Group) shall act jointly 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 oil field project Qiqihar, Heilongjiang Province, PRC in 2006, the Group has over the past years been increasing its investments in natural resource projects. In late April 2009, the Group completed its acquisition of certain equity interests in a vanadium mining project in Guizhou Province, PRC. Subsequently, in June 2009, the Group entered into a farm-in agreement to acquire certain participating interests in the oil field project in Tunisia, North Africa. Further, the Group had successfully acquired the remaining minority interests in the Qiqihar project and such acquisition was completed in January 2010. In March 2010, a memorandum of understanding was entered into by the Company in relation to the proposed acquisition of equity interests in an oil technology company. 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 since late April 2009 until the date hereof, 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 that Deloitte and Lau Au Yeung shall be appointed as the new joint auditors of the Group.

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

LETTER FROM THE BOARD

The Directors are aware of the timeframe for the publication of the financial results of the Group for the year ended 31 March 2010 as stipulated in the Listing Rules. With this regard, the Directors have obtained assurance from both Deloitte and Lau & Au Yeung that the stipulated timeframe is achievable. While the appointment of 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 Deloitte as one of the joint auditors is approved at the 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, as at the Latest Practicable Date, save as disclosed above, there were no matters that needed to be brought to the attention of the Shareholders and the Board was 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.

GENERAL

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders have material interest in the proposed change of auditors of the Group and are required to abstain from voting in respect of the resolutions to be proposed for Shareholders' approval at the forthcoming EGM.

EGM

The EGM will be convened at which resolution(s) will be proposed to seek approval of (i) the appointment of Deloitte to act jointly with Lau & Au Yeung as the joint auditors of the Group; and (ii) the removal of Baker Tilly as one of the joint auditors of the Group.

A notice convening the EGM is set out on pages 7 to 8 of this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

The resolutions to approve (i) the removal of Baker Tilly as one of the joint auditors of the Group; and (ii) the appointment of Deloitte to act jointly with Lau & Au Yeung as new joint auditors of the Group will be taken by poll and an announcement will be made by the Company after the EGM on the results of the EGM.

RECOMMENDATION

The Directors consider that (i) the removal of Baker Tilly as one of the joint auditors of the Group; and (ii) the appointment of Deloitte as one of the joint auditors of the Group are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions as set out in the notice of the EGM.

RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Yours faithfully

For and on behalf of the Board

PetroAsian Energy Holdings Limited

Poon Sum

Chairman

NOTICE OF EGM



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 & Warrants code: 344)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders of PetroAsian Energy Holdings Limited (the “**Company**”) will be held immediately after the conclusion of the extraordinary general meeting of the Company to be held at Imperial Room III, Mezzanine Floor, Towers Wing, The Royal Pacific Hotel & Towers, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Monday, 21 June 2010 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without amendments, the following resolutions of the Company:

ORDINARY RESOLUTION

“**THAT** subject to the passing of the special resolution as set out in this notice below, Deloitte Touche Tohmatsu be appointed to act jointly with Lau & Au Yeung C.P.A. Limited as joint auditors of the Company in place of Baker Tilly Hong Kong Limited immediately following the removal of Baker Tilly Hong Kong Limited and the board of directors of the Company be and is hereby authorised to fix their remuneration.”

SPECIAL RESOLUTION

“**THAT** Baker Tilly Hong Kong Limited be and is hereby removed as one of the joint auditors of the Company and its subsidiaries with immediate effect.”

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

Hong Kong, 28 May 2010

NOTICE OF EGM

Registered office:

Cricket Square,
Hutchins Drive,
P.O. Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

*Head office and principal place of
business in Hong Kong:*

Suite 1006, 10th Floor,
Ocean Centre,
Harbour City,
Tsim Sha Tsui,
Kowloon,
Hong Kong

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the EGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
2. A form of proxy for use at the EGM is enclosed. Whether or not you intend to attend the EGM in person, you are encouraged to complete and return the enclosed form of proxy in accordance with the instructions printed thereon. Completion and return of a form of proxy will not preclude a member from attending in person and voting at the EGM or any adjournment thereof, should he so wish.
3. In order to be valid, the form of proxy must be duly lodged at the Company's branch registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong together with a power of attorney or other authority, if any, under which it is duly signed or a notorially certified copy of that power of attorney or authority, not less than 48 hours before the time for holding the meeting or any adjourned meeting.
4. In the case of joint holders of shares, any one of such holders may vote at the EGM, either personally or by proxy, in respect of such share as if he was solely entitled thereto, but if more than one of such joint holder are present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.