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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, licensed securities dealer 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)

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION –
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN
WIN PROFIT (ASIA PACIFIC) CO., LIMITED;
(2) REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES;
(3) REFRESHMENT OF THE 10% LIMIT ON THE GRANT OF OPTIONS
UNDER THE SHARE OPTION SCHEME;
AND
(4) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the independent committee (the “**Independent Board Committee**”) of the board of directors of the Company is set out on pages 19 to 20 of this circular. A letter from Cinda International Capital Limited, the independent financial adviser of the Company, containing its advice to the Independent Board Committee and the independent shareholders of the Company is set out on pages 21 to 38 of this circular.

A notice convening an extraordinary general meeting (the “**EGM**”) of the Company to be held at Imperial Room III, Mezzanine Floor, Towers Wing, The Royal Pacific Hotel & Tower, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 18 March 2010 at 2:30 p.m. is set out on pages 46 to 50 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, 17M Floor, 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.

1 March 2010

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DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 21 August 2009
“Agreement”	the conditional sale and purchase agreement dated 8 February 2010 and entered into among the Vendor and the Purchasers in relation to the Disposal
“associate(s)”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day”	any day (excluding Saturday and Sunday) on which licensed banks in Hong Kong are open for business
“Company”	PetroAsian Energy Holdings Limited, a company incorporated in Cayman Islands with limited liability, whose issued Shares are listed on the Stock Exchange
“Completion”	completion of the Disposal in accordance with terms and conditions of the Agreement
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it in the Listing Rules
“Director(s)”	director(s) of the Company
“Disposal”	the proposed disposal of the Sale Shares, subject to the terms and conditions of the Agreement
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Agreement and the transactions contemplated thereunder; (ii) the New Issue Mandate; and (iii) the Proposed Scheme Refreshment

DEFINITIONS

“Existing General Mandate”	the general mandate granted to the Directors by the Shareholders at the AGM to allot, issue and deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Existing Scheme Mandate Limit”	the total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and other share option schemes of the Company to subscribe for up to 255,112,210 Shares, representing 10% of the issued share capital of the Company as at the date of approval of such refreshment of scheme mandate
“Ever Source”	Ever Source Enterprises Limited, a company incorporated in the British Virgin Islands, and the issued share capital of 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 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
“First Promissory Note”	the promissory note in the principal amount of HK\$15 million to be issued by the First Purchaser, with 1-year maturity from the date of issue at zero coupon rate, as part of the consideration for the Disposal pursuant to the Agreement
“First Purchaser”	Mr. Poon Sau Tin (潘壽田先生), the elder brother of Mr. Poon Sum (an executive Director and Chairman of the Company) and a substantial Shareholder interested in approximately 12.22% of the entire issued share capital of the Company as at the Latest Practicable Date
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Disposal and the grant of the New Issue Mandate
“Independent Financial Adviser”	Cinda International Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders regarding the Disposal and the grant of the New Issue Mandate
“Independent Shareholders”	as the case may be, (i) regarding the Disposal, Shareholders other than the Purchasers and their respective associates and Shareholders who are interested in the Disposal other than being a Shareholder; and (ii) regarding the grant of the New Issue Mandate, Shareholders other than the controlling Shareholders and their associates or, where there are no controlling Shareholders, Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates
“Latest Practicable Date”	26 February 2010, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Issue Mandate”	a general mandate proposed to be granted to the Directors to exercise the power of the Company to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of the EGM
“PRC”	the People’s Republic of China, and for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“Promissory Notes”	collectively, the First Promissory Note and the Second Promissory Note
“Proposed Scheme Refreshment”	the proposed refreshment of the Existing Scheme Mandate Limit
“Purchasers”	collectively, the First Purchaser and the Second Purchaser
“Sale Shares”	the entire issued share capital of Win Profit
“Second Promissory Note”	the promissory note in the principal amount of HK\$10 million to be issued by the Second Purchaser, with 1-year maturity from the date of issue at zero coupon rate, as part of the consideration for the Disposal pursuant to the Agreement
“Second Purchaser”	Mr. Mai Mao Quan (麥茂全先生)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Option Scheme”	the share option scheme of the Company approved and adopted by ordinary resolution passed by all the Shareholders on 21 October 2002 and amended on 8 December 2005
“Shareholder(s)”	holder(s) of the issued Share(s)
“Share(s)”	ordinary share(s) of nominal value of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Vendor”	Wing Shing Group Limited (永成集團有限公司), a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company which holds the Sale Shares

DEFINITIONS

“Win Profit”	Win Profit (Asia Pacific) Co., Limited (永得利(亞太)有限公司), a company incorporated in Hong Kong with limited liability whose entire issued share capital is directly held by the Vendor
“Win Profit Group”	Win Profit and Zhongshan Chemical
“Zhongshan Chemical”	Zhongshan Wing Shing Chemical Co. Ltd. (中山市永成化工有限公司), a limited liability company incorporated under the laws of the PRC whose entire issued share capital is directly held by Win Profit
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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)

Executive Directors:

Mr. Poon Sum (*Chairman*)

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

1 March 2010

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

Dear Sir or Madam

- (1) DISCLOSEABLE AND CONNECTED TRANSACTION –
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN
WIN PROFIT (ASIA PACIFIC) CO., LIMITED;
(2) REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES;
AND
(3) REFRESHMENT OF THE 10% LIMIT ON THE GRANT OF OPTIONS
UNDER THE SHARE OPTION SCHEME**

INTRODUCTION

On 8 February 2010, the Board announced that on 8 February 2010 (after trading hours), the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchasers entered into the Agreement pursuant to which the Purchasers conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares, comprising the entire issued share capital in Win Profit, for a total consideration of HK\$30 million. Upon Completion, Win Profit will be beneficially owned as to 60% by the First Purchaser and as to 40% by the Second Purchaser.

LETTER FROM THE BOARD

The Disposal constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules and is subject to the approval by the Independent Shareholders at the EGM.

Furthermore, at the EGM, resolutions will be proposed, among other things, regarding the grant of the New Issue Mandate and the Proposed Scheme Refreshment.

The purpose of this circular is to give you, inter alia, (a) further information about the Disposal; (b) details about the grant of the New Issue Mandate and the Proposed Scheme Refreshment; (c) the recommendation from the Independent Board Committee in relation to the Disposal and the grant of the New Issue Mandate; (d) the advice from the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the grant of the New Issue Mandate; and (e) a notice of the EGM.

(1) THE DISPOSAL

The Agreement

Date

8 February 2010

Parties

Vendor: Wing Shing Group Limited, a direct wholly-owned subsidiary of the Company.

Purchasers: Mr. Poon Sau Tin (潘壽田先生), as the First Purchaser. He is the elder brother of Mr. Poon Sum (an executive Director and Chairman of the Company) and a substantial Shareholder interested in 424,019,011 Shares, representing approximately 12.22% of the entire issued share capital of the Company as at the Latest Practicable Date, among which (i) 46,224,453 Shares were held by Mr. Poon Sau Tin in his own name; and (ii) 377,794,558 Shares were held by Ever Source, and is therefore considered as a connected person of the Company under the Listing Rules.

Mr. Mai Mao Quan (麥茂全先生), as the Second Purchaser. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, save for being an employee of the Group, the Second Purchaser is a third party independent of the Company and its connected persons.

Assets to be disposed of

The Sale Shares represent the entire issued share capital of Win Profit.

LETTER FROM THE BOARD

Consideration

The consideration for the Disposal is HK\$30 million and has been/ shall be satisfied by the Purchasers in the following manner:

- (i) as to HK\$5 million has been paid in cash (the “**Deposit**”) to the Vendor by the Purchasers in proportion to their respective equity interest in the Sale Shares to be acquired within ten Business Days after the signing of the Agreement;
- (ii) as to HK\$15 million by the issue of the First Promissory Note by the First Purchaser to the Vendor upon Completion; and
- (iii) as to HK\$10 million by the issue of the Second Promissory Note by the Second Purchaser to the Vendor upon Completion.

Particulars of the Promissory Notes are set out in the section headed “Promissory Notes” below.

Basis of consideration

The consideration for the Disposal was arrived at after arm’s length negotiation between the Vendor and the Purchasers with reference to (i) the unaudited consolidated net assets value of Win Profit Group of HK\$55.2 million as at 31 December 2009 after capitalizing a shareholder’s loan due to the Vendor by Win Profit Group of approximately HK\$85.5 million on 5 February 2010; (ii) the unaudited consolidated loss after taxation of Win Profit Group for the two years ended 31 March 2008 and 2009 of approximately HK\$7.8 million and HK\$26.2 million; and (iii) the expected continuing difficult operating environment of Win Profit Group as detailed in the section headed “Reasons for and benefits of the Disposal” below.

Conditions precedent

Completion is conditional upon:

- a. the passing of an ordinary resolution by the Independent Shareholders at a general meeting of Company approving the entering into of the Agreement and the transactions contemplated thereunder; and
- b. all necessary approvals and consents in connection with the Disposal having been obtained from relevant parties.

LETTER FROM THE BOARD

If any of the conditions mentioned above has not been fulfilled on or before 31 March 2010 or such later date as the Vendor and the Purchasers may otherwise agree, the Agreement shall lapse and the Deposit shall be repaid without interest by the Vendor to the respective Purchasers within seven Business Days after receipt of written notice from the Purchasers. None of the parties to the Agreement shall have any liability to the other parties (other than in respect of any antecedent breaches) under the Agreement.

Completion

Completion shall take place on the third Business Day after the fulfilment of all the conditions above or such later date as the Vendor and the Purchasers may otherwise agree.

If Completion does not take place as a result of the sole default of the Purchasers, the Vendor may forthwith terminate the Agreement by giving notice of termination in writing to the Purchasers to such effect, in which event the Vendor shall be entitled to forfeit the Deposit absolutely and neither party shall have any obligations and liabilities hereunder and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

If Completion does not take place as a result of the sole default of the Vendor, the Purchasers may forthwith terminate the Agreement by giving notice of termination in writing to the Vendor to such effect, in which event the Vendor shall forthwith refund the Deposit (without interest), to the Purchasers and neither party shall have any obligations and liabilities hereunder and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

If Completion does not take place otherwise than due to the sole default of either the Purchasers or the Vendor, the Agreement shall cease and terminate and the Vendor shall refund the Deposit (without interest) to the Purchasers, and neither party shall have any obligations and liabilities hereunder and neither party shall take any action to claim for damages or to enforce specific performance or any other rights and remedies.

Upon Completion, Win Profit will cease to be a wholly-owned subsidiary of the Company. Accordingly, the assets, liabilities and financial results of Win Profit Group will no longer be consolidated into the financial statements of the Group.

LETTER FROM THE BOARD

Promissory Notes

HK\$25 million of the consideration for the Disposal will be satisfied by the issue of the First Promissory Note of HK\$15 million by the First Purchaser and the Second Promissory Note of HK\$10 million by the Second Purchaser to the Vendor. The principal terms of the Promissory Notes are as follows:

Issuer:	Purchasers.
Principal amount:	HK\$25 million in aggregate, as to HK\$15 million by the First Purchaser and as to HK\$10 million by the Second Purchaser.
Maturity:	The first anniversary from the date of issue of the Promissory Notes.
Coupon rate:	Nil.
Security:	60% and 40% of the Sale Shares will be pledged by the First Purchaser and the Second Purchaser to the Vendor respectively upon Completion in respect of their respective obligations under the Promissory Notes.
Redemption:	The Purchasers may elect to redeem the whole or any part of the Promissory Notes then outstanding in amount of not less than HK\$1 million (save that if the outstanding amount is less than HK\$1 million, the whole amount thereof) at any time and from time to time during the period commencing on the date of issue of the Promissory Notes up to one day immediately before the maturity date of the Promissory Notes.
Assignment:	The Promissory Notes may be transferred or assigned by the holder of the Promissory Notes to any party.

INFORMATION OF WIN PROFIT GROUP

Win Profit is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. Win Profit, through its wholly-owned subsidiary, Zhongshan Chemical, is principally engaged in manufacturing and sale of emulsion paint in the PRC.

LETTER FROM THE BOARD

Set out below is a summary of the unaudited consolidated financial information on Win Profit Group for the two years ended 31 March 2008 and 2009:

	For the year ended 31 March 2009 (unaudited) HK\$	For the year ended 31 March 2008 (unaudited) HK\$
Revenue	46,241,600	37,155,900
Loss before taxation	(26,153,800)	(7,832,500)
Loss after taxation	(26,157,800)	(7,832,500)

The increase in operating loss of Win Profit Group was mainly attributable to (a) erosion of gross profit by (i) high material costs of paints and solvents driven by high crude oil price in the first half of 2008; (ii) severe competition from other industry peers; and (iii) declined overseas orders from end users (especially in the toy and electronic industries); and (b) impairment of intangible assets after reviewing the recoverable amount of a customer list with reference to changes in market conditions.

As at 31 December 2009, the unaudited consolidated net liabilities of Win Profit Group (before capitalizing a shareholder's loan due to the Vendor by Win Profit Group of approximately HK\$85.5 million) was approximately HK\$30.3 million.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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

As set out in the Company's annual report for the year ended 31 March 2009, the Board was very optimistic about the prospects of energy business, and oil exploration and exploitation would be the Group's focus in the future. However, with regard to the Group's paint production business, it was affected by the industry's fierce competition and the high material costs of paints and solvents in the first half of the 2008 which in turn caused a decline in its gross profit margin and operating profit.

LETTER FROM THE BOARD

Taking into account (i) the operating environment of the paint production business is still under difficult condition due to the price volatility of raw materials and shrinking demands in the market; (ii) the unsatisfactory operating results of Win Profit Group for the past two years as detailed above; (iii) the Disposal would enable the Group to sell out non-performing business, reduce potential loss of Win Profit Group to the Group in coming years, avoid further fund injection as required to support future operation of Win Profit Group and deploy more resources to other investment opportunities with better prospect; and (iv) the discussions of the Disposal with other potential independent third parties have been suspended during the financial turmoil, the Board is of the view that the terms of the Agreement (including the zero-coupon nature of the Promissory Notes after considering the prevailing low-interest environment) are fair and reasonable and are on normal commercial terms and that the Disposal is in the interests of the Company and the Shareholders as a whole.

The Promissory Notes are secured by share charges over the Sale Shares to be provided by the Purchasers upon Completion and the Company would be entitled to exercise its rights under the said share charges in case the Purchasers fail to honour their respective obligations under the Promissory Notes. Furthermore, the Board knows the background of the Purchasers, who are elder brother of the Chairman of the Company and an employee of the Group respectively, and believes that the Purchasers have the ability to repay the Promissory Notes upon maturity.

FINANCIAL EFFECTS OF THE DISPOSAL AND USE OF PROCEEDS

As a result of the Disposal, subject to confirmation of the Company's auditors, the Group is expected to record an unaudited loss on Disposal of approximately HK\$25.2 million with reference to (i) the unaudited net assets value of Win Profit Group as at 31 December 2009 of approximately HK\$55.2 million after capitalizing the shareholder's loan due to the Vendor by Win Profit Group of approximately HK\$85.5 million; and (ii) the total consideration for the Disposal of HK\$30 million. Taking into account of the reasons for and benefits of the Disposal as disclosed in the section headed "Reasons for and benefits of the Disposal" above, the Board considers that the potential improvement to the Group's overall operating performance as a result of cessation of Win Profit Group's loss-making paint production business would outweigh the one-off loss on Disposal, which is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Upon Completion, Win Profit will cease to be a wholly-owned subsidiary of the Company. Accordingly, the assets, liabilities and the financial results of Win Profit Group will no longer be consolidated into the financial statements of the Group.

The net sale proceeds of the Disposal after deducting all related expenses to be incurred for the Disposal of approximately HK\$29.5 million are intended to be applied as the Group's general working capital and fund for further development of the Group's business.

It should be noted that the aforementioned estimations are for illustrative purpose only and do not purport to represent how the actual financial position of the Group will be upon Completion.

LETTER FROM THE BOARD

(2) REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES

At the AGM, the Directors were granted the Existing General Mandate to allot, issue and deal with new Shares up to 533,604,421 Shares, being 20% of the aggregate issued share capital of the Company as at the date of such meeting. There has not been any refreshment of the Existing General Mandate since the AGM. During the period from the date of the AGM to the Latest Practicable Date, 440,000,000 Shares have been issued under the Existing General Mandate as a result of the placing of 220,000,000 new Shares as disclosed in the announcements of the Company dated 30 December 2009 and 11 February 2010 respectively, details of the aforesaid are set out below:

Date of announcement	Details	Net proceeds	Intended use of proceeds	Actual use of proceeds
30 December 2009	Placing of 220,000,000 new Shares	Approximately HK\$109.2 million	as general working capital and funds for future development of the Group	Used as intended
11 February 2010	Placing of 220,000,000 new Shares	Approximately HK\$218.4 million	as funds for satisfying the Group's 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	Proceeds will be put into an interest-bearing bank account which would be used as intended

After the abovementioned utilisation, only 93,604,421 new Shares can be issued under the Existing General Mandate, representing approximately 2.70% of the issued share capital of the Company as at the Latest Practicable Date. In order to top up the number of Shares to be issued pursuant to the Existing General Mandate and to provide flexibility and discretion to the Directors to issue new Shares in the future which is considered desirable for the Group's future business development, the Directors propose to the Shareholders a resolution to grant the Directors the New Issue Mandate such that the Directors can exercise the power of the Company to allot, issue and deal with new Shares up to 20% of the issued share capital of the Company as at the date of the EGM. As at the Latest Practicable Date, the Company did not have any concrete plan regarding the utilisation of the New Issue Mandate.

LETTER FROM THE BOARD

The Board has considered other fund raising methods such as rights issue, open offer or debt financings. However, the Board is aware that (i) negotiations with potential brokerage firms to act as underwriter(s) can be lengthy; (ii) it highly depends on the prevailing market conditions to arrive at good terms that are beneficial to Shareholders as a whole; (iii) debt financings will incur interest burden to the Group and may be subject to lengthy due diligence and negotiations with lenders. Such financing alternatives may not be readily available for appropriate investment that may be identified by the Group in the future and the Board is inclined to choose the path to raise fund which incurs least costs but with higher possibility to succeed. Hence, the Board considers that the grant of the New Issue Mandate will provide the Company with an additional alternative for fund raising and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future development.

As at the Latest Practicable Date, there were 3,469,410,287 Shares in issue. Subject to the passing of the proposed resolution for granting the New Issue Mandate to the Directors and assuming no Shares will be issued and/ or repurchased by the Company from the Latest Practicable Date until the date of the EGM, the Directors would be authorised under the New Issue Mandate to allot and issue a maximum of 693,882,057 Shares if the New Issue Mandate is refreshed.

(3) REFRESHMENT OF THE 10% LIMIT ON THE GRANT OF OPTIONS UNDER THE SHARE OPTION SCHEME

On 16 June 2009, the Existing Scheme Mandate Limit was approved by a resolution of the Shareholders at the extraordinary general meeting of the Company pursuant to which the Company would be allowed to grant further options under the Share Option Scheme or other share option scheme(s) of the Company carrying rights to subscribe for a maximum of 255,112,210 Shares, representing 10% of the issued share capital of the Company at that time.

Up to the Latest Practicable Date, 253,792,000 options were granted under the Share Option Scheme pursuant to the Existing Scheme Mandate Limit entitling the grantees to subscribe for an aggregate of 253,792,000 Shares, representing approximately 7.32% of the existing issued share capital of the Company. 39,792,000 of these options have been exercised as at the Latest Practicable Date.

The Directors consider that the Proposed Scheme Refreshment is in the interests of the Company to permit the grant of further options to eligible persons under the Share Option Scheme or other share option scheme(s) of the Company as incentive or reward for their contributions to the Group. Accordingly, a resolution for approving the Proposed Scheme Refreshment by the Shareholders is proposed at the EGM.

LETTER FROM THE BOARD

Based on the 3,469,410,287 Shares in issue as at the Latest Practicable Date and assuming no Shares will be issued and/ or repurchased by the Company from the Latest Practicable Date until the date of the EGM, upon approval of the Proposed Scheme Refreshment at the EGM, the Company will be able to grant further options under the Share Option Scheme or other share option scheme(s) of the Company to subscribe for up to 346,941,028 Shares, representing 10% of the issued share capital of the Company as at the date of the EGM, and options previously granted under the Share Option Scheme and/ or any other share option scheme(s) of the Company (including without limitation those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme or such other scheme(s) of the Company) will not be counted for the purpose of calculating the Existing Scheme Mandate Limit as refreshed.

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company at any time will not exceed 30% of the Shares in issue from time to time. No options shall be granted under any scheme(s) of the Company or any of its subsidiaries if this will result in the 30% limit being exceeded.

Conditions of the Proposed Scheme Refreshment

The Proposed Scheme Refreshment is conditional upon:

- (i) the passing of an ordinary resolution by the Shareholders at the EGM to approve the Proposed Scheme Refreshment; and
- (ii) the Stock Exchange granting the approval of the listing of, and permission to deal in, the new Shares to be issued pursuant to the exercise of any options that may be granted pursuant to the Proposed Scheme Refreshment.

Application for listing

Application will be made to the Stock Exchange in respect of the approval referred to in (ii) under the paragraph headed “Conditions of the Proposed Scheme Refreshment” above.

LETTER FROM THE BOARD

LISTING RULES IMPLICATION

Mr. Poon Sau Tin, being the First Purchaser and the elder brother of Mr. Poon Sum (an executive Director and Chairman of the Company), is a substantial Shareholder interested in approximately 12.22% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, the First Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements of the Company under the Listing Rules. The Purchasers and their respective associates will abstain from voting for the resolution to approve the Agreement and the transactions contemplated thereunder at the EGM. As at the Latest Practicable Date, to the best of the Company's knowledge after reasonable enquiry, the First Purchaser and his associates were interested in 424,019,011 Shares, representing approximately 12.22% of the entire issued share capital of the Company, and the Second Purchaser and his associates were not interested in any Shares.

Pursuant to Rule 13.36(4)(a) of the Listing Rules, any refreshment of the Existing General Mandate made before the next annual general meeting requires any controlling Shareholders and their associates, or where there are no controlling Shareholders, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates to abstain from voting in favour of the relevant resolution to be proposed at the EGM. As the Company had no controlling Shareholder, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates, who were interested in 549,105,749 Shares (representing approximately 15.83% of the entire issue share capital of the Company) as at the Latest Practicable Date, will abstain from voting in favour of the resolution to approve the grant of the New Issue Mandate at the EGM.

No Shareholder will be required to abstain from voting at the EGM in respect of the resolution relating to the Proposed Scheme Refreshment.

The Independent Board Committee which comprises Mr. Chan Kam Ching, Paul, Mr. Chan Shu Kin and Mr. Cheung Kwan Hung, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the New Issue Mandate.

Cinda International Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the New Issue Mandate.

LETTER FROM THE BOARD

EGM

Set out on pages 46 to 50 is a notice convening the EGM to be held at Imperial Room III, Mezzanine Floor, Towers Wing, The Royal Pacific Hotel & Tower, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 18 March 2010 at 2:30 p.m. at which relevant resolutions will be proposed to the Shareholders to consider and, if thought fit, approve (i) the Agreement and the transactions contemplated thereunder; (ii) the grant of the New Issue Mandate; and (iii) the Proposed Scheme Refreshment.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you intend to attend and vote at such meeting, you are requested to complete and return the enclosed form of proxy 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 in accordance with the instructions printed thereon as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving the Agreement and the transactions contemplated thereunder.

The Board, having taken into account the advice of the Independent Financial Adviser and the Independent Board Committee, considers that the Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the ordinary resolution which will be proposed at the EGM for approving the Agreement and the transactions contemplated thereunder.

The Board considers that the grant of the New Issue Mandate (after taking into account the advice of the Independent Board Committee and the Independent Financial Adviser) and the Proposed Scheme Refreshment are fair and reasonable, and in the interests of the Company and the Shareholders as a whole. Accordingly, it recommends the Independent Shareholders and the Shareholders (as the case may be) to vote in favour of the relevant ordinary resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 19 to 20 of this circular which contains its views in relation to the Agreement and the transactions contemplated thereunder and the grant of the New Issue Mandate; and (ii) the letter from the Independent Financial Adviser set out on pages 21 to 38 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreement and the transactions contemplated thereunder and the grant of the New Issue Mandate and the principal factors and reasons considered by it in arriving at its opinions.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendix to this circular.

Yours faithfully
For and on behalf of the Board
PetroAsian Energy Holdings Limited
Poon Sum
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

1 March 2010

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

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION –
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN
WIN PROFIT (ASIA PACIFIC) CO., LIMITED
AND
(2) THE REFRESHMENT OF THE GENERAL MANDATE TO ISSUE SHARES**

We refer to the circular of the Company dated 1 March 2010 (the “**Circular**”) to the Shareholders, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee and to advise you as to whether, in our opinion, (i) the Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole, and (ii) the grant of the New Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interest of the Company and the Shareholders as a whole.

Cinda International Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in these respects. Details of its advice, together with the principal factors and reasons it has taken into consideration in arriving at such advice, are set out on pages 21 to 38 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 18 of the Circular and the additional information set out in the appendix of the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the terms of the Agreement and the grant of the New Issue Mandate, the principal factors and reasons considered by, and the advice of Cinda International Capital Limited, we are of the opinion that the Agreement and the transactions contemplated thereunder are on normal commercial terms, and together with the grant of New Issue Mandate, are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve (i) the Agreement and the transactions contemplated thereunder; and (ii) the grant of the New Issue Mandate.

Yours faithfully,
Independent Board Committee of
PetroAsian Energy Holdings Limited

Chan Kam Ching, Paul
Independent non-executive Director

Chan Shu Kin
Independent non-executive Director

Cheung Kwan Hung
Independent non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Disposal and the grant of the New Issue Mandate which has been prepared for the purpose of inclusion in this circular.



45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

1 March 2010

*To the Independent Board Committee and the Independent Shareholders of
PetroAsian Energy Holdings Limited*

Dear Sir/Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION –
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL IN
WIN PROFIT (ASIA PACIFIC) CO., LIMITED
AND
(2) REFRESHMENT OF GENERAL MANDATE TO ISSUE SHARES**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal and the grant of the New Issue Mandate, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company dated 1 March 2010, of which this letter forms part. Capitalised terms used in this letter without definitions shall have the same meanings set out in the Circular unless the context otherwise requires.

On 8 February 2010, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchasers entered into the Agreement pursuant to which the Purchasers conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares, comprising the entire issued share capital in Win Profit, for a total consideration of HK\$30 million. Upon Completion, Win Profit will be beneficially owned as to 60% by the First Purchaser and as to 40% by the Second Purchaser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Poon Sau Tin, being the First Purchaser and the elder brother of Mr. Poon Sum (an executive Director and Chairman of the Company), is a substantial Shareholder interested in approximately 12.22% of the entire issued share capital of the Company as at the Latest Practicable Date. Accordingly, the First Purchaser is a connected person of the Company under Chapter 14A of the Listing Rules. In addition, as the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal are more than 5% but less than 25%, the Disposal constitutes a discloseable and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, which is subject to the reporting, announcement and Independent Shareholders' approval requirements of the Company under the Listing Rules. The Purchasers and their respective associates will abstain from voting for the resolution to approve the Agreement and the transactions contemplated thereunder at the EGM.

Pursuant to Rule 13.36(4) of the Listing Rules, any refreshment of the general mandate before the next annual general meeting shall be subject to the Independent Shareholders' approval by way of poll at the EGM. Any controlling Shareholders and their associates or where there are no controlling Shareholders, the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution for approving the new general mandate. As at the Latest Practicable Date, as the Company had no controlling Shareholder, and accordingly, the Directors (excluding the independent non-executive Directors) and chief executive of the Company and their respective associates, who were interested in 549,105,749 Shares (representing approximately 15.83% of the entire issue share capital of the Company) as at the Latest Practicable Date, will abstain from voting in favour of the resolution on the grant of the New Issue Mandate at the EGM.

An Independent Board Committee, comprising Mr. Chan Kam Ching, Paul, Mr. Chan Shu Kin and Mr. Cheung Kwan Hung, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the Agreement and the transactions contemplated thereunder are on normal commercial terms, and together with the grant of the New Issue Mandate, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole and to give recommendation to the Independent Shareholders on how to vote. We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in all these respects.

BASIS OF OUR ADVICE

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Circular and have assumed that all information and representations made or referred to in the Circular as provided by the Directors and the management of the Company were true at the time they were made and continue to be true as at the date of the Circular, and there has been no material change thereof. We have also relied on our discussion with the Directors and the management of the Company regarding the information and representations

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

contained in the Circular. We have also assumed that all statements of belief, opinion and intention made by the Directors and the management of the Company in the Circular were reasonably made after due enquiry and careful consideration. We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Circular nor to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Company.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular the omission of which would make any such statement contained in the Circular misleading. We have not, however, conducted an independent in-depth investigation into the business and affairs of the Company, the Group, Win Profit Group, the Purchasers and their respective associates nor have we carried out any independent verification of the information supplied.

I. Discloseable and connected transaction – the Disposal

A. *Principal factors and reasons considered*

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder, we have taken the following principal factors and reasons into consideration:

(1) Background of the Disposal

The Agreement

On 8 February 2010, the Vendor, a direct wholly-owned subsidiary of the Company, and the Purchasers entered into the Agreement pursuant to which the Purchasers conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares, comprising the entire issued share capital in Win Profit, for a total consideration of HK\$30 million. Upon Completion, Win Profit will be beneficially owned as to 60% by the First Purchaser and as to 40% by the Second Purchaser.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on the Group

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

Set out below is a summary of the consolidated financial information on the Group (including Win Profit Group) for the two years ended 31 March 2008 and 2009:

	For the year ended 31 March 2009 (audited) HK\$'000	For the year ended 31 March 2008 (audited) HK\$'000
Revenue	399,409	351,530
Profit before taxation	11,453	600,777
Profit after taxation	10,736	601,305

Information on Win Profit Group

Win Profit is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company. Win Profit, through its wholly-owned subsidiary, Zhongshan Chemical, is principally engaged in manufacturing and sale of emulsion paint in the PRC.

Set out below is a summary of the unaudited consolidated financial information on Win Profit Group for the two years ended 31 March 2008 and 2009:

	For the year ended 31 March 2009 (unaudited) HK\$'000	For the year ended 31 March 2008 (unaudited) HK\$'000
Revenue	46,242	37,156
Loss before taxation	(26,154)	(7,833)
Loss after taxation	(26,158)	(7,833)

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at 31 December 2009, the unaudited consolidated net liabilities of Win Profit Group (before capitalizing a shareholder's loan due to the Vendor by Win Profit Group of approximately HK\$85.5 million) was approximately HK\$30.3 million.

(2) *Reasons for the Disposal*

As set out in the Letter from the Board, the Group's paint production business was affected by the industry's fierce competition and the high material costs of paints and solvents in the first half of the 2008 which in turn caused a decline in its gross profit margin and operating profit.

As advised by the Directors, the operating environment of the paint production business is still under difficult condition due to the price volatility of raw materials and shrinking demands in the market. The Board had been planning to dispose of Win Profit Group in mid 2008 and has been seeking for buyer since then. However, the discussions of the Disposal with other potential independent third parties have been suspended during the financial turmoil. In view that the financial performance of Win Profit Group was not satisfactory and, without capitalising the shareholder's loan due to the Vendor, Win Profit Group was in net deficit, the Board found it difficult to find independent buyer for Win Profit Group.

The Directors believe that the Disposal will allow the Group to concentrate on its healthy businesses, which includes energy business, oil exploration and exploitation, and the Group saw the need in disposing its poorly performed business of Win Profit Group in order to avoid further burdens to the Group and deploy its resources on remaining businesses.

Having considered the above in particular that (i) the unsatisfactory operating results of Win Profit Group for the past two years, (ii) the Disposal not only allows the Group to exit from subsidizing a loss making subsidiary group but also, following the Completion, allows the Company to free up its capital commitment and management resources of the Group which would otherwise be required in the operation of the loss making subsidiary group and will better enhance the financial performance of the Group by focusing on its core businesses or invest in prospective business in the future, and (iii) there may have difficulties for the Company to find a buyer for Win Profit Group given its unsatisfactory financial performance, we concur with the Directors that the entering into of the Agreement is in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(3) *Terms of the Agreement*

As referred to in the Letter from the Board, the consideration for the Disposal is HK\$30 million and has been/shall be satisfied by the Purchasers in the following manner:

- (i) as to HK\$5 million has been paid in cash (the “**Deposit**”) to the Vendor by the Purchasers in proportion to their respective equity interest in the Sale Shares to be acquired within ten Business Days after the signing of the Agreement;
- (ii) as to HK\$15 million by the issue of the First Promissory Note by the First Purchaser to the Vendor upon Completion; and
- (iii) as to HK\$10 million by the issue of the Second Promissory Note by the Second Purchaser to the Vendor upon Completion.

The consideration for the Disposal was arrived at with reference to (i) the unaudited consolidated net assets value of Win Profit Group of approximately HK\$55.2 million as at 31 December 2009 after capitalizing a shareholder’s loan due to the Vendor by Win Profit Group of approximately HK\$85.5 million on 5 February 2010; (ii) the unaudited consolidated loss after taxation of Win Profit Group for the two years ended 31 March 2008 and 2009 of approximately HK\$7.8 million and HK\$26.2 million; and (iii) the expected continuing difficult operating environment of Win Profit Group.

In formulating our opinion on the consideration for the Disposal, we have considered following comparable approaches, namely price to earning approach, dividend approach and net asset value approach, which are commonly adopted in valuation of a company.

Price to earning approach

Based on the unaudited financial results of Win Profit Group for the two years ended 31 March 2009, Win Profit Group had incurred a consolidated net loss after taxation of approximately HK\$7.8 million and HK\$26.2 million respectively. Since Win Profit Group has been suffering losses in recent years, the use of price to earning multiple as reference to assess the consideration for the Disposal would not be applicable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Dividend approach

The Company has not declared any dividends to the Shareholders during the year ended 31 March 2009. As such, there is no basis to assess the consideration for the Disposal based on historical dividend yield of the Company, and the dividend approach would not be applicable.

On the basis that the price to earning multiple and dividend of the Company are not available, we consider that we should focus on the net asset value approach in the determination of the reasonableness and fairness of the consideration of the Disposal.

Net asset value approach

The total consideration for the Disposal is HK\$30 million. As set out in the Letter from the Board, the unaudited consolidated net assets value of Win Profit Group was approximately HK\$55.2 million as at 31 December 2009 after capitalizing a shareholder's loan due to the Vendor by Win Profit Group of approximately HK\$85.5 million on 5 February 2010. The consideration of HK\$30 million therefore represents approximately 0.54 times of the consolidated net assets value of Win Profit Group.

In assessing the fairness and reasonableness of the consideration for the Disposal, we have carried out market comparison for our analysis and applied the price-to-book ratio (“**P/B Ratio**”) to make comparisons for the consideration of the Disposal. In this connection, reference is made to companies listed on the Stock Exchange which, to the best of our knowledge based on the information from the website of the Stock Exchange, we identified four companies, which is considered as an exhaustive list, are principally engaged in business similar to that of Win Profit Group (the “**Comparable Companies**”), details whereof are summarized in the table below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Company (stock code)	Principal business	Net assets value <i>(Note 1)</i> <i>(HK\$)</i>	P/B Ratio <i>(Note 1)</i>
Kee Shing (Holdings) Limited (174)	Trading of electroplating materials, paint and coating chemicals and stainless steel; rental income from leasing of office and residential properties; and investing in various securities and generating investment income.	556,213,000	0.68
Greenfield Chemical Holdings Limited (582)	Manufacture and distribution of liquid coatings, powder coatings and solvents.	387,808,000	1.69
CNT Group Limited (701)	Manufacture and sale of paint products; trading of steel products; property investment and development, strategic investments.	633,040,000	0.46
Schramm Holding AG (955)	Manufacture and supply of automotive and general industry coatings, coil coatings, and electrical insulation paints and varnishes.	280,066,500 <i>(Note 2)</i>	1.91 <i>(Note 2)</i>
Average:			1.19
Maximum:			1.91
Minimum:			0.46
Company			0.54

Source: the website of the Stock Exchange

Notes:

1. Based on the financial results of the respective latest published results and the respective closing share price on 8 February 2010 (being the date of the Agreement) of the Comparable Companies.
2. For calculation purposes, the net assets value recorded in Euro was converted into HK\$ under the exchange rate of Euro 1 to HK\$10.5.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the above table, the P/B Ratio as implied by the consideration for the Disposal, being approximately 0.54 times, falls below the average P/B Ratio of the Comparable Companies, but within the range of the P/B Ratio of the Comparable Companies from approximately 0.46 times to approximately 1.91 times.

Even though the P/B Ratio implied by the consideration for the Disposal is the second lowest among the Comparable Companies, we consider the consideration for the Disposal is fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account that (i) the P/B Ratio as represented by the consideration for the Disposal falls within the range of the Comparable Companies; (ii) Win Profit Group is an unlisted company and there is no open market for the trading of its shares, thus lack of marketability and non-liquidity in nature; (iii) the unsatisfactory financial performance of Win Profit Group in the recent years, which recorded unaudited consolidated loss of approximately HK\$7.8 million for the year ended 31 March 2008 and further enlarged to a loss of approximately HK\$26.2 million for the year ended 31 March 2009; (iv) the net sale proceeds of approximately HK\$29.5 million to be received by the Group are intended to be applied as general working capital and fund for further development of the Group's business; (v) there have been difficulties for the Company to find a buyer for Win Profit Group given its unsatisfactory financial performance; and (vi) the Disposal would enable the Group to reduce potential loss of Win Profit Group to the Group in coming years, avoid further fund injection as required to support future operation of Win Profit Group, and provide a good opportunity to the Group to realize and sell out non-performing business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Regarding the settlement arrangement, we noted that major of the consideration for the Disposal (i.e., HK\$25 million) is to be paid by the issue of the First Promissory Note of HK\$15 million by the First Purchaser and the Second Promissory Note of HK\$10 million by the Second Purchaser to the Vendor upon Completion. We further noted that the Promissory Notes mature on the first anniversary from the date of issue of the Promissory Notes and the coupon rate is zero which is not uncommon in the market for settlement of consideration for acquisition/disposal. Despite of the fact that issuance of interest free Promissory Notes is not favourable to the Group, after taken into account the factors including:

- (i) given the unsatisfactory financial performance of Win Profit Group, there have been difficulties for the Company to find a buyer for Win Profit Group who can offer terms more favourable than the Purchasers, the Company has approached a Hong Kong public listed company and some potential private investors for the possible disposal of Win Profit Group however the negotiation was terminated either due to the financial turmoil or unfavorable responses;
- (ii) the recurring loss recorded by Win Profit Group where the loss of Win Profit Group has increased by more than 3 times in the year ended 31 March 2009 as compared with the previous financial year, the Board considers earlier disposal of Win Profit Group would have overall positive impact to the Group considering the expected continuing difficult operating environment of Win Profit Group;
- (iii) the Disposal would enable the Group to reduce potential loss of Win Profit Group to the Group in coming years;
- (iv) we are given to understand that the Board knows the background of the Purchasers, who are elder brother of the Chairman of the Company and an employee of the Group respectively, and believes that the Purchasers have the ability to repay the Promissory Notes upon maturity; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) the Promissory Notes are secured by share charges over the Sale Shares to be provided by the Purchasers upon Completion, in case the Purchasers fail to honour their respective obligations under the Promissory Notes, the Company would be entitled to exercise its rights under the said share charges and the Company may be benefited from the non-refundable Deposit of HK\$5 million received,

we therefore consider that the settlement arrangement is fair and reasonable so far as the Independent Shareholders are concerned.

(4) *Possible financial effects of the Disposal*

Earnings and net assets value

As a result of the Disposal, subject to confirmation of the Company's auditors, the Group is expected to record an unaudited loss on Disposal of approximately HK\$25.2 million with reference to (i) the unaudited net assets value of Win Profit Group as at 31 December 2009 of approximately HK\$55.2 million after capitalizing the shareholder's loan due to the Vendor by Win Profit Group of approximately HK\$85.5 million; and (ii) the total consideration for the Disposal of HK\$30 million.

Following Completion, members of Win Profit Group will cease to be the subsidiaries of the Company and the assets, liabilities and financial results of Win Profit Group will no longer be consolidated into the consolidated financial statements of the Group. In light of the continuing loss of Win Profit Group, we are of the view that the "one-off" loss on Disposal would be outweighed by much greater improvement to the Group's financial performance as a result of cessation of such loss-making paint production business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Working capital

As set out in the Letter from the Board, the net sale proceeds arising from the Disposal amounted to approximately HK\$29.5 million, of which HK\$5 million has been paid in cash by the Purchasers within ten Business Days after the signing of the Agreement. As advised by the Directors, the sale proceeds from the Disposal are intended to be applied as the general working capital and fund for further development of the Group's business. Therefore, the working capital of the Group would be enhanced after Completion. Moreover, the Group's working capital will be further enhanced by HK\$25 million upon full repayments of the Promissory Notes from the Purchasers.

B. Recommendations

Having taken into account the principal factors and reasons referred to the above, in particular:

- (i) the Disposal being in line with the corporate strategy of the Group to focus its financial resources on the energy, oil exploration and exploitation business and to gradually dispose of its paint production business;
- (ii) the Disposal being an attractive divestment opportunity to allow the Group to sell out non-performing business considering that the Board found it difficult to find independent buyer for Win Profit Group;
- (iii) the Disposal would enable the Group to reduce potential loss of Win Profit Group to the Group in coming years, avoid further possible fund injection as required to support future operation of Win Profit Group and deploy more resources to other investment opportunities with better prospect;
- (iv) the P/B Ratio as represented by the consideration for the Disposal falls within the range of the P/B Ratio of the Comparable Companies; and
- (v) the Disposal providing additional working capital for the Group's future development;

we are of the view that (i) the terms of the Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the entering into of the Agreement is in the interests of the Company and the Independent Shareholders as a whole. We would therefore advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution to approve the Agreement and the transactions contemplated thereunder to be proposed at the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

II. Refreshment of the existing general mandate to issue shares

A. *Principal factors taken into account*

In arriving at our opinion to the Independent Board Committee and the Independent Shareholders in respect of the grant of the New Issue Mandate, we have taken the following principal factors and reasons into consideration:

1. *Background of and reasons for the grant of the New Issue Mandate*

At the AGM, the Shareholders approved, among other things, by ordinary resolution the grant of the Existing General Mandate to the Directors to allot, issue and deal with additional shares not exceeding 20% of the issued share capital of the Company as at the date of passing the resolution at the AGM, which is equivalent to 533,604,421 Shares. The Existing General Mandate has not been refreshed since it was granted.

On 30 December 2009, the Company announced that it had entered into a placing agreement dated 30 December 2009 to issue and allot a total of 220,000,000 Shares under the Existing General Mandate to no fewer than six independent placees (the “**First Placing**”). The aggregate net proceeds from the First Placing of approximately HK\$109.2 million were intended to be used as general working capital of the Group and as funds for future development should suitable opportunities arise. As disclosed in the announcement of the Company dated 13 January 2010, the First Placing was completed on 13 January 2010. As set out in the announcement of the Company dated 11 February 2010, the net proceeds raised from the First Placing have been utilized as intended. The issuance of the Shares under the First Placing has utilised approximately 41.23% of the Existing General Mandate.

On 11 February 2010, the Company entered into a placing agreement to place up to 220,000,000 Shares under the Existing General Mandate to no fewer than six independent placees (the “**Second Placing**”). The net proceeds from the Second Placing of approximately HK\$218.4 million were intended to be used as funds for satisfying the Group’s second committed payment of the oil and gas project in Tunisia, North Africa and the balance, if any, will be used as funds for the Group’s any potential acquisition in the future should suitable opportunities arise. As set out in the announcement of the Company dated 26 February 2010, 220,000,000 Shares were

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

successfully placed out and the Second Placing was completed on 26 February 2010. As advised by the Directors, as at the Latest Practicable Date, the net proceeds from the Second Placing will be put into an interest bearing bank account which would be used as intended. The issuance of the Shares under the Second Placing has further utilised approximately 41.23% of the Existing General Mandate. As a result of the First Placing and the Second Placing, the Existing General Mandate has been utilised in aggregate approximately 82.46%.

As the Existing General Mandate granted to the Directors has been substantially utilised after the completion of the First Placing and the Second Placing, if the Existing General Mandate is not refreshed, only 93,604,421 new Shares may be further issued under the Existing General Mandate until the next annual general meeting of the Company, and such number of Shares only represent approximately 2.70% of the issued share capital of the Company as at the Latest Practicable Date. In order to allow the financial flexibility to raise further capital to finance future investments and/or future business development, the Company wishes to seek approval of Independent Shareholders at the EGM to grant the New Issue Mandate so that the Directors will be granted the authority to issue, allot and deal with new Shares not exceeding 20% of the total issued share capital of the Company as at the date of the EGM.

As at the Latest Practicable Date, the Company had an aggregate of 3,469,410,287 Shares in issue. On the basis that no Share would be issued and/or repurchased by the Company from the Latest Practicable Date up to the date of the EGM, the granting of the New Issue Mandate would allow the Directors to issue, allot and deal with up to 693,882,057 new Shares, representing 20% of the aforesaid total issued share capital of the Company.

As discussed with the Directors, the Directors consider that equity financing through the use of the New Issue Mandate is an important avenue of resources to the Group, as it (i) does not create any interest paying obligations on the Group as in debt financing and bank borrowings; (ii) is less costly and time-consuming than raising funds by way of rights issue or open offer; (iii) provides the Company with the capability to capture any capital raising or prospective investment opportunity as and when it arises. The Directors consider that such ability is crucial in a competitive and rapidly changing investment environment and in times of volatile market conditions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the above, and having considered that the next annual general meeting of the Company will not be held until around August 2010, which is around half year time from the Latest Practicable Date, we are of the view that the grant of the New Issue Mandate (i) would provide the Company with necessary financing flexibility for any funding needs for any future investments and business developments as and when they arise; (ii) will ensure the Company having sufficient general mandate, if so required, until the general mandate is approved in the next general meeting of the Company; (iii) will facilitate the Company to raise funds in a meaningful quantum if and when necessary in a timely manner, we therefore consider that the grant of the New Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

2. Flexibility in financing

As advised by the Directors, the Directors have no intention/plan for raising capital or acquisition by issuing new Shares as at the Latest Practicable Date. If any potential investors offer attractive terms for investment in the Shares subject to the then market conditions, the Directors will consider and may conduct an equity fund raising exercise by issuing new Shares, the proceeds of which may be used as general working capital and/or supporting the Group's future business development. The Directors consider that funding requirement or appropriate investment opportunities may or may not arise at any time prior to the next annual general meeting of the Company. If such opportunities arise prior to the next annual general meeting of the Company, decisions may have to be made within a limited period of time. The Directors therefore believe that (i) the grant of the New Issue Mandate will provide the Company with flexibility in deciding the source of financing for any acquisition opportunities that may arise in the future; and (ii) the grant of the New Issue Mandate will empower them to issue new Shares under the refreshed limit speedily as and when necessary, and without seeking further approval from the Shareholders.

Based on the above, we consider that (i) any share placement exercise is dependent, to a large extent, on prevailing market conditions and such opportunities for share placement exercise may not always arise; and (ii) the grant of the New Issue Mandate would provide the Company with the flexibility to issue and allot new Shares for equity fund raising activities, such as placing of new Shares, or as consideration for potential investments in the future as and when such opportunities arise, we therefore consider that the grant of the New Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Shareholders and the Company as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

3. *Other financing alternatives*

As advised by the Company, apart from equity financing, the Group will also consider other financing alternatives such as debt financing and bank borrowings before making investment decision. However, the Group will consider the cost and other terms of the funding to decide the means of financing in order to maximum the benefit to the Shareholders. Furthermore, these alternatives may subject to lengthy due diligence and negotiations. The Directors advised us that they would exercise due and careful consideration when choosing the best method of financing for the Group.

We consider that the grant of the New Issue Mandate will provide the Company with an additional financing alternative and it is reasonable for the Company to have the flexibility in deciding the financing methods for its future business development and the efficient use of its fund. Based on the above, we are of the view that the grant of the New Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

4. *Potential dilution to Independent Shareholders' shareholdings*

We set out below the table depicting the shareholding structure of the Company (i) as at the Latest Practicable Date, and (ii) for illustrative purpose, upon full utilisation of the New Issue Mandate assuming that no further Shares will be issued or repurchased by the Company from the Latest Practicable Date to the date of the EGM:

	As at the Latest Practicable Date		Upon full utilisation of the New Issue Mandate	
	<i>Shares</i>	<i>%</i>	<i>Shares</i>	<i>%</i>
Mr. Poon Sum (<i>Note 1</i>)	122,770,453	3.54	122,770,453	2.95
The First Purchaser	46,224,453	1.33	46,224,453	1.11
Ever Source (<i>Note 2</i>)	377,794,558	10.89	377,794,558	9.07
Mr. Poon Wai Kong (<i>Note 3</i>)	2,300,000	0.07	2,300,000	0.06
Mr. Wong Kwok Leung (<i>Note 4</i>)	16,285	–	16,285	–
Mr. Chan Shu Kin	61,500	–	61,500	–
Mr. Cheung Kwan Hung (<i>Note 5</i>)	1,454,000	0.04	1,454,000	0.03
Mr. Chan Kam Ching, Paul (<i>Note 6</i>)	4,000	–	4,000	–
Public Shareholders	2,918,785,038	84.13	2,918,785,038	70.11
Shares to be issued under the New Issue Mandate	–	–	693,882,057	16.67
Total	<u>3,469,410,287</u>	<u>100.00</u>	<u>4,163,292,344</u>	<u>100.00</u>

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Mr. Poon Sum is the chairman of the Company and is the brother of the First Purchaser. As at the Latest Practicable Date, Mr. Poon Sum was 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.
2. As at the Latest Practicable Date, Ever Source was also interested in warrants of the Company which conferred rights to subscribe for 31,482,879 Shares. The issued share capital of Ever Source 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.
3. Mr. Poon Wai Kong is an executive Director and as at the Latest Practicable Date, he was 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.
4. Mr. Wong Kwok Leung is an executive Director and as at the Latest Practicable Date he was also interested in 316,000 share options of the Company and warrants of the Company which conferred rights to subscribe for 1,357 Shares.
5. Mr. Cheung Kwan Hung is an independent non-executive Director and as at the Latest Practicable Date he was also interested in warrants of the Company which conferred rights to subscribe for 87,500 Shares.
6. Mr. Chan Kam Ching, Paul is an independent non-executive Director and as at the Latest Practicable Date, he was also interested in warrants of the Company which conferred rights to subscribe for 100,000 Shares.

The table above illustrates that the shareholding of the public Shareholders in the Company would be decreased by approximately 14.02% upon full utilisation of the New Issue Mandate assuming no other Share(s) is/are issued or repurchased by the Company after the Latest Practicable Date up to the date of the EGM.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Taking into account that the grant of the New Issue Mandate (i) allows the Company to raise capital by allotment and issuance of new Shares before the next annual general meeting; (ii) provides more flexibility and options of financing to the Group for future business development as well as for other potential future investments and/or acquisitions as and when such opportunities arise; and (iii) the shareholding interests of all Shareholders in the Company will be diluted in proportion to their respective shareholdings upon any utilisation of the New Issue Mandate, we are of the opinion that the potential dilution to the shareholdings of the public Shareholders as abovementioned is acceptable.

B. Recommendation

Having taken into account the principal factors and reasons referred to the above, we are of the opinion that the grant of the New Issue Mandate is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Shareholders and recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of the New Issue Mandate.

Yours faithfully,
For and on behalf of
Cinda International Capital Limited
Robert Siu
Executive Director

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules, were as follows:

Name of Director	Capacity	Interests in number of issued Shares	Interests in number of underlying Shares (the equity derivatives)	Total Interests	Approximate percentage or attributable percentage of issued Shares (%)
Mr. Poon Sum	Beneficial owner (Note 1)	122,770,453 (L)	119,629,537 (L)	651,677,427 (L)	18.78
	Founder of discretionary trust (Note 2)	377,794,558 (L)	31,482,879 (L)		
Mr. Wong Kwok Leung	Beneficial owner (Note 3)	16,285 (L)	317,357 (L)	333,642 (L)	0.01
Mr. Poon Wai Kong	Beneficial owner (Note 4)	2,300,000 (L)	10,100,000 (L)	12,400,000 (L)	0.36
Mr. Chan Shu Kin	Beneficial owner	615,000 (L)	– (L)	615,000 (L)	0.01
Mr. Chan Kam Ching, Paul	Beneficial owner (Note 5)	4,000 (L)	100,000 (L)	104,000 (L)	0.01
Mr. Cheung Kwan Hung	Beneficial owner (Note 6)	1,454,000 (L)	87,500 (L)	1,541,500 (L)	0.04

L: Long Position

Notes:

1. All interests in underlying Shares of equity derivatives of the Company are interests in warrants of the Company (the “Warrants”) which conferred rights to subscribe for 9,629,537 shares at an initial subscription price of HK\$0.48 per Share (subject to adjustment) exercisable during the period from 17 October 2008 to 16 October 2011 and interests in share options of the Company granted under the Share Option Scheme which may be exercised during the period from 29 April 2009 to 28 April 2012 to subscribe for 110,000,000 Shares at the exercise price of HK\$0.2064 per Share. The grant of share options was approved by the Shareholders at the extraordinary general meeting held on 16 June 2009.
2. All interests in underlying Shares of equity derivatives of the Company are interests in the Warrants. These Shares and Warrants are held by Ever Source. The issued share capital of Ever Source 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, the elder brother of Mr. Poon Sum. Accordingly, Mr. Poon Sum will be deemed to be interested in 377,794,558 Shares, representing approximately 10.89% of the Shares in issue as at the Latest Practicable Date, through his shareholding in Ever Source.
3. All interests in underlying Shares of equity derivatives of the Company are interests in the Warrants which conferred rights to subscribe for 1,357 Shares and interests in share options of the Company granted under the Share Option Scheme, 100,000 of which may be exercised during the period from 13 August 2004 to 12 August 2014 at an adjusted exercise price of HK\$0.251 per Share and 216,000 of which may be exercised during the period from 29 April 2009 to 28 April 2012 at the exercise price of HK\$0.2064 per Share.
4. All interests in underlying Shares of equity derivatives of the Company are interests in the Warrants which conferred rights to subscribe for 100,000 Shares and share options of the Company granted under the Share Option Scheme, which may be exercised during the period from 31 August 2009 to 30 August 2010 to subscribe for 10,000,000 Shares at the exercise price of HK\$0.412 per Share.
5. All interests in underlying Shares of equity derivatives of the Company are interests in the Warrants which conferred rights to subscribe for 100,000 Shares.
6. All interests in underlying Shares of equity derivatives of the Company are interests in the Warrants which conferred rights to subscribe for 87,500 Shares.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

(b) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following persons (not being Directors or chief executive of the Company) had, or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Shareholder	Capacity	Interests in number of issued Shares	Interests in number of underlying Shares (the equity derivatives)	Total Interests	Approximate percentage or attributable percentage of issued Shares (%)
BNP Paribas Jersey Trust Corporation Limited (Notes 1, 2 and 3)	Trustee of two discretionary trusts	377,794,558 (L)	31,482,879 (L)	409,277,437 (L)	11.80
Ground Point Limited (Notes 1, 2 and 3)	Interest of controlled corporation	377,794,558 (L)	31,482,879 (L)	409,277,437 (L)	11.80
Red Tiles Limited (Notes 1, 2 and 3)	Interest of controlled corporation	377,794,558 (L)	31,482,879 (L)	409,277,437 (L)	11.80

Name of Shareholder	Capacity	Interests in number of issued Shares	Interests in number of underlying Shares (the equity derivatives)	Total Interests	Approximate percentage or attributable percentage of issued Shares (%)
Guidance Investments Limited <i>(Notes 1, 2 and 3)</i>	Interest of controlled corporation	377,794,558 (L)	31,482,879 (L)	409,277,437 (L)	11.80
Time Concord Limited <i>(Notes 1, 2 and 3)</i>	Interest of controlled corporation	377,794,558 (L)	31,482,879 (L)	409,277,437 (L)	11.80
Ever Source <i>(Notes 1, 2 and 3)</i>	Beneficial owner	377,794,558 (L)	31,482,879 (L)	409,277,437 (L)	11.80
Mr. Poon Sau Tin	Beneficial owner	46,224,453 (L)	3,852,037 (L)	459,353,927 (L)	13.24
	Founder of a discretionary trust <i>(Notes 1, 2 and 3)</i>	377,794,558 (L)	31,482,879 (L)		

L: Long position

Notes:

- All interests in underlying Shares of equity derivatives of the Company are interests in Warrants. All interests of BNP Paribas Jersey Trust Corporation Limited, Ground Point Limited, Red Tiles Limited, Guidance Investments Limited, Time Concord Limited and Ever Source and the other interest of Mr. Poon Sau Tin are duplicated. Mr. Poon Sum is the director of Guidance Investments Limited, Time Concord Limited and Ever Source.

2. BNP Paribas Jersey Trust Corporation Limited is deemed to be interested in the Shares in the capacity of a trustee of the two discretionary trusts as mentioned in paragraph 3 below through interests of corporations controlled by it as follows:

Name of controlled corporation	Name of controlling shareholder	Percentage of control
Ground Point Limited	BNP Paribas Jersey Trust Corporation Limited	100%
Red Tiles Limited	BNP Paribas Jersey Trust Corporation Limited	100%
Guidance Investments Limited	Ground Point Limited	100%
Time Concord Limited	Red Tiles Limited	100%
Ever Source	Guidance Investments Limited	50%
Ever Source	Time Concord Limited	50%

3. These Shares and Warrants are held by Ever Source. The issued share capital of Ever Source 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, the elder brother of Mr. Poon Sum. Accordingly, each of Mr. Poon Sum and Mr. Poon Sau Tin will be deemed to be interested in 377,794,558 Shares, which represent approximately 10.89% of the Shares in issue as at the Latest Practicable Date, because each of them is the respective founder of the aforesaid two discretionary trusts which indirectly own 50% beneficial interest in Ever Source respectively.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has had any existing or proposed service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

4. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Cinda International Capital Limited	A licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities pursuant to the SFO

Cinda International Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and references to its name in the form and context in which it appears.

As at the Latest Practicable Date, Cinda International Capital Limited did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

5. INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENT

As at the Latest Practicable Date, none of the Directors and Cinda International Capital Limited has, or has had, any direct or indirect interest in any assets which had been or are proposed to be acquired, disposed of by or leased to, any member of the Group since 31 March 2009, the date to which the latest published audited financial statements of the Company were made up. None of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in business which competes, or is likely to compete, either directly or indirectly, with the business of the Group.

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 March 2009, the date to which the latest published audited financial statements of the Company were made up.

8. GENERAL

In the event of any inconsistency, the English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection at the office of the Company at Suite 1006, 10th Floor, Ocean Centre, Harbour City, Tsim Sha Tsui, Kowloon, Hong Kong during normal business hours on any Business Day from the date of this circular up to and including the date of the EGM:

- (a) the Agreement;
- (b) the written consent from the Independent Financial Adviser referred to in the paragraph headed “Expert and consent” in this appendix;
- (c) the letter from the Independent Board Committee, the text of which is set out on pages 19 to 20 in this circular;
- (d) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 21 to 38 in this circular; and
- (e) this circular.

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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of the shareholders of PetroAsian Energy Holdings Limited (the “**Company**”) will be held at Imperial Room III, Mezzanine Floor, Towers Wing, The Royal Pacific Hotel & Tower, 33 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong on Thursday, 18 March 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 RESOLUTIONS

1. “**THAT**

- (a) the conditional sale and purchase agreement (the “**Agreement**”) dated 8 February 2010 and entered into between Wing Shing Group Limited, a wholly-owned subsidiary of the Company, as vendor and Mr. Poon Sau Tin and Mr. Mai Mao Quan as purchasers in relation to the sale and purchase of the entire issued share capital of Win Profit (Asia Pacific) Co., Limited, at a total consideration of HK\$30,000,000 (a copy of which has been produced to the EGM marked “A” and signed by the chairman of the EGM for the purpose of identification) and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one or more of the directors (the “**Directors**”) of the Company be and is/ are hereby authorised to do all such acts and things and execute all such documents which he/ they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder.”

NOTICE OF EGM

2. “**THAT**, to the extent not already exercised, the mandate to allot and issue shares of the Company given to Directors at the annual general meeting (the “**AGM**”) of the Company held on 21 August 2009 be and is hereby revoked and replaced by the mandate **THAT**:
- (a) subject to paragraph (c) below, pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”), the exercise by the Directors during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with unissued shares of HK\$0.01 each (the “**Shares**”) in the capital of the Company and to make or grant offers, agreements and options, including warrants to subscribe for Shares, which might require the exercise of such powers be and the same is hereby generally and unconditionally approved;
 - (b) the approval in paragraph (a) above shall authorise the Directors during the Relevant Period to make or grant offers, agreements and options which might require the exercise of such powers after the end of the Relevant Period;
 - (c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to options or otherwise), issued or dealt with by the Directors pursuant to the approval in paragraph (a) above, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined); or (ii) the exercise of any options granted under the share option scheme of the Company; or (iii) any scrip dividend or similar arrangements providing for the allotment and issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association (the “**Articles**”) of the Company in force from time to time; or (iv) any issue of Shares upon the exercise of rights of subscription or conversion under the terms of any warrants of the Company or any securities which are convertible into Shares, shall not exceed the aggregate of:
 - (i) 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of this resolution; and

NOTICE OF EGM

- (ii) (if the Directors are so authorised by a separate ordinary resolution of the shareholders of the Company) the nominal amount of any share capital of the Company repurchased by the Company subsequent to the passing of this resolution (up to a maximum equivalent to 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue on the date of the passing of such resolution),

and the authority pursuant to paragraph (a) of this resolution shall be limited accordingly; and

- (d) for the purpose of this resolution:

“**Relevant Period**” means the period from the date of the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles, the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated or revised) of the Cayman Islands or any other applicable law of the Cayman Islands to be held; or
- (iii) the passing of an ordinary resolution by the shareholders of the Company in general meeting revoking or varying the authority given to the Directors by this resolution;

“**Rights Issue**” means an offer of Shares, or offer or issue of warrants, options or other securities giving rights to subscribe for Shares open for a period fixed by the Directors to holders of Shares on the register on a fixed record date in proportion to their then holdings of Shares (subject to such exclusion or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, or having regard to any restrictions or obligations under the laws of, or the requirements of, or the expense or delay which may be involved in determining the existence or extent of any restrictions or obligations under the laws of, or the requirements of, any jurisdiction outside Hong Kong or any recognised regulatory body or any stock exchange outside Hong Kong).”

NOTICE OF EGM

3. “**THAT** conditional upon the passing of resolution no. 2 above, the mandate granted to the Directors at the AGM to extend the general mandate to allot and issue Shares to Shares repurchased by the Company be and is hereby revoked and replaced by the mandate **THAT** the Directors be and they are hereby authorised to exercise the authority referred to in paragraph (a) of resolution no. 2 above in respect of the share capital of the Company referred to in sub-paragraph (ii) of paragraph (c) of such resolution.”
4. “**THAT** subject to and conditional upon the granting by the Listing Committee of the Stock Exchange of the listing of and permission to deal in the Shares which may be issued pursuant to the exercise of option to be granted under the refreshed scheme mandate limit (the “**Scheme Mandate Limit**”) under the share option scheme adopted on 21 October 2002 and amended by the Company on 8 December 2005, which entitles the Directors to grant options after the listing of Shares on the Stock Exchange, in the manner as set out in paragraph (a) below of this resolution,
- (a) the refreshment of the Scheme Mandate Limit of up to 10 per cent. of the Shares in issue as at the date of passing of this resolution be and is hereby approved; and
- (b) the Directors be and are hereby authorised do all such acts and things and execute all such documents, including under seal where applicable, as they consider necessary or expedient to give effect to the foregoing arrangement.”

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

Hong Kong, 1 March 2010

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

NOTICE OF EGM

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, 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 notarially 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.
5. The voting on the resolutions at the EGM will be conducted by way of a poll.