

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Company.



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 EXISTING SHARES AND TOP UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



Cantor Fitzgerald (Hong Kong) Capital Markets Limited

On 19 October 2010 (before trading hours), the Company entered into the Placing Agreement with the Vendor and the Placing Agent pursuant to which the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising up to 400,000,000 existing Shares at the Placing Price of HK\$0.55 per Placing Share on behalf of the Vendor to not fewer than six places and the Vendor conditional agreed to subscribe, or to procure (including procuring from Ever Source) the subscription, for the Subscription Shares comprising up to 400,000,000 new Shares, being the same number of the Placing Shares actually placed by the Placing Agent, at the Placing Price.

The Placing is unconditional. The Subscription is conditional upon, among other things, (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Subscription Shares; and (ii) the completion of the Placing in accordance with the terms of the Placing Agreement. 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 Subscription Shares. The Subscription Shares are to be issued under the General Mandate.

The Placing Price was arrived at after arm's length negotiations between the Company, the Vendor 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 Company has 3,729,946,286 Shares in issue as at the date of this announcement. The Placing Shares represent approximately 10.72% of the existing issued share capital of the Company and the Subscription Shares represent approximately 9.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

The net proceeds of the Placing and the Subscription will be approximately HK\$205 million. The Directors intend to use such net proceeds in the following manner:

- as to approximately HK\$150 million for the expansion of our oil extraction facilities in our oilfield in Qiqihar, Heilongjiang Province, the PRC; and
- the remaining balance shall be applied as general working capital of the Group and for any potential acquisition in the future should suitable opportunities arise.

PLACING OF EXISTING SHARES AND TOP-UP SUBSCRIPTION OF NEW SHARES UNDER GENERAL MANDATE

The Placing Agreement

Date: 19 October 2010

Parties:

(1) Issuer:	the Company
(2) Placing agent:	the Placing Agent
(3) Subscriber:	the Vendor

Pursuant to the Placing Agreement, the Placing Agent agreed to place, on a best efforts basis, the Placing Shares comprising up to 400,000,000 existing Shares at the Placing Price of HK\$0.55 per Placing Share on behalf of the Vendor to not fewer than six placees and the Vendor conditional agreed to subscribe, or to procure (including procuring from Ever Source) the subscriptions, for the Subscription Shares comprising up to 400,000,000 new Shares, being the same number of the Placing Shares actually placed by the Placing Agent, at the Placing Price.

A. THE PLACING

Information on the Vendor

The Vendor is an executive Director and a substantial Shareholder (as defined under the Listing Rules) and thus, a connected person of the Company. As at the date of this announcement, the Vendor personally owns 182,770,453 Shares, representing approximately 4.9% of the entire issued share capital of the Company, and is interested in 390,262,558 Shares, representing approximately 10.46% of the entire issued share capital of the Company, through his interests in Ever Source.

Information on the Placing Agent

The Placing Agent has been appointed to place, on a best efforts basis, the Placing Shares. The Placing Agent is a licensed corporation to carry on business in type 1 (dealing in securities), type 2 (dealing in future contracts), type 3 (leveraged foreign exchange trading), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Each of the Placing Agent and its ultimate beneficial owners is an Independent Third Party.

Information on the Placees

The Placing Shares shall be placed to not fewer than six Placees which will be independent individual, corporate and/or institutional investors, who and whose ultimate beneficial owners shall be Independent Third Parties. The Placees and their ultimate beneficial owners shall also be third parties independent of the Vendor and its connected persons. It is not expected that any individual Placee will become a substantial Shareholder of the Company immediately after completion of the Placing and the Subscription. If any of the Placees will become a substantial Shareholder of the Company after the completion of the Placing, further announcement will be made by the Company.

Number of Placing Shares

The number of Placing Shares shall be up to 400,000,000 Shares. The Placing Shares represent approximately 10.72% of the existing issued share capital of the Company and approximately 9.69% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Placing Price

The Placing Price represents:

- (i) a discount of approximately 15.38% to the closing price of HK\$0.65 per Share as quoted on the Stock Exchange on 18 October 2010, being the last trading date immediately prior to the date of the Placing Agreement; and
- (ii) a discount of approximately 14.86% to the average of the closing prices of HK\$0.646 per Share as quoted on the Stock Exchange for the last five trading days immediately prior to 19 October 2010.

The Placing Price was arrived at after arm's length negotiations between the Company, the Vendor and the Placing Agent having considered the market condition, the recent share price performance of the Shares and the liquidity of the Shares. The Directors consider that the Placing Price and the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Placing commission payable to the Placing Agent

Under the Placing Agreement, the Placing Agent will charge the Vendor a placing commission equivalent to 3% of the aggregate Placing Price of the number of the Placing Shares actually placed by the Placing Agent on behalf of the Vendor.

The placing commission is arrived at after arm's length negotiations between the Company, the Vendor and the Placing Agent with reference to the prevailing placing commission charged by other placing agents. The Directors consider that the placing commission is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

Rights

The Placing Shares will be sold free from all liens, charges and encumbrances and together with the rights attaching to them, including the right to receive all dividends declared, made or paid after the date of the completion of the Placing.

Condition of the Placing

The Placing is unconditional.

Completion

Completion of the Placing is expected to take place on or before 21 October 2010.

Ranking of the Placing Shares

The Placing Shares rank equally in all respects among themselves and with Shares in issue as at the date of this announcement.

B. THE SUBSCRIPTION

The Issuer

The Company

The subscriber

The subscriber is the Vendor who is a Director and a substantial shareholder (as defined under the Listing Rules) of the Company. As at the date of this announcement, the Vendor personally owns 182,770,453 Shares, representing approximately 4.9% of the entire issued share capital of the Company, and is interested in 390,262,558 Shares, representing approximately 10.46% of the entire issued share capital of the Company, through his interests in Ever Source.

Number of Subscription Shares

Immediately after completion of the Placing and assuming all the Placing Shares are successfully placed, the shareholding of the Vendor together with Ever Source will be reduced to 173,033,011 Shares, representing approximately 4.64% of the existing issued share capital of the Company before completion of the Subscription. The Subscription will then increase the shareholding of the Vendor together with Ever Source to 573,033,011 Shares, representing approximately 13.88% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares.

Subscription Price

The subscription price is HK\$0.55 per Subscription Share, which is equivalent to the Placing Price. In line with the market practice, the Company will bear all costs and expenses of the Subscription and will reimburse the Vendor all costs and expenses incurred by the Vendor in respect of the Placing and the Subscription because it is the fund raising conducted by the Company. Based on the estimated expenses for the Placing and the Subscription, the net subscription price is approximately HK\$0.5375 per Share.

The aggregate nominal value of the maximum number of the Subscription Shares is HK\$4,000,000.

Rights

The Subscription 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 Subscription Shares.

Mandate to issue the Subscription Shares

The allotment and issue of the Subscription Shares is not subject to separate Shareholders' approval. The Subscription Shares will be allotted and issued under the General Mandate. Under the General Mandate, up to 745,989,257 Shares may be issued by the Company. As at the date of this announcement, no Share has been allotted and issued under the General Mandate. Assuming the Placing Shares have been fully placed and the corresponding number of Subscription Shares are allotted and issued to the Vendor, approximately 53.62% of the General Mandate will be utilized.

Conditions of the Subscription

The Subscription is conditional upon the following conditions having been fulfilled by 29 October 2010 (or such later date as may be agreed between the Company and the Vendor):

- (1) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in the Subscription Shares;
- (2) completion of the Placing in accordance with the terms of the Placing Agreement; and
- (3) all other necessary consents and approvals as may be required in respect of the Subscription and the transactions contemplated thereunder relating to the Subscription having been obtained.

In the event that the conditions of the Subscription are not fulfilled in full by the date stipulated, neither the Company nor the Vendor shall have any obligations and liabilities under the Subscription and thereafter neither party shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the terms thereof.

Completion of the Subscription

Completion of the Subscription will take place on the Business Day following the fulfillment of all the conditions of the Subscription. The Subscription must be completed on or before 1 November 2010, which is within 14 days from the date of the Placing Agreement. If the Subscription is to be completed thereafter, it will constitute a connected transaction under the Listing Rules and require compliance with all the relevant requirements under Chapter 14A of the Listing Rules, including but not limited to the issue of a separate announcement and approval of the independent Shareholders (being Shareholders other than the Vendor, its ultimate beneficial owners and their respective associates).

Application for listing

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR THE PLACING AND THE SUBSCRIPTION AND USE OF PROCEEDS

The Board considers that it is beneficial to the Company and the Shareholders as a whole to raise capital for the future business development of the Group by way of the Placing as it will broaden the capital and shareholder base of the Company thereby increasing the liquidity of the Shares. The gross proceeds of the Placing and the Subscription will be approximately HK\$220 million and the net proceeds of the Placing and the Subscription, after deduction of the placing commission and other related expenses of approximately HK\$15 million, will be approximately HK\$205 million. The Directors intend to apply approximately HK\$150 million for the expansion of our oil extraction facilities in our oilfield in Qiqihar, Heilongjiang Province, the PRC and the remaining balance shall be applied as general working capital of the Group and for any potential acquisition in the future should suitable opportunities arise.

The Directors consider that the Placing Agreement are entered into upon normal commercial terms following arm's length negotiations between the Company, the Vendor and the Placing Agent and that the terms of the Placing Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

FUND RAISING ACTIVITY IN PAST 12 MONTHS

The following is the equity fund raising activities conducted by the Group in the past 12 months immediately preceding the date of this announcement:

Date of announcement	Event	Net proceeds (approximately)	Intended use of proceeds as announced	Actual use of proceeds
30 December 2009	Placing of 220,000,000 Shares	HK\$109.2 million	As general working capital of the Group and as funds for future development should suitable opportunities arise	Used as intended
11 February 2010	Placing of 220,000,000 Shares	HK\$218.4 million	To satisfy the second committed payment of the oil and gas project in Tunisia, North Africa and the balance, if any, be used as funds for any potential acquisition in the future should suitable opportunities arise	Used as intended
29 March 2010	Subscription of 250,000,000 non-listed warrants	HK\$2.2 million upon issue of warrants All the warrants remain unexercised as at the date of this announcement	As general working capital of the Group For net proceeds received upon exercise of the warrants, 60% of the net proceeds will be used for any potential acquisition in the future should suitable opportunities arise, 30% of the net proceeds will be used to finance oil and gas project in Tunisia, North Africa and 10% of the net proceeds will be used as general working capital of the Group	Used as intended

Save as disclosed above, the Company has not conducted any other fund raising activities in the past twelve months before the date of this announcement.

CHANGES OF SHAREHOLDING STRUCTURE

As at the date of this announcement, the Company has 3,729,946,286 Shares in issue.

The shareholding structure of the Company (i) as at the date of this announcement; (ii) immediately after completion of the Placing but prior to completion of the Subscription; and (iii) immediately after completion of the Placing and the Subscription are as follows:

Name of Shareholders	As at the date of this announcement		Immediately after completion of the Placing but prior to completion of the Subscription		Immediately after completion of the Placing and the Subscription	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
Ever Source (<i>Note 1</i>)	390,262,558	10.463%	–	0.000%	390,262,558	9.450%
The Vendor (<i>Note 2</i>)	182,770,453	4.900%	173,033,011	4.639%	182,770,453	4.425%
Mr. Poon Sau Tin (<i>Note 3</i>)	35,836,453	0.961%	35,836,453	0.961%	35,836,453	0.868%
Directors (other than Mr. Poon Sum)	8,261,785	0.221%	8,261,785	0.221%	8,261,785	0.200%
Public shareholders						
The Placees	–	0.000%	400,000,000	10.724%	400,000,000	10.724%
Other public shareholders	3,112,815,037	83.455%	3,112,815,037	83.455%	3,112,815,037	83.455%
Total	<u>3,729,946,286</u>	<u>100.00%</u>	<u>3,729,946,286</u>	<u>100.00%</u>	<u>4,129,946,286</u>	<u>100.00%</u>

Notes:

- 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.
- Mr. Poon Sum is the chairman of the Company and the Vendor.
- Mr. Poon Sau Tin is the elder brother of Mr. Poon Sum.

DEFINITIONS

Terms or expressions used in this announcement shall, unless the context otherwise requires, have the meanings ascribed to them below:

“Board”	the board of Directors
“Business Day”	any day (not being a Saturday, Sunday and public or statutory 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, the Shares of which are listed on the Stock Exchange
“connected persons”	has the meanings as ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Ever Source”	Ever Source Enterprises Limited, a company incorporated in the British Virgin Islands with limited liability, a substantial Shareholder which 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 the Vendor, an executive Director, 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, brother of the Vendor
“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 22 September 2010, pursuant to which a maximum of 745,989,257 new Shares might fall to be allotted and issued
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	independent third parties who are not connected person(s) (as defined in the Listing Rules) of the Company and are independent of and not connected with the Company and its directors, chief executive, and substantial shareholders of the Company or any of its subsidiaries or their respective associates
“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 of the Placing Shares by the Placing Agent on behalf of the Vendor pursuant to the Placing Agreement
“Placing Agreement”	the placing and subscription agreement dated 19 October 2010 and entered into between the Company, the Vendor and the Placing Agent in respect of the Placing and the Subscription
“Placing Agent”	Cantor Fitzgerald (Hong Kong) Capital Markets Limited, a licensed corporation for type 1 (dealing in securities), type 3 (leveraged foreign exchange trading), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)
“Placing Price”	the placing price of HK\$0.55 per Placing Share, for the Placing
“Placing Shares”	up to 400,000,000 Shares which are beneficially owned by the Vendor and will be placed by the Placing Agent on his behalf on a best effort basis pursuant to the Placing Agreement

“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the issued Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription”	the subscription for the Subscription Shares by the Vendor pursuant to the Placing Agreement
“Subscription Shares”	up to 400,000,000 new Shares for which the Vendor has conditionally agreed to subscribe for pursuant to the Placing Agreement
“Vendor”	Mr. Poon Sum, an executive Director and a substantial Shareholder (as defined under the Listing Rules) and, as at the date of this announcement, personally owns 182,770,453 Shares, representing approximately 4.9% of the entire issued share capital of the Company, and is interested in 390,262,558 Shares, representing approximately 10.46% of the entire issued share capital of the Company, through his interests in Ever Source
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 19 October 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.