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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)

RULE 13.18 ANNOUNCEMENT

BANKING FACILITIES WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

This announcement is made by the Company pursuant to Rule 13.18 of the Listing Rules.

The Board announces that on 14 October 2009, Wing Shing Chemical, Wing Shing Chemical Macao and Go Wealthy, all being indirect wholly-owned subsidiaries of the Company, accepted the renewal of the Banking Facilities Letter offered by the Bank in relation to various banking facilities of up to a total revised amount of HK\$134,846,852. Pursuant to the Banking Facilities Letter, Wing Shing Chemical, Wing Shing Chemical Macao and Go Wealthy have provided certain undertakings relating to specific performance of the controlling shareholders of the Company.

In addition, on 25 November 2009, Wing Shing Chemical accepted the Term Loan Facilities under a special loan guarantee scheme with the facility limit of HK\$6,000,000, pursuant to which Wing Shing Chemical undertakes to, among others, procure that Mr. Poon, Mr. Poon Sau Tin and their family members shall remain the single largest Shareholder throughout the life of the Term Loan Facilities.

The information regarding the Banking Facilities Letter and the Term Loan Facilities has also been disclosed in the 2009-2010 annual report of the Company.

This announcement is made by the Company pursuant to Rule 13.18 of the Listing Rules.

(A) BANKING FACILITIES

The Board announces that on 14 October 2009, Wing Shing Chemical, Wing Shing Chemical Macao and Go Wealthy, all being indirect wholly-owned subsidiaries of the Company, accepted the renewal of the Banking Facilities Letter dated 14 October 2009 issued by the Bank, whereby and subject to the terms and conditions contained therein, the Bank has agreed to make available to the Relevant Subsidiaries various banking facilities of up to a total revised amount of HK\$134,846,852. Details of the original Banking Facilities Letter have been disclosed by the Company in its announcement dated 10 May 2004.

Under the Banking Facilities Letter, the following banking facilities of up to the amounts indicated have been made available to the Relevant Subsidiaries:

- 1. Current account overdraft of up to HK\$3,000,000 designated for use by Wing Shing Chemical**
- 2. Trade finance facilities of up to HK\$25,000,000 designated for use by Wing Shing Chemical and Wing Shing Chemical Macao**
- 3. Short Term Money Market Loan of HK\$10,000,000 designated for use by Wing Shing Chemical**
- 4. Term Loan advanced to Go Wealthy of HK\$1,415,000**

The Loan shall be repaid by 15 monthly instalments of HK\$90,000 each (together with interest accrued) and one final instalment of HK\$60,000 (together with interest accrued)

- 5. Term Loan advanced to Wing Shing Chemical of HK\$95,431,852**

The Loan shall be repaid in the following manner: (i) for principal amount drawn from 1st month to 6th month, repayable in 54 equal monthly instalments from the 7th month since the 1st drawdown date; (ii) for principal amount drawn from 7th month to 12th month, repayable in 48 equal monthly instalments from the 13th month since the 1st drawdown date; and (iii) for principal amount drawn from 13th month to 18th month, repayable in 42 equal monthly instalments from the 19th month since the 1st drawdown date

6. Treasury Facilities – Foreign Exchange Contract(s) (Spot and Forward) designated for use by Wing Shing Chemical

Facilities limit to be determined by the Bank on a case by case basis and may arrange for these facilities to be available through the Bank or other members of its group

7. Treasury Facilities – Currency and Interest Rate Risk Management designated for use by Wing Shing Chemical

Facilities limit to be determined by the Bank on a case by case basis and may arrange for these facilities to be available through the Bank or other members of its group

Except expressly Provided otherwise above, all the facilities mentioned above have no specific expiry date and are subject to periodic review by the Bank at its sole discretion.

The Banking Facilities Letter was entered into and renewed after arm's length negotiation and the Board considers that terms of the Banking Facilities Letter are fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

(B) TERM LOAN FACILITIES

In addition, on 25 November 2009, Wing Shing Chemical accepted the Term Loan Facilities under a special loan guarantee scheme with the facility limit of HK\$6,000,000. The Term Loan Facilities is a non-revolving facility for a term of 60 months from the first drawdown date. Interest shall accrue on the amounts drawn under the Term Loan Facilities at 2% per annum over the higher of HIBOR or the Bank's cost of fund, subject to fluctuation. Principal and interest shall be repaid monthly in arrears in instalments of HK\$100,000 each (together with interest accrued) commencing one month after the first drawdown date.

The information regarding the Banking Facilities Letter and the Term Loan Facilities has also been disclosed in the 2009-2010 annual report of the Company.

(C) SPECIFIC PERFORMANCE OBLIGATIONS OF THE CONTROLLING SHAREHOLDERS

In consideration of the Bank providing or continuing to provide the banking facilities under the Banking Facilities Letter to the Relevant Subsidiaries for so long as the Bank may think fit, and as a continuing security for the payment and discharge to the Bank on demand of all moneys, obligations and liabilities due, owing or incurred by the Relevant Subsidiaries, the Relevant Subsidiaries have undertaken to the Bank, among others, during the term of the Banking Facilities Letter:

- (i) to procure that Mr. Poon, Mr. Poon Sau Tin and their family members shall collectively maintain at least 23% of the issued share capital of the Company;
- (ii) to procure that Mr. Poon shall remain as chairman or chief executive officer of the Group and shall be actively involved in the management and business of the Group; and
- (iii) to procure that Mr. Poon, Mr. Poon Sau Tin and their family members shall remain the single largest shareholder of the Company.

In addition, in consideration of the Bank providing the Term Loan Facilities to Wing Shing Chemical, Wing Shing Chemical has also undertaken to, inter alia, procure that Mr. Poon, Mr. Poon Sau Tin and their family members shall remain the single largest shareholder of the Company throughout the life of such Term Loan Facilities.

Any breach of the abovementioned obligations shall be an event of default under the Banking Facilities Letter and the Term Loan Facilities, the occurrence of which will entitle the Bank to cancel the facilities immediately, declare that all or part of the facilities, together with the accrued interest, an all other amounts accrued or outstanding under the Banking Facilities Letter and the Term Loan Facilities and any other relevant documents be immediately due and payable, and/or declare that all or part of the facilities be payable on demand.

The facilities under the Banking Facilities Letter and the Term Loan Facilities represent approximately 100% of the Group's total borrowings as at 31 March 2010. Considering the size of the facilities and the cash level of the Group as at 31 March 2010, the Board is of the view that the occurrence of the aforesaid event of default, if any, may not adversely affect the operations of the Group.

In this announcement, unless the context otherwise requires, the following words and expressions shall have the meaning ascribed to them below:

“Bank”	a licensed bank in Hong Kong which issued the Banking Facilities Letter and offered the Term Loan Facilities to the Relevant Subsidiaries
“Bank Facilities Letter”	the banking facilities letter originally dated 7 May 2004 and renewed on 14 October 2009 issued by the Bank, pursuant to which the Bank offered various working capital facilities to the Relevant Subsidiaries up to a revised amount of HK\$134,846,852
“Board”	the board of Directors
“Company”	PetroAsian Energy Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“Directors”	directors of the Company
“Go Wealthy”	Go Wealthy Investment Limited, a company incorporated in the British Virgin Islands with limited liability, an indirect wholly-owned subsidiary of the Company
“Group”	the Company together with its subsidiaries
“HIBOR”	the Hong Kong Inter-Bank Offer Rate to be determined by the Bank for the relevant period
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Poon”	Mr. Poon Sum, the chairman of the Company, an executive Director and a substantial Shareholder
“PRC”	the People’s Republic of China, which for the purpose of this announcement, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prime Rate”	the rate of interest per annum as announced or applied by the Bank from time to time as its prime interest rate in Hong Kong for lending Hong Kong Dollars to its customers
“Relevant Subsidiaries”	collectively, Wing Shing Chemical, Wing Shing Chemical Macao and Go Wealthy
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Term Loan Facilities”	a term loan facilities offered by the Bank under a special loan guarantee scheme with the facility limit of HK\$6,000,000 to Wing Shing Chemical on 25 November 2009

“Wing Shing Chemical”	Wing Shing Chemical Company Limited, a company incorporated in Hong Kong with limited liability, an indirect wholly-owned subsidiary of the Company
“Wing Shing Chemical Macao”	Wing Shing Chemical Macao Commercial Offshore Company Limited, a company incorporated in Macau Special Administrative Region of the PRC, an indirect wholly-owned subsidiary of the Company
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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

Hong Kong, 15 September 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.