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**Titan Gas Technology  
Investment Limited**  
*(Incorporated in the British Virgin Islands  
with limited liability)*

  
**Shun Cheong Holdings Limited**  
**順昌集團有限公司\***  
*(Incorporated in Bermuda with limited liability)*  
**(Stock Code: 650)**

## **JOINT ANNOUNCEMENT**

**(1) ACQUISITION OF SHARES AND CONVERTIBLE BONDS IN  
SHUN CHEONG HOLDINGS LIMITED BY  
TITAN GAS TECHNOLOGY INVESTMENT LIMITED;**

**(2) POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER BY**



**Essence International Securities (Hong Kong) Limited**

**FOR AND ON BEHALF OF  
TITAN GAS TECHNOLOGY INVESTMENT LIMITED  
TO ACQUIRE ALL THE ISSUED ORDINARY SHARES  
OF SHUN CHEONG HOLDINGS LIMITED  
(OTHER THAN THOSE ALREADY OWNED OR AGREED  
TO BE ACQUIRED BY  
TITAN GAS TECHNOLOGY INVESTMENT LIMITED  
AND PARTIES ACTING IN CONCERT WITH IT);**

**(3) CONDITIONAL SUBSCRIPTION AGREEMENT IN RELATION TO  
THE ISSUE OF NEW ORDINARY SHARES AND PREFERRED SHARES OF  
SHUN CHEONG HOLDINGS LIMITED TO THE SUBSCRIBERS;**

\* *For identification purposes only*

**(4) VERY SUBSTANTIAL ACQUISITION AND REVERSE TAKEOVER  
IN RELATION TO THE CONDITIONAL ACQUISITION OF  
THE ENTIRE EQUITY CAPITAL OF 錫林郭勒盟宏博礦業開發有限公司  
(XILIN GOL LEAGUE HONGBO  
MINING DEVELOPMENT CO., LTD.\*);**

**(5) CONDITIONAL CONVERTIBLE NOTE SUBSCRIPTION AGREEMENT IN  
RELATION TO THE ISSUE OF CONVERTIBLE NOTE TO  
LEAGUE WAY LTD.;**

**(6) SPECIAL DEAL, CONNECTED TRANSACTION AND  
VERY SUBSTANTIAL DISPOSAL IN RELATION TO  
THE CONDITIONAL DIVESTMENT OF 100% OF THE SHARES IN  
AYKENS HOLDINGS LIMITED AND HOPLAND ENTERPRISES LIMITED  
BY SHUN CHEONG HOLDINGS LIMITED;**

**(7) INCREASE OF AUTHORISED SHARE CAPITAL OF  
SHUN CHEONG HOLDINGS LIMITED;**

**(8) AMENDMENTS TO THE EXISTING BYE-LAWS BY ADOPTION  
OF NEW BYE-LAWS;**

**(9) PROPOSED GRANT OF SPECIFIC MANDATES;**

**(10) ESTABLISHMENT OF INDEPENDENT BOARD COMMITTEE;**

**(11) APPOINTMENT OF INDEPENDENT FINANCIAL ADVISER;**

**AND**

**(12) RESUMPTION OF TRADING IN THE SHARES OF  
SHUN CHEONG HOLDINGS LIMITED**

**Financial adviser to  
Titan Gas Technology Investment Limited**



**Essence Corporate Finance (Hong Kong) Limited**

**Financial adviser to  
Shun Cheong Holdings Limited**



**REORIENT Financial Markets Limited**

The Board has been informed by the Sellers that the Sellers, Mr. Mo (being the ultimate controlling shareholder of the Sellers) and the Offeror, entered into the S&P Agreement on 22 June 2015 (as amended on 27 October 2015), pursuant to which the Offeror has conditionally agreed to acquire and (i) Seller 1 has conditionally agreed to sell the Sale Shares, being 175,000,000 Ordinary Shares; and (ii) Seller 2 has conditionally agreed to sell the Sale Bonds, being part of the Convertible Bonds, with an aggregate principal amount of HK\$96,832,526.

The Sale Shares represent approximately 50.38% of the total number of Ordinary Shares in issue as at the date of this joint announcement. Based on the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share, 262,063,670 CB Conversion Shares shall fall to be issued by the Company upon conversion of the Sale Bonds in full representing (i) approximately 75.45% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 43.00% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 262,063,670 CB Conversion Shares to the Offeror upon exercise of the conversion rights attached to the Sale Bonds in full based on the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and (iii) approximately 38.99% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of all 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full based on the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

Completion of the Transfer shall take place in two tranches:

- (a) the Tranche 1 Sale Completion, in respect of the 36,024,724 Sale Shares and the Sale Bonds with an aggregate principal amount of HK\$14,964,000 (convertible into 40,497,970 CB Conversion Shares based on the Existing CB Conversion Price), which has taken place immediately following the execution of the amendment agreement to the S&P Agreement on 27 October 2015; and
- (b) the Tranche 2 Sale Completion (i.e. the S&P Completion), in respect of the remaining 138,975,276 Sale Shares and the remaining Sale Bonds with an aggregate principal amount of HK\$81,868,526 (convertible into 221,565,700 CB Conversion Shares based on the Existing CB Conversion Price) shall take place on the first business day after the Conditions described in the paragraph headed “Conditions precedent to the S&P Completion” under the section headed “The Transfer” in this joint announcement are fulfilled (or, where applicable, waived).

Prior to the entering into of the S&P Agreement (as amended on 27 October 2015), Seller 1 held 209,753,409 Ordinary Shares representing approximately 60.39% of the existing total issued share capital of the Company and Seller 2 held the Convertible Bonds with an aggregate principal amount of HK\$120,000,000 which are convertible into 324,763,193 CB Conversion Shares at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

The consideration for the Sale Shares is HK\$117,180,000, being equivalent to HK\$0.6696 per Sale Share and the consideration for the Sale Bonds is HK\$175,477,833, being equivalent to HK\$0.6696 per underlying CB Conversion Share which may fall to be issued upon exercise of the conversion rights attached to the Sale Bonds at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share, and shall be payable in the following manner:

- (a) upon the Tranche 1 Sale Completion, (i) an amount of HK\$24,122,155 shall be payable to Seller 1; and (ii) an amount of HK\$27,117,441 shall be payable to Seller 2; and
- (b) upon the Tranche 2 Sale Completion (i.e. the S&P Completion), (i) an amount of HK\$93,057,845 shall be payable to Seller 1; and (ii) an amount of HK\$148,360,392 shall be payable to Seller 2.

Immediately after the Tranche 1 Sale Completion:

- (a) Seller 1 will continue to hold 173,728,685 Ordinary Shares representing (i) approximately 50.02% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 27.51% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 284,265,223 CB Conversion Shares to Seller 2 upon exercise of the conversion rights attached to the Convertible Bonds with an aggregate principal amount of HK\$105,036,000 held by Seller 2 (immediately after the Tranche 1 Sale Completion) in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and (iii) approximately 25.85% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and
- (b) Seller 2 will continue to hold the Convertible Bonds with an aggregate principal amount of HK\$105,036,000 which is convertible into 284,265,223 CB Conversion Shares at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share, representing (i) approximately 81.84% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 45.01% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 284,265,223 CB Conversion Shares to Seller 2 upon exercise of the conversion rights attached to the Convertible Bonds with an aggregate principal amount of HK\$105,036,000 held by Seller 2 (immediately after the Tranche 1 Sale Completion) in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and (iii) approximately 42.30% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

Subject to fulfilment (or where applicable, waiver) of the Conditions and immediately after the Tranche 2 Sale Completion (i.e. the S&P Completion):

- (a) Seller 1 will continue to hold 34,753,409 Excluded Shares representing (i) approximately 10.01% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 8.48% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 62,699,523 CB Conversion Shares to Seller 2 upon exercise of the conversion rights attached to the Excluded Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and (iii) approximately 5.17% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and
- (b) Seller 2 will continue to hold the Excluded Bonds with an aggregate principal amount of HK\$23,167,474 which are convertible into 62,699,523 CB Conversion Shares at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share, representing (i) approximately 18.05% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 15.29% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 62,699,523 CB Conversion Shares to Seller 2 upon exercise of the conversion rights attached to the Excluded Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and (iii) approximately 9.33% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full.

As further detailed in this joint announcement, as a result of the Subscription and the CN Subscription, the Existing CB Conversion Price (which is applicable at the time of signing of the S&P Agreement) will be adjusted from HK\$0.3695 to HK\$0.0672 per CB Conversion Share pursuant to the terms and conditions of the Convertible Bonds upon the Subscription Completion and the CN Subscription Completion (which are expected to take place simultaneously, but in any event after the S&P Completion). Based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share (which shall be applicable upon the Subscription Completion and the CN Subscription Completion), the Sale Bonds can be converted into a total of 1,440,960,208 CB Conversion Shares, the Excluded Bonds can be converted into a total of 344,754,077 CB Conversion Shares and all the Convertible Bonds can be converted into a total of 1,785,714,285 CB Conversion Shares.

The Tranche 1 Sale Completion took place on 27 October 2015.

## **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

Prior to the entering into of the S&P Agreement (as amended on 27 October 2015), the Offeror did not hold any Ordinary Shares or other relevant securities in the Company, and whilst (i) IDG Technology (which is managed by its general partner IDG Technology GP, and Ho Chi Sing (何志成) and Zhou Quan (周全) (who are directors of IDG-Accel Ultimate GP, the ultimate general partner of the IDG Funds, which in turn own approximately 49.14% of the issued share capital of Titan Gas Holdings, the sole shareholder of the Offeror) are the only two managing members of IDG Technology GP, who manage IDG Technology GP pursuant to an operating agreement); and (ii) Lin Dongliang (林棟樑) (a director of Titan Gas Holdings which is interested in 100% of the issued shares of the Offeror and also a director of Standard Gas which holds approximately 35.13% of Titan Gas Holdings) hold 11,500,000 Ordinary Shares and 12,910,000 Ordinary Shares, representing approximately 3.31% and 3.72% of the total number of Ordinary Shares in issue as at the date of this joint announcement respectively. Given the above, IDG Technology and Lin Dongliang (林棟樑) are therefore parties acting in concert with the Offeror under the Takeovers Code. Accordingly, prior to the entering into of the S&P Agreement (as amended on 27 October 2015), the Offeror and parties acting in concert with it were interested in an aggregate of 24,410,000 Ordinary Shares representing approximately 7.03% of the total number of Ordinary Shares in issue as at the date of this joint announcement. Immediately after the Tranche 1 Sale Completion and as at the date of this joint announcement, the Offeror and parties acting in concert with it were interested in an aggregate of 60,434,724 Ordinary Shares, representing approximately 17.40% of the total number of Ordinary Shares in issue as at the date of this joint announcement.

Subject to fulfilment (or where applicable, waiver) of the Conditions and immediately following the Tranche 2 Sale Completion (i.e. the S&P Completion), the Offeror and parties acting in concert with it will be interested in an aggregate of 199,410,000 Ordinary Shares, representing approximately 57.41% of the total number of Ordinary Shares in issue as at the date of this joint announcement, and the Offeror will be required to make an unconditional mandatory general offer in cash for all the issued Ordinary Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

As at the date of this joint announcement, there are a total of (i) 347,326,000 Ordinary Shares in issue; and (ii) the outstanding Convertible Bonds with an aggregate principal amount of HK\$120,000,000 with the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

Save for the outstanding Convertible Bonds disclosed above, the Company does not have any outstanding warrants, options, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible into Ordinary Shares as at the date of this joint announcement.



Pursuant to the S&P Agreement and the CN Subscription Agreement, Mr. Mo, Seller 1, Seller 2 and League Way have irrevocably and unconditionally undertaken in favour of the Offeror, that, amongst others, (i) Seller 1 will not accept the Offer in respect of the 34,753,409 Excluded Shares during the Relevant Period; (ii) Seller 1 will not transfer the Excluded Shares during the Relevant Period; (iii) Seller 2 will not transfer the Excluded Bonds during the Relevant Period; (iv) Seller 2 will not accept an offer (if any) to be made by the Offeror to acquire all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in respect of the Excluded Bonds with a principal amount of HK\$23,167,474 during the Relevant Period; (v) Seller 2 will not convert any of the Excluded Bonds into Ordinary Shares during the Relevant Period; (vi) League Way will not accept an offer (if any) to be made by the Offeror to acquire the Convertible Note (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) during the CN Relevant Period; and (vii) League Way will not convert the Convertible Note during the CN Relevant Period.

On the basis of the abovementioned irrevocable and unconditional undertakings under the S&P Agreement and the CN Subscription Agreement in respect of the Excluded Shares, the Excluded Bonds and the Convertible Note, and excluding the 199,410,000 Ordinary Shares (comprising the 175,000,000 Sale Shares and the aggregate of 24,410,000 Ordinary Shares held by IDG Technology and Lin Dongliang (林棟樑)), and the Sale Bonds with an aggregate principal amount of HK\$96,832,526 already owned or agreed to be acquired by the Offeror and parties acting in concert with it, a total of 113,162,591 Offer Shares will be subject to the Offer, and no offer will be made by the Offeror for the outstanding Convertible Bonds which will continue to be beneficially owned by Seller 2 (being the Excluded Bonds) or the Convertible Note to be issued to League Way.

Subject to and upon the S&P Completion, Essence Securities, will on behalf of the Offeror, make the Offer on the following basis:

**For each Offer Share . . . . .HK\$0.6696 in cash**

**The Offer will only be made if the Tranche 2 Sale Completion (i.e. the S&P Completion) takes place and the S&P Completion is conditional upon the fulfillment (or where applicable, waiver) of the Conditions referred to in the paragraph headed “Conditions precedent to the S&P Completion” under the section headed “The Transfer”. Accordingly, the S&P Agreement may or may not be completed and the Offer may or may not proceed. The Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Ordinary Shares.**

The Offer Price of HK\$0.6696 per Offer Share is the same as the price per Sale Share and price per underlying CB Conversion Share which may fall to be issued upon conversion of the Sale Bonds based on the Existing CB Conversion Price payable by the Offeror to Seller 1 and Seller 2 under the S&P Agreement.

Based on the Offer Price of HK\$0.6696 per Offer Share and 347,326,000 Ordinary Shares in issue as at the date of this joint announcement, the entire issued share capital of the Company is valued at approximately HK\$232.57 million. The Offer is valued at approximately HK\$75.77 million based on 113,162,591 Offer Shares and the Offer Price of HK\$0.6696 per Offer Share.

Essence Corporate Finance, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy: (i) the aggregate consideration of HK\$241,418,237 under the S&P Agreement in relation to the Tranche 2 Transfer; and (ii) the full acceptance of the Offer.

## **THE SUBSCRIPTION**

On 22 June 2015, the Company and the Subscribers entered into the Subscription Agreement (as amended on 23 October 2015), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,017,323,774 Subscription Shares, comprising (i) 1,269,414,575 Ordinary Subscription Shares under the Ordinary Shares Subscription, (ii) 1,373,954,600 Preferred Shares under the Tranche 1 Preferred Shares Subscription; and (iii) 1,373,954,599 Preferred Shares under the Tranche 2 Preferred Shares Subscription, at the Subscription Price of HK\$0.6696 per Subscription Share.

The Subscription Completion shall take place on or before the 10th business day following satisfaction of the conditions precedent (and in any case, after the S&P Completion) and shall take place simultaneously with the Acquisition Completion and the Divestment Completion. Whilst the Subscription may be completed prior to the close of the Offer, the Offer will not be extended to the Subscription Shares as the Public Shares Subscribers were introduced by the Offeror (being business acquaintances of the Offeror including some introduced by one of the other Subscribers to the Offeror) and the terms of the Subscription Agreement were negotiated between the Company and the Offeror (for itself and on behalf of the other Subscribers) and all the Subscribers entered into the Subscription Agreement (being one single agreement) together with the Company, and are therefore parties acting in concert with the Offeror.

The 1,269,414,575 Ordinary Subscription Shares represent (i) approximately 365.48% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 78.52% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription Shares; and (iii) approximately 19.46% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of (a) the Ordinary Subscription Shares; (b) all the New Conversion Shares to be issued upon conversion of the 1,373,954,600 Tranche 1 Preferred Shares and 1,373,954,599 Tranche 2 Preferred Shares (based on the initial conversion price of HK\$0.6696 per Ordinary Share); (c) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share); and (d) 373,357,228 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share).



Upon conversion of the Tranche 1 Preferred Shares in full at the initial conversion price of HK\$0.6696 per Ordinary Share, 1,373,954,600 New Conversion Shares will be allotted and issued, representing (i) approximately 395.58% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 45.94% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription Shares and the New Conversion Shares to be issued upon conversion of the Tranche 1 Preferred Shares in full (assuming that no Tranche 2 Preferred Shares are converted into Ordinary Shares and there is no other change in the number of issued Ordinary Shares); (iii) approximately 26.68% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of (a) the Ordinary Subscription Shares; (b) the New Conversion Shares to be issued upon conversion in full of the 1,373,954,600 Tranche 1 Preferred Shares (assuming that no Tranche 2 Preferred Shares are converted into Ordinary Shares and there is no other change in the number of issued Ordinary Shares); (c) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share); and (d) 373,357,228 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share); and (iv) approximately 21.06% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of (a) the Ordinary Subscription Shares; (b) the New Conversion Shares to be issued upon conversion in full of the 1,373,954,600 Tranche 1 Preferred Shares and the 1,373,954,599 Tranche 2 Preferred Shares (at the initial conversion price of HK\$0.6696 per Ordinary Share and assuming there is no other change in the number of issued Ordinary Shares); (c) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share); and (d) 373,357,228 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share).

Upon conversion of the Tranche 2 Preferred Shares in full at the initial conversion price of HK\$0.6696 per Ordinary Share, 1,373,954,599 New Conversion Shares will be allotted and issued, representing (i) approximately 395.58% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 31.48% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription Shares and the New Conversion Shares to be issued upon conversion of both the Tranche 1 Preferred Shares and the Tranche 2 Preferred Shares in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share and assuming that there is no other change in the number of issued Ordinary Shares); and (iii) approximately 21.06% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of (a) the Ordinary Subscription Shares, (b) the New Conversion Shares to be issued upon conversion of both the Tranche 1 Preferred Shares and the Tranche 2 Preferred Shares in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share and assuming that there is no other change in the number of issued Ordinary Shares); (c) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share); and (d) 373,357,228 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share).

The Ordinary Subscription Shares and any New Conversion Shares which may fall to be issued by the Company upon conversion of the Preferred Shares will be issued under the Specific Mandates which are subject to the Independent Shareholders' approval at the SGM.

The aggregate gross proceeds and net proceeds from the Subscription amounts to approximately HK\$2,690 million and HK\$2,640 million respectively. The aggregate net proceeds are proposed to be applied as follows:

- as to approximately HK\$682 million for the payment of the consideration for the Acquisition;
- as to approximately HK\$400 million to finance the repayment of the PRC Target's outstanding payables and borrowings;
- as to approximately HK\$800 million to finance the development plan of the currently explored areas in Block 212;
- as to approximately HK\$450 million for exploration and development of other areas in Block 212;
- as to approximately HK\$108 million to finance the operating expenses of the PRC Target as well as the Restructured Group; and
- as to approximately HK\$200 million for expanding the Restructured Group's business by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects.

## **THE ACQUISITION**

On 22 June 2015, the Target Sellers (as sellers), the Company (as purchaser) and the PRC Target entered into the Acquisition Agreement pursuant to which, the Company has conditionally agreed to acquire from the Target Sellers, the entire equity interests in the PRC Target at a consideration of RMB558,880,000 which shall be satisfied in cash upon the Acquisition Completion by a payment of RMB335,330,000 to Hongbo Investment and a payment of RMB223,550,000 to Lida Investment. Hongbo Investment holds 60% of the equity interests in the PRC Target and Lida Investment owns 40% of the equity interests in the PRC Target.

The PRC Target is principally engaged in upstream crude oil exploration, development and production.

The consideration was determined with reference to the estimation of oil reserves of Block 212 in which the PRC Target is regarded to be interested through the EPCC, recent oil price and price of comparable transactions. Save for certain seismic survey, no material exploration work has been done in respect of Block 378.

A competent person's report on the oil reserve in Block 212 and a valuation report on the PRC Target's interest in the oil reserve in Block 212 issued by a competent evaluator will be set out in the Circular in accordance with the applicable requirements of the Listing Rules.

### **THE CN SUBSCRIPTION**

On 22 June 2015, the Company (as issuer), League Way (as subscriber) and the Offeror (as guarantor) entered into the CN Subscription Agreement pursuant to which League Way has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Note with an aggregate principal amount of HK\$250 million. The initial conversion price under the Convertible Note is HK\$0.6696 per CN Conversion Share.

Based on the initial conversion price, the Convertible Note can be converted into 373,357,228 CN Conversion Shares, which have an aggregate nominal value of HK\$3,733,572.28. Such CN Conversion Shares represent (i) approximately 107.49% of the total number of Ordinary Shares in issue as at the date of this joint announcement; (ii) approximately 51.81% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of such CN Conversion Shares upon exercise of the conversion rights attached to the Convertible Note (assuming that there is no other issue or repurchase of the issued Ordinary Shares); (iii) approximately 18.76% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of (a) such CN Conversion Shares upon exercise of the conversion rights attached to the Convertible Note; and (b) the Ordinary Subscription Shares (assuming that there is no other issue or repurchase of the issued Ordinary Shares); and (iv) approximately 5.72% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of (a) such CN Conversion Shares; (b) the Ordinary Subscription Shares (assuming that there is no other issue or repurchase of the issued Ordinary Shares); (c) 2,747,909,199 New Conversion Shares upon exercise of the conversion rights attached to the Preferred Shares (based on the initial conversion price); and (d) 1,785,714,285 CB Conversion Shares upon exercise of the conversion rights attached to the Convertible Bonds in full (assuming that there is no other issue or repurchase of the issued Ordinary Shares) (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share).

The New Conversion Shares which may fall to be issued by the Company upon conversion of the Convertible Note will be issued under the Specific Mandates which are subject to the Independent Shareholders' approval at the SGM.

It is intended that the Company shall use approximately HK\$200 million of the net proceeds from the CN Subscription to expand the Restructured Group's business by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects, and the remaining HK\$50 million of the net proceeds to finance the operations of the PRC Target and to be used as general working capital of the Restructured Group.

## **THE DIVESTMENT**

On 22 June 2015, the Company (as vendor) and Seller 1 (as purchaser) entered into the Divestment Agreement (as amended on 23 October 2015) pursuant to which, the Company has conditionally agreed to sell to Seller 1, and Seller 1 has conditionally agreed to purchase from the Company the Divestment Shares, the Current Accounts Receivable and the shares of SouFun held by the Company (which, as a condition precedent to completion of the Divestment Agreement, will be transferred by the Company to Target 1 at the market price effective at the time of such transfer) at the Initial Consideration of HK\$1,652,995 which shall be subject to adjustment as set out in the Divestment Agreement.

The Divestment Group is principally engaged in the ownership and operations of hotels and restaurants in the PRC which represents the existing principal business of the Group.

The Initial Consideration for the Divestment was agreed with reference to the aggregate value of the Current Accounts Receivable as at 31 March 2015 of HK\$257,513,000 and the unaudited combined net liabilities of the Divestment Group attributable to owners of the Divestment Group as at 31 March 2015 of HK\$268,279,000.

Immediately after Divestment Completion, the Company will not hold any equity interest in the Divestment Group, and members of the Divestment Group will no longer be subsidiaries of the Company.

## **PROPOSED CHANGE OF BOARD COMPOSITION OF THE COMPANY**

As at the date of this joint announcement, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. All the current Directors except Prof. Chen Zhiwu have indicated to the Board their intentions to resign with effect from the closing of the Offer (being the earliest time permitted under the Takeovers Code). The Offeror intends to nominate a number of new Directors (including executive and/or non-executive Directors) who will form the majority of the Board with effect from the date of despatch of the Composite Document (being the earliest time permitted under the Takeovers Code). Information on the background and experience of those new Directors to be nominated by the Offeror will be set out in the Circular.

## **ADJUSTMENT TO THE CB CONVERSION PRICE OF THE CONVERTIBLE BONDS**

As a result of the Subscription and the CN Subscription, the Existing CB Conversion Price will be adjusted from HK\$0.3695 to HK\$0.0672 per CB Conversion Share pursuant to the terms and conditions of the Convertible Bonds subject to the Subscription Completion and the CN Subscription Completion.

Based on the outstanding principal amount of HK\$120,000,000 of the Convertible Bonds as at the date of this joint announcement, the number of CB Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds based on the Adjusted CB Conversion Price shall be 1,785,714,285 Ordinary Shares, representing (i) approximately 514.13% of the number of Ordinary Shares in issue as at the date of this joint announcement; and (ii) approximately 27.37% of the number of Ordinary Shares in issue as enlarged by the allotment and issue of (a) 1,269,414,575 Ordinary Subscription Shares; (b) the New Conversion Shares to be issued upon the conversion of the 1,373,954,600 Tranche 1 Preferred Shares and 1,373,954,599 Tranche 2 Preferred Shares (based on the initial conversion price of HK\$0.6696 per Ordinary Share); (c) 1,785,714,285 CB Conversion Shares upon conversion of the Convertible Bonds in full (based on the Adjusted CB Conversion Price); and (d) 373,357,228 CN Conversion Shares upon conversion of the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per CN Conversion Share).

### **INCREASE OF AUTHORISED SHARE CAPITAL AND ADOPTION OF NEW BYE-LAWS**

The Company has an authorised share capital of HK\$80,000,000 divided into 8,000,000,000 Ordinary Shares of HK\$0.01 each as at the date of this joint announcement. In view of the Subscription, the Board proposes to put forward a special resolution to be passed by the Independent Shareholders at the SGM approving, inter alia, (i) the increase of the authorised share capital of the Company from HK\$80,000,000 to HK\$130,000,000 by the creation of 5,000,000,000 Preferred Shares of HK\$0.01 each, such Preferred Shares having the rights, privileges and restrictions as set out in the New Bye-laws (as defined below), such that the authorised share capital of the Company shall become HK\$130,000,000 divided into 8,000,000,000 Ordinary Shares of HK\$0.01 each and 5,000,000,000 Preferred Shares of HK\$0.01 each, and all the existing shares of the Company in issue shall be designated as Ordinary Shares; and (ii) the adoption of the New Bye-laws.

The Board proposes that the Company adopt a set of new Bye-laws (the “**New Bye-laws**”) to, amongst other things, (a) reflect the aforesaid increase of the authorised share capital and the creation and issue of the Preferred Shares, and (b) generally bring the Bye-laws in line with the current laws and practices in Bermuda and the requirements under the Listing Rules. Further information on the New Bye-laws will be included in the Circular to be despatched to the Shareholders.

The increase of the authorised share capital and the adoption of the New Bye-laws are conditional upon, amongst other things, the passing of the Increase of Authorised Share Capital and Adoption of New Bye-laws Resolution by the Independent Shareholders at the SGM.

## **IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE**

### **The Acquisition**

The Acquisition constitutes:

- (a) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition; and
- (b) a reverse takeover of the Company under Rule 14.06(6)(a) of the Listing Rules on the basis that (i) the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) the Acquisition will take place in connection with the Transfer.

Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the SGM. Mr. Mo, Seller 1, the Offeror, Lin Dongliang (林棟樑), IDG Technology and their respective associates, and any person who has a material interest or who are involved in or interested in any of the Transfer, the Subscription, the Acquisition, the CN Subscription and/or the Divestment are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve, among others, the Acquisition.

As the Acquisition constitutes a reverse takeover of the Company, the Company is treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Company will submit a new listing application to the Stock Exchange and the Acquisition will be subject to the approval of the Listing Committee. As the PRC Target's principal business relates to the exploration and extraction of natural resources, the deemed new listing application of the Company is required to comply with all the applicable requirements under the Listing Rules, in particular the applicable requirements under Chapters 8, 9 and 18 of the Listing Rules.

Based on the preliminary unaudited financial information of the PRC Target as set out in this joint announcement, the PRC Target will not be able to satisfy the financial requirements under Rule 8.05 of the Listing Rules. The Company will apply for the deemed new listing application based on the alternative requirements under Rule 18.04 of the Listing Rules. As at the date of this joint announcement, the deemed new listing application has not yet been submitted to the Stock Exchange, and the Company will commence the new listing application process as soon as practicable.



## **The Divestment**

As one or more of the applicable percentage ratios in respect of the Divestment are 75% or more, the Divestment constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Seller 1 is wholly-owned by, and is an associate of, Mr. Mo, a non-executive Director. Accordingly, the Divestment also constitutes a connected transaction for the Company. Pursuant to Chapter 14 and Chapter 14A of the Listing Rules, the Divestment Agreement and the transactions contemplated thereunder are therefore subject to the disclosure and the Independent Shareholders' approval requirements.

Since the Divestment is an arrangement made between the Company and Seller 1, the majority Shareholder, which is not capable of being extended to all Shareholders, the Divestment constitutes a special deal of the Company under Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to (i) an independent financial adviser publicly stating that in its opinion the terms of the Divestment are fair and reasonable; and (ii) the approval of the Divestment by the Independent Shareholders by way of poll at the SGM.

Mr. Mo, Seller 1, the Offeror, Lin Dongliang (林棟樑), IDG Technology and their respective associates, and any person who has a material interest or who are involved in or interested in any of the Transfer, the Subscription, the Acquisition, the CN Subscription and/or the Divestment are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve, among others, the Divestment.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all independent non-executive Directors, namely Prof. Ye Jianping, Palaschuk Derek Myles and Prof. Chen Zhiwu, has been established to make recommendation to the Independent Shareholders in respect of the Offer, the Divestment Agreement and the transactions contemplated thereunder. Mr. Mo, a non-executive Director, will not be a member of the Independent Board Committee as Mr. Mo, being a party to the S&P Agreement and being interested in the Divestment Agreement (through Seller 1), is considered to have material interests in the Offer and the Divestment.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, the Divestment Agreement and the transactions contemplated thereunder and the appointment has been approved by the Independent Board Committee.

## **SGM**

An SGM will be convened and held to consider and, if thought fit, to approve, amongst other things, the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement and the respective transactions contemplated thereunder. Mr. Mo, Seller 1, the Offeror, Lin Dongliang (林棟樑), IDG Technology and their respective associates and Shareholders who are involved in or interested in the S&P Agreement, the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and/or the Divestment Agreement will abstain from voting on the Increase of Authorised Share Capital and Adoption of New Bye-laws Resolution and each of the resolutions approving the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement and the transactions contemplated thereunder at the SGM.

## **THE CIRCULAR**

The Circular containing, among other things, (i) further details of the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement; (ii) financial information of the Group; (iii) audited financial information of the PRC Target; (iv) a competent person's report on the oil reserve in Block 212; (v) a valuation report on the PRC Target's interest in the oil reserve in Block 212 issued by a competent evaluator; (vi) unaudited financial information of the Divestment Group as reviewed by the Company's auditors; (vii) reports by the auditors or consultant accountants of and the financial adviser to the Company on the estimated gain from the Divestment and the unaudited net losses of the Divestment Group and the PRC Target in accordance with Rule 10 of the Takeovers Code; (viii) the unaudited pro forma financial information of the Restructured Group; (ix) a letter from the Independent Board Committee advising the Independent Shareholders on the Divestment Agreement; (x) a letter from the Independent Financial Adviser advising the Independent Board Committee and the Independent Shareholders on the Divestment Agreement; and (xi) a notice of the SGM, will be despatched to the Shareholders. As the Acquisition will be subject to compliance with the deemed new listing requirements under the Listing Rules, substantial time is required to prepare and finalise the Circular, and as such, the despatch date of the Circular is expected to be postponed to a date on or before 31 December 2015.

## **COMPOSITE DOCUMENT**

It is the intention of the sole director of the Offeror and the Board to combine the offer document and the offeree board circular in the Composite Document. In accordance with Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things; (i) details of the Offer (including the expected timetable); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, is required to be despatched to the Shareholders within 21 days of the date of this joint announcement or such later date as the Executive may approve. As the making of the Offer by the Offeror is subject to the prior fulfilment of pre-conditions and the pre-conditions cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeovers Code, an application will be made by the Offeror for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to within seven (7) days after the Target Completion Date (being 31 December 2015), i.e. 7 January 2016.

## **RISKS ASSOCIATED WITH THE TRANSFER AND THE TRANSACTIONS**

Completion of the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment is subject to a number of conditions precedent as set out in this joint announcement, some of which involve the decisions of third parties, including approvals by the Independent Shareholders at the SGM, the approval of the deemed new listing application by the Listing Committee, and the consent of the Executive to the special deal. As fulfilment of these conditions precedent is not within the control of the parties involved in the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment, there is no assurance that they can be fulfilled and/or that the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment will be completed as contemplated and/or the Offer will be made.

### **Other risks**

The risks relating to the business of the Restructured Group, the business, legal and regulatory environment for business of the PRC Target and the general economy, laws, regulations and other areas will be set out in the Circular.

## **RESUMPTION OF TRADING**

At the request of the Company, trading in the Ordinary Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 22 June 2015 pending the publication of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Ordinary Shares with effect from 9:00 a.m. on 28 October 2015.

**WARNING: As fulfilment of the conditions precedent to the S&P Agreement, the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement is not within the control of the respective parties involved in the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment, there is no assurance that they can be fulfilled and/or that the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment will be completed as contemplated and/or the Offer will be made. Shareholders and potential investors of the Company should exercise caution when dealing in the Ordinary Shares. If the Shareholders and potential investors of the Company are in any doubt about their position, they should consult their professional advisers.**

Reference is made to the Initial Announcement in relation to the discussions among the Offeror, the Sellers and Mr. Mo pursuant to Rule 3.7 of the Takeovers Code in relation to the proposed Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment.

## **THE TRANSFER**

### **The S&P Agreement**

**Date:** 22 June 2015 (as amended on 27 October 2015)

**Parties:** (i) The Sellers (as sellers) comprising:

- (1) Upsky Enterprises Limited (being Seller 1), which as at the date of the S&P Agreement was beneficially interested in 209,753,409 Ordinary Shares (representing approximately 60.39% of the total number of issued Ordinary Shares); and
- (2) Tanisca Investments Limited (being Seller 2), which as at the date of the S&P Agreement was beneficially interested in the Convertible Bonds with an aggregate principal amount of HK\$120,000,000

- (ii) Mr. Mo (being the 100% beneficial owner of the Sellers and is jointly and severally liable for certain obligations of the Sellers under the S&P Agreement); Mr. Mo is a non-executive Director

As at the date of this joint announcement, Mr. Mo is beneficially interested in approximately 3.62% of the issued class A ordinary shares in SouFun and approximately 88.70% of the issued class B ordinary shares in SouFun (not including Mr. Mo's interest in options and convertible instruments over shares of SouFun). Each class A ordinary share of SouFun is entitled to one vote in the general meeting of SouFun and each class B ordinary share of SouFun is entitled to 10 votes. In aggregate, Mr. Mo holds approximately 71.13% of the outstanding voting rights in SouFun. Mr. Mo is also the executive chairman of the board of directors and the chief executive officer of SouFun.

- (iii) The Offeror (as purchaser)

Immediately prior to the entering into of the S&P Agreement, the Offeror and parties acting in concert with it, were interested in an aggregate of 24,410,000 Ordinary Shares, representing approximately 7.03% of the total number of issued Ordinary Shares of the Company as further disclosed in the section headed "Possible Unconditional Mandatory Cash Offer" in this joint announcement.

Save as disclosed in this joint announcement, the Offeror has confirmed that immediately before entering into the S&P Agreement, each of the Offeror, its beneficial owners and parties acting in concert with it is a third party independent of and not connected with the Company and its connected persons.

### **Subject matters of the S&P Agreement**

Pursuant to the S&P Agreement, each of the Sellers has conditionally agreed to sell and transfer to the Offeror and the Offeror has conditionally agreed to purchase and acquire from the Sellers:

1. 175,000,000 Sale Shares beneficially owned by Seller 1, representing approximately 50.38% of the total number of Ordinary Shares in issue as at the date of this joint announcement, free and clear from any Encumbrances; and

2. the Sale Bonds beneficially owned by Seller 2, with an aggregate principal amount of HK\$96,832,526 which is convertible into 262,063,670 CB Conversion Shares based on the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share, free and clear from any Encumbrances, representing:
  - (i) approximately 75.45% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
  - (ii) approximately 43.00% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 262,063,670 CB Conversion Shares to the Offeror upon exercise of the conversion rights attached to the Sale Bonds in full based on the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and
  - (iii) approximately 38.99% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of all 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full based on the Existing CB Conversion Price of HK\$0.3695 per Conversion Share.

Completion of the Transfer shall take place in two tranches:

- (a) the Tranche 1 Sale Completion, in respect of 36,024,724 Sale Shares and the Sale Bonds with an aggregate principal amount of HK\$14,964,000 (convertible into 40,497,970 CB Conversion Shares based on the Existing CB Conversion Price), which has taken place immediately following the execution of the amendment agreement to the S&P Agreement on 27 October 2015; and
- (b) the Tranche 2 Sale Completion (i.e. the S&P Completion), in respect of the remaining 138,975,276 Sale Shares and the remaining Sale Bonds with an aggregate principal amount of HK\$81,868,526 (convertible into 221,565,700 CB Conversion Shares based on the Existing CB Conversion Price) shall take place on the first business day after the Conditions as further set out below under the paragraph headed “Conditions precedent to the S&P Completion” are fulfilled (or, where applicable, waived).

As further detailed in this joint announcement, as a result of the Subscription and the CN Subscription, the Existing CB Conversion Price (which is applicable at the time of signing of the S&P Agreement) will be adjusted from HK\$0.3695 to HK\$0.0672 per CB Conversion Share pursuant to the terms and conditions of the Convertible Bonds upon the Subscription Completion and the CN Subscription Completion (which are expected to take place simultaneously, but in any event after the S&P Completion). Based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share, the Sale Bonds with an aggregate principal amount of HK\$96,832,526 can be converted into a total of 1,440,960,208 CB Conversion Shares.

Immediately prior to the entering into of the S&P Agreement (as amended on 27 October 2015), Seller 1 held 209,753,409 Ordinary Shares representing approximately 60.39% of the total number of Ordinary Shares in issue as at the date of this joint announcement and Seller 2 held the Convertible Bonds with an aggregate principal amount of HK\$120,000,000 which are convertible into 324,763,193 CB Conversion Shares at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.



Immediately after the Tranche 1 Sale Completion:

- (a) Seller 1 will continue to hold 173,728,685 Ordinary Shares representing:
  - (i) approximately 50.02% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
  - (ii) approximately 27.51% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 284,265,223 CB Conversion Shares to Seller 2 upon exercise of the conversion rights attached to the Convertible Bonds with an aggregate principal amount of HK\$105,036,000 held by Seller 2 (immediately after the Tranche 1 Sale Completion) in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and
  - (iii) approximately 25.85% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and
- (b) Seller 2 will continue to hold the Convertible Bonds with an aggregate principal amount of HK\$105,036,000 which is convertible into 284,265,223 CB Conversion Shares at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share, representing:
  - (i) approximately 81.84% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
  - (ii) approximately 45.01% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 284,265,223 CB Conversion Shares to Seller 2 upon exercise of the conversion rights attached to the Convertible Bonds with an aggregate principal amount of HK\$105,036,000 held by Seller 2 (immediately after the Tranche 1 Sale Completion) in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and
  - (iii) approximately 42.30% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

Subject to fulfilment (or where applicable, waiver) of the Conditions and immediately after the Tranche 2 Sale Completion (i.e. the S&P Completion):

- (a) Seller 1 will continue to hold 34,753,409 Excluded Shares representing:
  - (i) approximately 10.01% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
  - (ii) approximately 8.48% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 62,699,523 CB Conversion Shares to Seller 2 upon exercise of the conversion rights attached to the Excluded Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and

- (iii) approximately 5.17% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and
- (b) Seller 2 will continue to hold the Excluded Bonds with an aggregate principal amount of HK\$23,167,474 which is convertible into 62,699,523 CB Conversion Shares at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share, representing:
  - (i) approximately 18.05% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
  - (ii) approximately 15.29% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 62,699,523 CB Conversion Shares to Seller 2 upon exercise of the conversion rights attached to the Excluded Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share; and
  - (iii) approximately 9.33% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,193 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

Based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share (which shall become effective upon the Subscription Completion and the CN Subscription Completion), the Excluded Bonds with an aggregate principal amount of HK\$23,167,474 can be converted into a total of 344,754,077 CB Conversion Shares and all the Convertible Bonds with an aggregate principal amount of HK\$120,000,000 can be converted into a total of 1,785,714,285 CB Conversion Shares.

### **Consideration**

The consideration for the Sale Shares is HK\$117,180,000, being equivalent to HK\$0.6696 per Sale Share and the consideration for the Sale Bonds is HK\$175,477,833, being equivalent to HK\$0.6696 per underlying CB Conversion Share, which may fall to be issued upon exercise of the conversion rights attached to the Sale Bonds at the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

The total consideration for the Transfer was arrived at after arm's length negotiations among the Sellers, Mr. Mo and the Offeror and shall be payable by the Offeror by wire transfer of immediately available funds in HK\$ in the following manner:

- (a) upon the Tranche 1 Sale Completion, (i) an amount of HK\$24,122,155 shall be payable to Seller 1; and (ii) an amount of HK\$27,117,441 shall be payable to Seller 2; and
- (b) upon the Tranche 2 Sale Completion (i.e. the S&P Completion), (i) an amount of HK\$93,057,845 shall be payable to Seller 1; and (ii) an amount of HK\$148,360,392 shall be payable to Seller 2.

Accordingly, the aggregate considerations under the Tranche 1 Transfer and the Tranche 2 Transfer were HK\$51,239,596 and HK\$241,418,237, respectively.

## Conditions precedent to the S&P Completion

The following Conditions shall only be applicable to the Tranche 2 Sale Completion. For the avoidance of doubt, the Tranche 1 Sale Completion shall not be subject to the Conditions and has taken place immediately following the execution of the amendment agreement to the S&P Agreement on 27 October 2015.

### *1. Conditions precedent to the obligation of the Offeror to complete the S&P Agreement*

The obligation of the Offeror to complete the Tranche 2 Transfer is conditional upon satisfaction of all the following conditions, any one or more of which may be waived by the Offeror in writing:

- (a) the representations and warranties of Mr. Mo and the Sellers as set out in the S&P Agreement remaining true and correct in all material respects;
- (b) each of Mr. Mo and the Sellers having performed and complied in all material respects with all covenants, obligations and agreements required by the S&P Agreement to be performed or complied with by such party on or prior to the date of the S&P Completion;
- (c) the Sale Shares remaining listed and traded on the main board of the Stock Exchange at all times from the date of the S&P Agreement to the date of the S&P Completion, and no indication having been received on or before the date of the S&P Completion from the SFC and/or the Stock Exchange to the effect that the listing of the Sale Shares on the Stock Exchange will or may be withdrawn or objected to (or conditions will or may be attached thereto) as a result of the S&P Completion or in connection with the terms of the S&P Agreement save for any temporary suspension that may be ordered or imposed by any governmental authority in relation to the S&P Agreement;
- (d) all consents, authorisations, approvals, exemptions and waivers required by Mr. Mo and the Sellers from the Board or the Shareholders or any governmental authority for the consummation of the transactions contemplated by the S&P Agreement having been obtained and all necessary filings, notifications and other regulatory requirements to which Mr. Mo or any Seller is subject having been made or satisfied, including:
  - (i) the passing of resolutions by the Independent Shareholders in the SGM approving, among other things, the execution of the Transaction Documents and consummation and completion of the transactions thereunder; and
  - (ii) the Company having obtained the approval in principle for the consummation and completion of the reverse takeover contemplated under the Transaction Documents from the Listing Committee of the Stock Exchange;
- (e) Mr. Mo and the Sellers having delivered a certificate, dated the date of the S&P Completion and signed by Mr. Mo and a director of each Seller, confirming the satisfaction of the Conditions 1(a) and 1(b) set out above.

## 2. *Conditions precedent to the obligation of the Sellers to complete the S&P Agreement*

The obligation of each of the Sellers to complete the Tranche 2 Transfer is conditional upon satisfaction of all the following conditions, any one or more of which may be waived by such Seller in writing:

- (a) the representations and warranties of the Offeror as set out in the S&P Agreement remaining true and correct in all material respects;
- (b) the Offeror having performed and complied in all material respects with all covenants, obligations and agreements required by the S&P Agreement to be performed or complied with by the Offeror on or prior to the date of the S&P Completion;
- (c) all consents, authorisations, approvals, exemptions and waivers required by the Offeror from any governmental authority for the consummation of the transactions contemplated by the S&P Agreement having been obtained and all necessary filings, notifications and other regulatory requirements to which the Offeror is subject having been made or satisfied;
- (d) the Offeror having delivered a certificate, dated the date of the S&P Completion and signed by a director of the Offeror, confirming the satisfaction of the Conditions 2(a) and 2(c) set out above;
- (e) the passing of resolutions by the Independent Shareholders in the SGM approving, among other things, the execution of the Transaction Documents and consummation and completion of the transactions thereunder; and
- (f) the Company having obtained the approval in principle for the consummation and completion of the reverse takeover contemplated under the Transaction Documents from the Listing Committee of the Stock Exchange.

As at the date of this joint announcement, none of the above Conditions have been fulfilled, the Offeror has no intention to waive any of the above Conditions; and according to the Sellers and Mr. Mo, they also have no intention to waive any of the above Conditions.

If the Conditions set out above are not fulfilled by the Target Completion Date, being 31 December 2015 (or any other date agreed upon in writing by the Offeror, Mr. Mo and the Sellers), the S&P Agreement (in respect of the Sale Shares and the Sale Bonds under the Tranche 2 Transfer) shall become null and void and have no further force or effect, except that any such termination shall be without prejudice to the rights of any party to the S&P Agreement in respect of any breach of the S&P Agreement prior to such termination.

### **S&P Completion**

Conditions 1(d)(i), 1(d)(ii), 2(e) and 2(f) as set out above under the paragraph headed “Conditions precedent to the S&P Completion” shall not be construed in any way to mean or imply that the S&P Completion is subject to the completion of any transaction under any other Transaction Documents and in particular, the S&P Completion is not subject to the Subscription Completion. The Transfer is not required to be made conditional on any special

deal and thus is not conditional on the completion of the Divestment. The S&P Completion shall take place on the first business day after the Conditions as set out above have been satisfied or waived (other than those conditions that by their terms cannot be fulfilled until the S&P Completion).

The Sellers, Mr. Mo and the Offeror shall use their respective best efforts to ensure that the Conditions are fulfilled by the Target Completion Date, being 31 December 2015, or such other date agreed to by the parties to the S&P Agreement in writing.

The Tranche 1 Sale Completion took place on 27 October 2015.

#### **Mr. Mo and the Sellers' covenants**

1. Subject to the S&P Completion, Mr. Mo and the Sellers shall cause Mr. Mo, Ms. Cao and Zhang Shaohua not to resign as Directors until the first closing date of the Offer.
2. Mr. Mo and the Sellers shall, and shall cause the Company to, each use their best endeavours to ensure the satisfaction of Conditions 1(c) to 1(d)(ii) and 2(c) to 2(f) as set out above under the paragraph headed "Conditions precedent to the S&P Completion" as soon as reasonably practicable.

#### **POSSIBLE UNCONDITIONAL MANDATORY CASH OFFER**

##### **Shareholding interests of the Offeror and its concert parties in the Company**

Prior to the entering into of the S&P Agreement (as amended on 27 October 2015), the Offeror did not hold any Ordinary Shares, or any other relevant securities in the Company, and whilst (i) IDG Technology (which is managed by its general partner IDG Technology Venture Investment III, LLC ("**IDG Technology GP**")), and Ho Chi Sing (何志成) and Zhou Quan (周全) (who are the directors of IDG-Accel Ultimate GP, the ultimate general partner of the IDG Funds, which in turn own approximately 49.14% of the issued share capital of Titan Gas Holdings, the sole shareholder of the Offeror) are the only two managing members of IDG Technology GP, who manage IDG Technology GP pursuant to an operating agreement); and (ii) Lin Dongliang (林棟樑) (a director of Titan Gas Holdings which is interested in 100% of the issued shares of the Offeror and also a director of Standard Gas which holds approximately 35.13% of Titan Gas Holdings) hold 11,500,000 Ordinary Shares and 12,910,000 Ordinary Shares, representing approximately 3.31% and 3.72% of the total number of Ordinary Shares in issue as at the date of this joint announcement respectively. Given the above, IDG Technology and Lin Dongliang (林棟樑) are therefore parties acting in concert with the Offeror under the Takeovers Code. Accordingly, prior to the entering into of the S&P Agreement (as amended on 27 October 2015), the Offeror and parties acting in concert with it, were interested in an aggregate of 24,410,000 Ordinary Shares, representing approximately 7.03% of the total number of Ordinary Shares in issue as at the date of this joint announcement. Immediately after the Tranche 1 Sale Completion and as at the date of this joint announcement, the Offeror and parties acting in concert with it were interested in an aggregate of 60,434,724 Ordinary Shares, representing approximately 17.40% of the total number of Ordinary Shares in issue as at the date of this joint announcement.



Subject to fulfilment (or where applicable, waiver) of the Conditions and immediately following the Tranche 2 Sale Completion (i.e. the S&P Completion), the Offeror and parties acting in concert with it will be interested in an aggregate of 199,410,000 Ordinary Shares, representing approximately 57.41% of the total number of Ordinary Shares in issue as at the date of this joint announcement, and the Offeror will be required to make an unconditional mandatory general offer in cash for all the issued Ordinary Shares (other than those already owned by or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

As at the date of this joint announcement, there are a total of (i) 347,326,000 Ordinary Shares in issue; and (ii) the outstanding Convertible Bonds with an aggregate principal amount of HK\$120,000,000 with the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

Save for the outstanding Convertible Bonds disclosed above, the Company does not have any outstanding warrants, options, derivatives or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) convertible into Ordinary Shares as at the date of this joint announcement.

### **Irrevocable undertakings**

Pursuant to the S&P Agreement and the CN Subscription Agreement, Mr. Mo, Seller 1, Seller 2 and League Way have irrevocably and unconditionally undertaken in favour of the Offeror the following:

#### *1. Mr. Mo and Seller 1's irrevocable undertakings*

Seller 1 has irrevocably and unconditionally undertaken in favour of the Offeror under the S&P Agreement that during the Relevant Period (being the period commencing on the date of the S&P Agreement and ending on the date when the Offer closes or lapses, or when the S&P Agreement terminates (whichever is earlier)), Seller 1 shall not, and Mr. Mo shall cause Seller 1 not to:

- (a) directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise create an Encumbrance over, or (v) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Sale Shares and the Excluded Shares or any interest therein, except other than as contemplated under the S&P Agreement;
- (b) accept the Offer in respect of the 34,753,409 Excluded Shares;
- (c) acquire any Ordinary Shares or any interest in Ordinary Shares, other than the Ordinary Shares or an interest in Ordinary Shares deriving from the Excluded Shares;
- (d) enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and



- (e) in the event that Seller 1 should fail to comply with the undertakings given above, Seller 1 irrevocably and unconditionally undertakes to, and Mr. Mo shall cause Seller 1 to, indemnify the Offeror for any loss, damages, costs and expenses which may be incurred.

2. *Mr. Mo and Seller 2's irrevocable undertakings*

Seller 2 has irrevocably and unconditionally undertaken in favour of the Offeror under the S&P Agreement that during the Relevant Period (being the period commencing on the date of the S&P Agreement and ending on the date when the Offer closes or lapses, or when the S&P Agreement terminates (whichever is earlier)), Seller 2 will not, and Mr. Mo shall cause Seller 2 not to:

- (a) directly or indirectly, (i) offer, (ii) sell, transfer, give or otherwise dispose of, (iii) grant any option, right or warrant to purchase in respect of, (iv) charge, mortgage, pledge or otherwise create an Encumbrance over, or (v) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Sale Bonds and the Excluded Bonds or any interest therein, except other than as contemplated under the S&P Agreement;
- (b) accept an offer (if any) to be made by the Offeror to acquire all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in respect of the Excluded Bonds with an aggregate principal amount of HK\$23,167,474;
- (c) convert any of the Excluded Bonds into Ordinary Shares;
- (d) acquire any Ordinary Shares or any interest in Ordinary Shares, other than the Ordinary Shares or an interest in Ordinary Shares deriving from the Excluded Bonds;
- (e) enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and
- (f) in the event that Seller 2 should fail to comply with the undertaking given above, Seller 2 irrevocably and unconditionally undertakes to, and Mr. Mo shall cause Seller 2 to, indemnify the Offeror for any loss, damages, costs and expenses which may be incurred.

3. *League Way's irrevocable undertakings*

League Way has irrevocably and unconditionally undertaken in favour of the Offeror under the CN Subscription Agreement that during the CN Relevant Period, League Way shall:

- (a) not accept an offer (if any) to be made by the Offeror to acquire the Convertible Note (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it);

- (b) not convert the Convertible Note;
- (c) not enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and
- (d) in the event that it should fail to comply with the undertakings given above, irrevocably and unconditionally undertake to indemnify the Offeror for any loss, damages, costs and expense which may be incurred.

On the basis of the abovementioned irrevocable and unconditional undertakings under the S&P Agreement and the CN Subscription Agreement in respect of the Excluded Shares, the Excluded Bonds and the Convertible Note, and excluding the 199,410,000 Ordinary Shares (comprising the 175,000,000 Sale Shares and the aggregate of 24,410,000 Ordinary Shares held by IDG Technology and Lin Dongliang (林棟樑)), and the Sale Bonds with an aggregate principal amount of HK\$96,832,526 already owned or agreed to be acquired by the Offeror and parties acting in concert with it, a total of 113,162,591 Offer Shares will be subject to the Offer, and no offer will be made by the Offeror for the outstanding Convertible Bonds which will continue to be beneficially owned by Seller 2 (being the Excluded Bonds) or the Convertible Note to be issued to League Way. Whilst the Subscription may be completed prior to the close of the Offer, the Offer will not be extended to the Subscription Shares as the Public Shares Subscribers were introduced by the Offeror (being business acquaintances of the Offeror including some introduced by one of the other Subscribers to the Offeror) and the terms of the Subscription Agreement were negotiated between the Company and the Offeror (for itself and on behalf of the other Subscribers) and all the Subscribers entered into the Subscription Agreement (being one single agreement) together with the Company, and are therefore parties acting in concert with the Offeror in accordance with the Takeovers Code (as further detailed below on pages 78 to 80 of this joint announcement under the section headed “Information on the Public Shares Subscribers”).

### **Principal terms of the Offer**

Subject to and upon the S&P Completion, Essence Securities, will on behalf of the Offeror, make the Offer for all the issued Ordinary Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on the following terms in accordance with Rule 26.1 of the Takeovers Code:

#### **The Offer**

**For each Offer Share..... HK\$0.6696 in cash**

**The Offer will only be made if the Tranche 2 Sale Completion (i.e. the S&P Completion) takes place and the S&P Completion is conditional upon the fulfillment (or where applicable, waiver) of the Conditions referred to in the paragraph headed “Conditions precedent to the S&P Completion” under the section headed “The Transfer”. Accordingly, the S&P Agreement may or may not be completed and the Offer may or may not proceed. The Shareholders and potential investors of the Company are therefore urged to exercise caution when dealing in the Ordinary Shares.**

The Offer Price of HK\$0.6696 per Offer Share is the same as the price per Sale Share and price per underlying CB Conversion Share which may fall to be issued upon conversion of the Sale Bonds based on the Existing CB Conversion Price payable by the Offeror to Seller 1 and Seller 2 under the S&P Agreement.

The Offer Shares which may be acquired by the Offeror under the Offer shall be fully paid and free from all Encumbrances together with all rights attaching to them, including but not limited to all dividends paid, declared or made, if any, on or after the date on which the Offer is made.

### **Comparison of value**

The Offer Price of HK\$0.6696 per Offer Share represents:

- a discount of 69.00% to the closing price of HK\$2.16 per Ordinary Share as quoted on the Stock Exchange on 15 May 2015, being the last trading date immediately prior to the Initial Announcement;
- a discount of approximately 88.65% to the closing price of HK\$5.90 per Ordinary Share as quoted on the Stock Exchange on 19 June 2015, being the Last Trading Day;
- a discount of approximately 88.29% to the average closing price of HK\$5.72 per Ordinary Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day (when trading in the Ordinary Shares was not suspended);
- a discount of approximately 85.03% to the average closing price of HK\$4.474 per Ordinary Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day (when trading in the Ordinary Shares was not suspended);
- a discount of approximately 71.37% to the average closing price of approximately HK\$2.3387 per Ordinary Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the Last Trading Day (when trading in the Ordinary Shares was not suspended); and
- a premium of approximately HK\$0.9720 over the audited net liabilities of the Group as at 31 March 2015 as represented by each Ordinary Share (before any conversion of the Convertible Bonds) of approximately HK\$0.3024.

### **Highest and lowest prices**

During the six-month period immediately preceding 8 June 2015 (being the date of the Initial Announcement) and the period up to and including the Last Trading Day (i.e. from 9 December 2014 to 19 June 2015),

- (a) the highest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK\$5.90 per Ordinary Share on 19 June 2015; and

- (b) the lowest closing price of the Ordinary Shares as quoted on the Stock Exchange was HK\$0.56 per Ordinary Share on 16 February 2015, 17 February 2015, 18 February 2015, 23 February 2015, 24 February 2015, 25 February 2015, 26 February 2015, 27 February 2015, 2 March 2015 and 3 March 2015.

### **Value of the Offer**

As at the date of this joint announcement, there are a total of 347,326,000 Ordinary Shares in issue. Based on the Offer Price of HK\$0.6696 per Offer Share, the entire issued share capital of the Company is valued at approximately HK\$232.57 million.

Taking into account the following:

- (i) an aggregate of 199,410,000 Ordinary Shares owned by the Offeror and parties acting in concert with it upon the S&P Completion; and
- (ii) the irrevocable and unconditional undertakings from Mr. Mo, the Sellers and League Way in favour of the Offeror set out in the paragraph headed “Irrevocable undertakings” above,

113,162,591 Offer Shares will be subject to the Offer. Based on the Offer Price of HK\$0.6696 per Offer Share, the Offer is valued at approximately HK\$75.77 million.

### **Financial resources available to the Offer**

The Offeror intends to finance the consideration payable by the Offeror under the S&P Agreement in relation to the Tranche 2 Transfer and the Offer with its internal resources.

Essence Corporate Finance, the financial adviser to the Offeror, is satisfied that sufficient financial resources are available to the Offeror to satisfy: (i) the aggregate consideration of HK\$241,418,237 under the S&P Agreement in relation to the Tranche 2 Transfer; and (ii) the full acceptance of the Offer which is valued at approximately HK\$75.77 million.

### **Effect of accepting the Offer**

The Offer, subject to the S&P Completion taking place, will be unconditional.

By accepting the Offer, the Shareholders will sell their Ordinary Shares to the Offeror free from all Encumbrances and together with all rights attached to them, including the right to receive all dividends and distributions recommended, declared, paid or made, if any, on or after the day on which the Offer is made, being the date of despatch of the Composite Document.

Acceptance of the Offer by any Offer Shareholder will be deemed to constitute a warranty by such person that all Ordinary Shares sold by such person under the Offer are free from all Encumbrances whatsoever and together with all rights accruing or attaching thereto, including, without limitation, the right to receive dividends and distributions recommended, declared, made or paid, if any, on or after the date on which the Offer is made.

Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except as permitted under the Takeovers Code.

## **Hong Kong stamp duty**

Assuming that the Offer is made upon the S&P Completion, seller's Hong Kong ad valorem stamp duty arising from the acceptance of the Offer amount to 0.1% of the amount payable in respect of relevant acceptances by the Shareholders, or (if higher) the value of the Ordinary Shares as determined by the Collector of Stamp Revenue under the Stamp Duty Ordinance (Chapter 117 of the Laws of Hong Kong), will be deducted from the amount payable to the Shareholders who accept the Offer. The Offeror will then pay the stamp duty on behalf of the accepting Shareholders. The Offeror will bear its own ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of acceptances of the Offer.

## **Payment**

Payment in cash in respect of acceptances of the Offer will be made as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) of the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid.

## **Taxation advice**

Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Essence Corporate Finance, Essence Securities, and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptances or rejection of the Offer.

## **Dealings and interests in the Company's securities**

Save for the acquisition of the Sale Shares and the Sale Bonds pursuant to the S&P Agreement and the subscription of Subscription Shares pursuant to the Subscription Agreement, none of the Offeror nor parties acting in concert with it (including the Public Shares Subscribers) has dealt in the Ordinary Shares, options, derivatives, warrants or other securities convertible into Ordinary Shares during the six-month period preceding the date of the Initial Announcement up to and including the date of this joint announcement.

The Offeror confirms that, as at the date of this joint announcement, save for the 60,434,724 Ordinary Shares (including the 36,024,724 Sale Shares) and the Sale Bonds with an aggregate principal amount of HK\$14,964,000 held by the Offeror and parties acting in concert with it as set out above in this joint announcement, and the remaining 138,975,276 Sale Shares and the Sale Bonds with an aggregate principal amount of HK\$81,868,526 which will be held by the Offeror upon the Tranche 2 Sale Completion, the Offeror and parties acting in concert with it do not hold, own or has control or direction over any voting rights and rights over the Ordinary Shares or convertible securities, warrants or options of the Company.

## **Other arrangements**

The Offeror confirms that as at the date of this joint announcement,

- (i) save for the irrevocable and unconditional undertakings given by Mr. Mo, Seller 1, Seller 2 and League Way under the S&P Agreement and the CN Subscription Agreement (as applicable), the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them have not received any irrevocable commitment to accept or reject the Offer or to vote for or against the Divestment (which constitutes a special deal of the Company under Rule 25 of the Takeovers Code);
- (ii) save for the S&P Agreement and the Subscription Agreement, there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them;
- (iii) there is no arrangement (whether by way of option, indemnity or otherwise) in relation to the shares of the Offeror or the Company and which might be material to the Offer (as referred to Note 8 to Rule 22 of the Takeovers Code);
- (iv) save for the S&P Agreement, there is no agreement or arrangement to which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Offer; and
- (v) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, its ultimate beneficial owners and/or parties acting in concert with any of them has borrowed or lent.

## **Overseas Shareholders**

As the Offer to persons not resident in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, the overseas Shareholders who are citizens or residents or nationals of a jurisdiction outside Hong Kong should satisfy themselves as to the observance of any applicable legal or regulatory requirements and where necessary seek legal advice. It is the responsibility of the overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due from such accepting Shareholders in respect of such jurisdiction).

**Any acceptance by any Shareholder will be deemed to constitute a representation and warranty from such Shareholder to the Offeror that the local laws and requirements have been complied with. The Shareholders should consult their professional advisers if in doubt.**



## THE SUBSCRIPTION

On 22 June 2015, the Company and the Subscribers entered into the Subscription Agreement (as amended on 23 October 2015), pursuant to which the Subscribers have conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue, a total of 4,017,323,774 Subscription Shares, comprising (i) 1,269,414,575 Ordinary Subscription Shares under the Ordinary Shares Subscription, (ii) 1,373,954,600 Preferred Shares under the Tranche 1 Preferred Shares Subscription; and (iii) 1,373,954,599 Preferred Shares under the Tranche 2 Preferred Shares Subscription, at the Subscription Price of HK\$0.6696 per Subscription Share.

### The Subscription Agreement

Date: 22 June 2015 (as amended on 23 October 2015)

Issuer: The Company

Subscribers:

Subscribers	Ordinary Subscription Shares to be subscribed		Tranche 1 and Tranche 2 Preferred Shares to be subscribed	
	Number of Ordinary Shares	Aggregate Subscription Monies (HK\$)	Number of Preferred Shares	Aggregate Subscription Monies (HK\$)
(1) The Offeror	634,707,289	425,000,001	1,411,505,622	945,144,164
(2) Lu Xi	14,934,289	10,000,000	—	—
(3) Prime Eagle Holdings Limited	14,934,289	10,000,000	—	—
(4) Fang Chao	14,934,289	10,000,000	—	—
(5) Classictime Investments Limited	89,605,735	60,000,000	62,724,014	42,000,000
(6) China Alpha Fund Management (HK) Limited	44,802,867	30,000,000	41,816,010	28,000,000
(7) Leading Global Investment Ltd.	14,934,289	10,000,000	—	—
(8) Hwabao.Overseas Investment Series 2 No 20-6 QDII Single Money Trust	93,588,212	62,666,667	—	—
(9) Hwabao.Overseas Investment Series 2 No 20-7 QDII Single Money Trust	46,794,106	31,333,333	—	—
(10) New Fast Investments Limited	50,029,870	33,500,001	116,736,360	78,166,667
(11) Real Smart Holdings Limited	50,029,870	33,500,001	116,736,360	78,166,667
(12) Grand Empire Holdings Limited	50,029,870	33,500,001	116,736,360	78,166,667
(13) True Success Global Limited	75,044,800	50,249,998	175,104,540	117,250,000
(14) Sonic Gain Limited	75,044,800	50,249,998	175,104,540	117,250,000
(15) Aquarius Growth Investment Limited	—	—	338,829,152	226,880,000
(16) Haitong International Securities Company Limited	—	—	50,000,000	33,480,000
(17) ExaByte Capital Fund L.P.	—	—	14,934,289	10,000,000
(18) Rich Harvest Worldwide Ltd.	—	—	127,681,952	85,495,835
	<u>1,269,414,575</u>	<u>850,000,000</u>	<u>2,747,909,199</u>	<u>1,840,000,000</u>

Please refer to the sections headed “Information on the Offeror” and “Information on the Public Shares Subscribers” for further information on the Subscribers.

## Subscription Shares

The Subscription comprises (i) the Ordinary Shares Subscription of 1,269,414,575 Ordinary Subscription Shares, (ii) the Tranche 1 Preferred Shares Subscription of 1,373,954,600 Preferred Shares; and (iii) the Tranche 2 Preferred Shares Subscription of 1,373,954,599 Preferred Shares.

The 1,269,414,575 Ordinary Subscription Shares represent:

- (i) approximately 365.48% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
- (ii) approximately 78.52% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription Shares; and
- (iii) approximately 19.46% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of:
  - (a) the Ordinary Subscription Shares;
  - (b) all the New Conversion Shares to be issued upon conversion of the 1,373,954,600 Tranche 1 Preferred Shares and 1,373,954,599 Tranche 2 Preferred Shares (based on the initial conversion price of HK\$0.6696 per Ordinary Share);
  - (c) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share); and
  - (d) 373,357,228 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share).

The aggregate nominal value of the Ordinary Subscription Shares is HK\$12,694,145.75.

Upon conversion of the Tranche 1 Preferred Shares in full at the initial conversion price of HK\$0.6696 per Ordinary Share, 1,373,954,600 New Conversion Shares will be allotted and issued, representing:

- (i) approximately 395.58% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
- (ii) approximately 45.94% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription Shares and the New Conversion Shares to be issued upon conversion of the Tranche 1 Preferred Shares in full (assuming that no Tranche 2 Preferred Shares are converted into Ordinary Shares and there is no other change in the number of issued Ordinary Shares);

- (iii) approximately 26.68% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of:
  - (a) the Ordinary Subscription Shares;
  - (b) the New Conversion Shares to be issued upon conversion in full of the 1,373,954,600 Tranche 1 Preferred Shares (assuming that no Tranche 2 Preferred Shares are converted into Ordinary Shares and there is no other change in the number of issued Ordinary Shares);
  - (c) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share); and
  - (d) 373,357,228 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share); and
- (iv) approximately 21.06% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of:
  - (a) the Ordinary Subscription Shares;
  - (b) the New Conversion Shares to be issued upon conversion in full of the 1,373,954,600 Tranche 1 Preferred Shares and the 1,373,954,599 Tranche 2 Preferred Shares (at the initial conversion price of HK\$0.6696 per Ordinary Share and assuming there is no other change in the number of issued Ordinary Shares);
  - (c) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share); and
  - (d) 373,357,228 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share).

The aggregate nominal value of the 1,373,954,600 New Conversion Shares which may be issued upon the conversion of the Tranche 1 Preferred Shares in full based on the initial conversion price of HK\$0.6696 per Ordinary Share is HK\$13,739,546.00.

Upon conversion of the Tranche 2 Preferred Shares in full at the initial conversion price of HK\$0.6696 per Ordinary Share, 1,373,954,599 New Conversion Shares will be allotted and issued, representing:

- (i) approximately 395.58% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
- (ii) approximately 31.48% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of the Ordinary Subscription Shares and the New Conversion Shares to be issued upon conversion of both the Tranche 1 Preferred Shares and the Tranche 2 Preferred Shares in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share and assuming that there is no other change in the number of issued Ordinary Shares); and

- (iii) approximately 21.06% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of:
  - (a) the Ordinary Subscription Shares;
  - (b) the New Conversion Shares to be issued upon conversion of both the Tranche 1 Preferred Shares and the Tranche 2 Preferred Shares in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share and assuming that there is no other change in the number of issued Ordinary Shares);
  - (c) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share); and
  - (d) 373,357,228 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per Ordinary Share).

The aggregate nominal value of the 1,373,954,599 New Conversion Shares which may be issued upon the conversion of the Tranche 2 Preferred Shares in full based on the initial conversion price of HK\$0.6696 per Ordinary Share is HK\$13,739,545.99.

### **Subscription Price**

The Subscription Price of HK\$0.6696 per Subscription Share represents:

- (i) a discount of approximately 88.65% to the closing price of HK\$5.90 per Ordinary Share as quoted on the Stock Exchange on 19 June 2015, being the Last Trading Day;
- (ii) a discount of approximately 88.29% to the average closing price of approximately HK\$5.72 per Ordinary Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including the Last Trading Day (when trading in the Ordinary Shares was not suspended);
- (iii) a discount of approximately 85.03% to the average closing price of approximately HK\$4.474 per Ordinary Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day (when trading in the Ordinary Shares was not suspended); and
- (iv) a premium of approximately HK\$0.9720 over the audited net liabilities of the Group as at 31 March 2015 as represented by each Ordinary Share (before any conversion of the Convertible Bonds) of approximately HK\$0.3024.

The Subscription Price is the same as the purchase price per Sale Share under the S&P Agreement and was arrived at after arm's-length negotiations between the Company and the Subscribers (including the Offeror) after taking into account the prevailing market price of the Ordinary Shares, the trading volume of the Ordinary Shares and the financial position of the Group as at 31 March 2015.

## Conditions precedent to the Subscription

Completion by each Subscriber is conditional upon the fulfilment (or waiver by the Majority Subscriber(s), as the case may be) of the following conditions precedent:

- (a) each of the S&P Agreement and the Transaction Documents having been duly executed;
- (b) the current listing of the Ordinary Shares not having been cancelled or withdrawn, the Ordinary Shares continuing to be traded on the Stock Exchange at all times from the date of the Subscription Agreement to the date of the Subscription Completion (save for any temporary suspension pending this joint announcement (or such other period as the Majority Subscriber(s) may agree)), and neither the Stock Exchange nor the SFC having indicated that either one of them will qualify, object to, cancel or withdraw such listing and/or dealings in the Ordinary Shares (including the Ordinary Subscription Shares) for reasons related to or arising from the transactions contemplated under the Subscription Agreement;
- (c) the passing of resolutions by the Independent Shareholders at the SGM approving, among other things:
  - (i) the execution of the Transaction Documents and consummation and completion of the transactions thereunder;
  - (ii) the Increase of Authorised Share Capital and Adoption of New Bye-laws Resolution; and
  - (iii) the Specific Mandate (in respect of the Ordinary Subscription Shares and the New Conversion Shares arising from conversion of the Preferred Shares);
- (d) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the Ordinary Subscription Shares and the New Conversion Shares which may be issued upon exercise of the conversion rights attached to the Preferred Shares and such approval and granting of permission not having been withdrawn or revoked;
- (e) the S&P Completion having occurred in accordance with the terms and conditions and timetable pursuant to the S&P Agreement and on such terms and conditions to the satisfaction of the Majority Subscriber(s);
- (f) the Acquisition Completion having occurred in accordance with the terms and conditions and timetable pursuant to the Acquisition Agreement and on such terms and conditions to the satisfaction of the Majority Subscriber(s);
- (g) the Divestment Completion having occurred in accordance with the terms and conditions and timetable pursuant to the Divestment Agreement and on such terms and conditions to the satisfaction of the Majority Subscriber(s);
- (h) the Group having obtained all consents from other relevant approval authority which are necessary to be obtained for the execution and performance of the S&P Agreement and the Transaction Documents and any of the transactions contemplated under the S&P Agreement and the Transaction Documents;

- (i) the Group having obtained all consents from third parties which are necessary to be obtained for the execution and performance of the S&P Agreement and the Transaction Documents and any of the transactions contemplated under the S&P Agreement and the Transaction Documents;
- (j) there being no relevant approval authority or any other natural or legal person that has:
  - (i) instituted or threatened any action or investigation to restrain, prohibit or otherwise challenge the issuance of the Subscription Shares or any of the transactions contemplated under the S&P Agreement and the Transaction Documents;
  - (ii) threatened to take any action as a result of or in anticipation of the implementation of the transactions contemplated under the S&P Agreement and the Transaction Documents; or
  - (iii) instituted or threatened any action for the delisting of or suspension of trading of the Ordinary Shares on the Stock Exchange;
- (k) there having been no statute, regulation or decision which would prohibit or restrict the execution, delivery or performance of the S&P Agreement and the Transaction Documents or the consummation of the transactions contemplated under the S&P Agreement and the Transaction Documents having been enacted or taken by any approval authority whether in Hong Kong, the PRC or elsewhere;
- (l) there having been no material adverse change (as defined in the Subscription Agreement);
- (m) representations, warranties and undertakings given by the Company in the Subscription Agreement being true, accurate and correct in all material respects at Subscription Completion and the Company having performed all its obligations under the S&P Agreement and the Transaction Documents to be performed before the Subscription Completion;
- (n) the Subscribers or such custodian(s) as designated by the Majority Subscriber(s) receiving on or prior to the Subscription Completion: (i) the audited consolidated accounts of the Group (including notes to and auditors' report on those accounts) for the financial year ended 31 March 2014; (ii) legal opinions from the Company's Bermuda lawyers dated the date of the Subscription Completion substantially in the form and substance to the satisfaction of the Subscribers; and (iii) such other documents relating to the transactions contemplated under the Subscription Agreement as the Majority Subscriber(s) may reasonably require;
- (o) the Company having complied fully with the pre-completion obligations set out in the Subscription Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed by it under the S&P Agreement and the Transaction Documents simultaneously;
- (p) there having been delivered to the Subscribers a completion certificate from the Company confirming that all the conditions precedent (other than the conditions (f), (g), (n) and (o) set out above, this condition and condition (q) below) have been met; and



- (q) completion of the due diligence investigation on the assets, liabilities, business, financial and legal matters relating to the Group and the results being satisfactory to the Majority Subscriber(s) in their absolute discretion.

The Subscribers may, at any time, acting through the Majority Subscriber(s), waive in whole or in part any of the conditions precedent (other than the conditions precedent set out in paragraphs (c) and (d) above) by giving written notice to the Company.

In the event that any of the above conditions are not fulfilled or waived (as applicable) prior to the long stop date on 31 December 2015 (or such later date as the Company and the Majority Subscriber(s) may agree), then none of the Company nor the Subscribers shall be bound to proceed with the transactions contemplated under the Subscription Agreement and the Subscription Agreement shall lapse and none of the parties to the Subscription Agreement shall have any claim against other parties save as to any antecedent rights of the Subscription Agreement.

As at the date of this joint announcement, none of the above conditions have been fulfilled and the Subscribers have no intention to waive any of the above conditions.

### **Registration under SAFE regulations**

Under the terms of the Subscription Agreement, each Subscriber who is a PRC national or an entity incorporated under PRC law, or directly or indirectly owned by one or more PRC nationals, shall consult with SAFE regarding any registration with respect to his/its investment in the Company and the transactions contemplated under the Subscription Agreement pursuant to the SAFE Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and Round Trip Investment via Special Purpose Companies (Hui Fa [2014] No. 37) (《國家外匯管理局關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知(匯發[2014]37號)》) (the “**Circular 37 Registration**”) would be required by SAFE and, to the extent any Circular 37 Registration is required for such Subscriber or its direct or indirect shareholders/investors, shall use his/its best endeavours to complete, or cause the relevant persons to complete the relevant Circular 37 Registration. If the Majority Subscriber(s) or the Company deem it reasonably foreseeable that a Subscriber will not be able to complete his/its Circular 37 Registration and such failure shall cause a negative impact on completion of the transactions contemplated under the Subscription Agreement, the Majority Subscriber(s) and the Company shall have the right, by giving written notice to such Subscriber and the other parties to the Subscription Agreement, to request such Subscriber not to participate in the Subscription and the Subscriber shall comply with such request.

### **Subscription Completion**

Subject to fulfillment or waiver (as applicable) of the conditions precedent of the Subscription Agreement, the Subscription Completion shall take place on or before the 10th business day following the satisfaction or waiver of the conditions precedent (other than those conditions precedent that by their terms cannot be fulfilled until the Subscription Completion) or on such other date as may be agreed in writing by the Company and the Majority Subscriber(s). The Subscription Completion is conditional on the S&P Completion, the Acquisition Completion and the Divestment Completion.

The Subscription Completion shall take place after the S&P Completion and shall take place simultaneously with the Acquisition Completion, the CN Subscription Completion and the Divestment Completion.

At the Subscription Completion, the Subscribers shall subscribe for, and the Company shall allot and issue to such Subscribers, their respective number of the Ordinary Subscription Shares, and/or the Tranche 1 Preferred Shares and the Tranche 2 Preferred Shares.

*Payment of Subscription monies*

The aggregate Subscription Price amounts to approximately HK\$2,690 million which shall be payable in cash by the Subscribers in the following manner:

- (i) at Subscription Completion, an amount of approximately HK\$983.4 million being the sum of (a) the aggregate Subscription Price of the Ordinary Shares Subscription of HK\$850 million; and (b) 5% of the aggregate Subscription Price of the Tranche 1 Preferred Shares Subscription and the Tranche 2 Preferred Shares Subscription (save for the Subscribers Haitong International Securities Company Limited and ExaByte Capital Fund L.P., the entire amount of the Subscription Price for their respective Preferred Shares will be paid on Subscription Completion) in an aggregate amount of approximately HK\$133.4 million;
- (ii) on a date falling within 180 days after the Subscription Completion, an amount of approximately HK\$853.3 million, being 95% of the aggregate Subscription Price of the Tranche 1 Preferred Shares Subscription (excluding those Tranche 1 Preferred Shares subscribed for by Haitong International Securities Company Limited and ExaByte Capital Fund L.P.); and
- (iii) on a date falling within one year after the Subscription Completion, an amount of approximately HK\$853.3 million, being 95% of the aggregate Subscription Price of the Tranche 2 Preferred Shares Subscription (excluding those Tranche 2 Preferred Shares subscribed for by Haitong International Securities Company Limited and ExaByte Capital Fund L.P.).

Upon Subscription Completion, the Company will issue share certificates to the Subscribers for the fully paid and partly paid Subscription Shares. Share certificates for the Ordinary Subscription Shares, the Make-Up Preferred Shares (as defined under the sub-section headed “Public float allocation adjustment” below), the Additional Make-Up Preferred Shares (as defined under the sub-section headed “Public float allocation adjustment” below) and the Preferred Shares subscribed by Haitong International Securities Company Limited and ExaByte Capital Fund L.P. will be issued to the relevant Subscribers as fully-paid up Ordinary Shares and fully-paid Preferred Shares (as the case may be) whilst the share certificates for the rest of the Preferred Shares under the Tranche 1 Preferred Shares Subscription and the Tranche 2 Preferred Shares Subscription will be issued as partly paid Preferred Shares at the Subscription Completion upon payment of 5% of the aggregate Subscription Price of the Tranche 1 Preferred Shares Subscription and the Tranche 2 Preferred Shares Subscription respectively.

A Subscriber can pay the full Subscription Price for such Preferred Shares it subscribed for on or before the agreed last payment dates under the Subscription Agreement (i.e., on or before the 180th day after the Subscription Completion in respect of the Tranche 1 Preferred Shares and on or before the first anniversary of the Subscription Completion in respect of the Tranche 2 Preferred Shares). Holders of fully-paid Preferred Shares will be entitled to all rights and privileges of the Preferred Shares (the principal terms of the Preferred Shares are set out in the section headed “Information on the Preferred Shares” below); while holders of partly paid Preferred Shares will not be entitled to transfer the partly paid Preferred Shares, exercise the restricted voting rights and conversion rights attached to the Preferred Shares.

For illustrative purposes only, subject to final audit and possible audit adjustments, in respect of the Subscription Price received upon Subscription Completion, it would be recognised as bank balances and cash with the remaining Subscription Price to be received on a date falling within 180 days or one year after the Subscription Completion being recognised under prepayments, deposits and other receivables, whilst the Preferred Shares would be credited to the share capital and reserves of the Company assuming that the Preferred Share is a non-derivative for which the Company is not obligated to deliver a variable number of the Company’s own equity instruments.

#### *Public float allocation adjustment*

No Subscriber is responsible for the obligations of any other Subscriber under the Subscription Agreement. If any Subscriber (other than the Offeror) fails to comply with its subscription obligation or is requested not to participate in the Subscription as a result of his/its failure to complete the Circular 37 Registration (the “**Default Subscriber(s)**”), by the Majority Subscribers (i.e., the Offeror) giving written notice to the Company:

- (a) all the other Subscribers which comply with their respective subscription obligations (the “**Non-Default Subscribers**”) shall be entitled but not obliged to effect the Subscription Completion so far as practicable in respect of the Subscription Shares subscribed by the Non-Default Subscriber(s) respectively thereunder; or
- (b) in addition to the Non-Default Subscribers’ right under (a) above to subscribe for their respective Subscription Shares, the Offeror shall be entitled but not obliged to fix a new date for the Subscription Completion (being no more than 10 business days after the original date of the Subscription Completion), and subscribe for (in addition to the Offeror’s Subscription Shares) all or part of the Subscription Shares not subscribed for by the Default Subscriber(s) (the “**Default Subscription Shares**”). If the Offeror elects to subscribe for the Default Subscription Shares, subject to the allocation adjustment set out in the two paragraphs below, the Offeror shall pay the Subscription Price for the Default Subscription Shares in accordance with the terms of the Subscription Agreement i.e.:
  - (i) in respect of Default Subscription Shares which are Ordinary Shares or the Preferred Shares agreed to be subscribed for by Haitong International Securities Company Limited and ExaByte Capital Fund L.P., payment shall be made in full upon Subscription Completion;

- (ii) in respect of Default Subscription Shares which are Tranche 1 Preferred Shares, (other than the Tranche 1 Preferred Shares agreed to be subscribed for by Haitong International Securities Company Limited and ExaByte Capital Fund L.P.), payment shall be made as to 5% of the aggregate Subscription Price for such Tranche 1 Preferred Shares upon Subscription Completion and as to the remaining 95% on a date falling within 180 days after the Subscription Completion; and
- (iii) in respect of Default Subscription Shares which are Tranche 2 Preferred Shares (other than the Tranche 2 Preferred Shares agreed to be subscribed for by Haitong International Securities Company Limited and ExaByte Capital Fund L.P.), payment shall be made as to 5% of the aggregate Subscription Price for such Tranche 2 Preferred Shares upon Subscription Completion and as to the remaining 95% on a date falling within one year after the Subscription Completion.

In the case of (a) above, as the aggregate number of Ordinary Subscription Shares would have been reduced by the number of Ordinary Subscription Shares initially agreed to be subscribed for by the Default Subscriber(s), the issue of the Ordinary Subscription Shares initially agreed to be subscribed for by the Offeror may lead to the Company failing to satisfy the minimum public float requirements under the Listing Rules. In such case:

- (i) the number of Ordinary Subscription Shares to be issued by the Company to the Offeror under the Subscription Agreement will be reduced by such number of Ordinary Subscription Shares which would result in the minimum public float requirement not being satisfied (the “Exceeding Ordinary Subscription Shares”), and such number of Preferred Shares equal to the number of Exceeding Ordinary Subscription Shares shall be issued by the Company to the Offeror (the “Make-up Preferred Shares”) in addition to the Preferred Shares that the Offeror has initially agreed to subscribe for under the Subscription Agreement; and the Offeror shall pay to the Company the full amount of the Subscription Price for the Make-up Preferred Shares so subscribed by it upon Subscription Completion; or
- (ii) the Non-Default Subscribers and the Company may, alternatively, use their best endeavours to (x) discuss and re-negotiate the number of the Ordinary Subscription Shares and the Preferred Shares (as long as the total number of Subscription Shares subscribed by the Non-Default Subscribers shall not increase) to be issued to the Non-Default Subscribers to ensure the fulfillment of the minimum public float requirements following the Subscription Completion; and (y) adjust the payment terms in respect of the Subscription Price for the Preferred Shares if required for satisfaction of the capital requirement of the Company.

In the case of (b) above, if the Offeror chooses to subscribe for the Default Subscription Shares which are Ordinary Shares, and the issue of such Ordinary Subscription Shares (the “**Unsubscribed Ordinary Shares**”) to the Offeror shall lead to the Company failing to satisfy the minimum public float requirements under the Listing Rules, in addition to the adjustment to the number of Ordinary Subscription Shares to be issued to the Offeror that may be required under (a) above, the Company will not be obliged to issue the Unsubscribed Ordinary Shares to the Offeror. Instead, the Offeror shall be entitled but not obliged, by giving written notice to the Company, to subscribe for (in addition to its Subscription Shares) up to such number of Preferred Shares that is equal to the number of

Unsubscribed Ordinary Shares (the “**Additional Make-Up Preferred Shares**”) on the condition that the Offeror shall pay to the Company the full amount of the Subscription Price for the Additional Make-Up Preferred Shares so subscribed by it on Subscription Completion.

In both of the above cases, if following Subscription Completion, the Board resolves to accelerate the payment of the Subscription Price for the Preferred Shares that remains outstanding then for the purpose of satisfying the actual requirement for working capital of the Company, each Non-Default Subscriber (including the Offeror) has agreed to pay the Subscription Price for its/his respective Preferred Shares pursuant to the new payment schedule adopted by the Board.

In circumstances other than (a) and (b) above whereby the issue of any Ordinary Subscription Shares will lead to the Company failing to satisfy the minimum public float requirements under the Listing Rules, the parties to the Subscription Agreement shall use their best endeavours to (i) discuss and re-negotiate the number of the Ordinary Subscription Shares and the Preferred Shares (as long as the total number of Subscription Shares shall not increase) to be issued to the Subscribers to ensure the fulfillment of the minimum public float requirements following the Subscription Completion, and (ii) adjust the payment terms in respect of the Subscription Price for the Preferred Shares if required for satisfaction of the capital requirement of the Company. No Ordinary Subscription Shares will be issued if the Company fails to satisfy the minimum public float requirements under the Listing Rules.

#### *Forfeiture*

If a Subscriber fails to satisfy the payment obligations under (ii) or (iii) above under the sub-section headed “Payment of Subscription monies”, the related partly paid Preferred Shares issued to such Subscriber may be forfeited in accordance with the Bye-laws, and no part of the subscription money paid will be refunded to such Subscriber. The forfeiture procedure is set out in Bye-laws 34 to 42 of the New Bye-laws. Pursuant to Bye-law 34 of the New Bye-laws, if a call to pay up the shares of the Company (including the Preferred Shares) remains unpaid after it has become due and payable, the Board may give to the person from whom it is due not less than fourteen (14) clear days’ notice (the “Notice”): (a) requiring payment of the amount unpaid together with any interest which may have accrued and which may still accrue up to the date of actual payment; and (b) stating that if the Notice is not complied with the shares of the Company on which the call was made will be liable to be forfeited. Subject to compliance with the provisions of the New Bye-laws, the Board may resolve to have such Preferred Shares forfeited and cancel the forfeited shares. The holder(s) of those Preferred Shares will then be removed from the Company’s register of members. There is no need for the relevant Subscriber to surrender the share certificate(s) for the Subscription Shares to effect the cancellation and forfeiture.

#### **Pre-completion obligations**

Pursuant to the pre-completion obligations mentioned in condition precedent paragraph (o) under “Conditions precedent to the Subscription” above, the Company undertakes to procure that between the date of the Subscription Agreement and the Subscription Completion, each of the Company and any other subsidiaries of the Company:

- (i) shall carry on its business as a going concern in the ordinary and usual course as carried on prior to the date of the Subscription Agreement; and



- (ii) shall not carry out any of the reserved matters as set out in the Subscription Agreement or take any action in relation thereto, unless prior written approval from the Majority Subscriber(s) has been obtained.

As set out in the Subscription Agreement, the reserved matters in item (ii) above refer to:

- (a) any adoption, approval of or amendment to the annual operation plan, business plan and financial budget (including capital expenditure budget);
- (b) save and except as otherwise contemplated under any Transaction Documents or agreed to by the Majority Subscriber(s), any transfer, sale or disposal of, or the creation of any charge, pledge, mortgage, security or any other encumbrance over, any shares or equity interest of the Company and of its subsidiaries (the “Group Company(ies)”) or any business, or, except for in the ordinary course of business, any assets or undertaking of any Group Company (including merger and acquisition);
- (c) save and except for such changes or alterations contemplated under the S&P Agreement and the Transaction Documents or otherwise required under the applicable laws and regulations, any adoption, alteration, modification or waiver of any provisions (including the alteration of any rights attaching to the Shares or the Convertible Bonds or any other security of the Company) of the Company’s constitutional documents or the Bye-laws;
- (d) save and except otherwise contemplated under any Transaction Documents or agreed to by the Majority Subscriber(s), any Group Company entering into or varying the terms of (including without limitation waiver of terms or non-enforcement of rights available to the Group Company thereunder) or terminating any material contracts, which exclude contracts entered into in the usual and ordinary course of business of the Group with a total consideration not exceeding HK\$5 million within any twelve-month period;
- (e) any Group Company entering into, varying the terms of (including without limitation waiver of terms or non-enforcement of rights available to the Group Company thereunder) or terminating any connected transaction within the meaning of the Listing Rules;
- (f) any transaction between the Company and Target 1, Target 2 or any of their respective subsidiaries and affiliates, except for those in the ordinary course of business involving an aggregate amount of no more than HK\$5 million;
- (g) the appointment (including an appointment of directors of the Company to fill casual vacancy), re-designation or removal of any key management (including without limitation the Chairman, Chief Executive Officer, Chief Financial Officer of the Company or any Director, legal representatives, directors and other senior management of any Group Company), or change of their terms of appointment;



- (h) save and except as required under the applicable laws and regulations, the commencement of any proceeding or other action relating to bankruptcy, insolvency, winding-up, liquidation or dissolution of any Group Company;
- (i) save and except otherwise contemplated under any Transaction Documents or agreed to by the Majority Subscriber(s), any change to the shareholding structure or dilution of the equity interest of any shareholder of any Group Company, including without limitation the creation, issuance, purchase, redemption, repurchase, reclassification or other reorganisation of the share capital or any securities convertible into shares of any Group Company; and
- (j) any commencement, settlement or making of major decisions in relation to any material legal proceedings, litigations, claims or disputes involving any Group Company.

The above reserved matters were agreed among the Company and the Subscribers after arm's length negotiation. The Company is of the view that the arrangement in respect of the reserved matters is a common practice in sizeable fund raising exercises which those rights granted to the Subscribers (in the capacity of new investors but not Shareholders) will immediately discontinue upon the Subscription Completion. Accordingly, the Board is of the view that the arrangement in respect of the reserved matters as part of the terms of the Subscription Agreement, given the terms of the Subscription Agreement as a whole, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

At any time between the date of the Subscription Agreement and the Subscription Completion, the Majority Subscriber(s) shall, be entitled to second a reasonable number of representatives to the Group to facilitate and manage the preparation and completion of, inter alia, the Subscription, the Acquisition, the Divestment, the Transfer, and related interim operation and business transition and the Company shall agree to such secondment arrangement as permitted under the Takeovers Code (in particular Rule 26.4 of the Takeovers Code pursuant to which except with the consent of the Executive, no nominee of an offeror or persons acting in concert with it may be appointed to the board of the offeree company or any of its subsidiaries, nor may an offeror and persons acting in concert with it exercise offeree company voting rights, until the offer document has been posted).

### **Information on the Preferred Shares**

A summary of the principal terms of the Preferred Shares is set out below:

Issue price:	HK\$0.6696 per Preferred Share.
Dividends:	None of the Preferred Shares shall confer on the holders thereof the right to receive out of the funds of the Company available for distribution.
Return on capital:	The Preferred Shares shall rank pari passu in all respects for return of capital on liquidation, winding up or dissolution of the Company and participation in the distribution of surplus assets of the Company with all other shares in the capital of the Company for the time being in issue.

Transferability:	Any Preferred Share, subject to it having been fully paid up, shall be freely transferable subject to compliance with the New Bye-laws and all applicable laws and regulations. No partly paid Preferred Shares can be transferred.
Listing:	The Preferred Shares will not be listed on any stock exchanges.
Voting:	Save as otherwise provided by all applicable laws, the holder(s) of the Preferred Shares will not be entitled to attend or vote at any general meeting of the Company, unless a resolution is to be proposed at a general meeting for winding-up the Company or a resolution is to be proposed which if passed would vary or abrogate the rights or privileges of the holder(s) of the Preferred Shares, in which event the Preferred Shares shall confer on the holder(s) thereof the right to receive notice of, and to attend and vote at, the general meeting, save that such holder(s) may not vote upon any business dealt with at such general meeting except the election of a chairman, any motion for adjournment or relating to the proceedings of the general meeting and the resolution for winding-up or the resolution which if passed would (subject to any consents required for such purpose being obtained) vary or abrogate the rights and privileges of the holder(s) of the Preferred Shares. In such event, the votes of holders of Preferred Shares shall be counted on an as converted basis provided that only such Preferred Shares that have been fully paid up shall be so counted.
Conversion:	Subject to the Listing Rules (including the minimum public float requirement) being met and the payment in full of the Subscription Price for the Preferred Shares, the Preferred Shares may be convertible by the holder of the Preferred Shares, without the payment of any additional consideration therefor, into such number of fully-paid New Conversion Shares obtained by multiplying the conversion rate then in effect by the number of Preferred Shares being converted.
Conversion period:	An indefinite period commencing on the date of the Subscription Completion.
Conversion price:	Initially HK\$0.6696, subject to customary adjustment for, among other matters, subdivision or consolidation of Ordinary Shares, capitalisation of profits or reserves and capital distributions.
Redemption:	The Preferred Shares shall be non-redeemable.

## **Proposed use of proceeds**

The aggregate gross proceeds from the Subscription amount to approximately HK\$2,690 million. The Company has discussed the proposed use of proceeds with the Offeror. The aggregate net proceeds from the Subscription amounts to approximately HK\$2,640 million after taking into account estimated total expenses of approximately HK\$50 million in relation to the Transfer and the Transactions (representing a net subscription price of HK\$0.6572 per Subscription Share (assuming full conversion of the Preferred Shares at the initial conversion price)). Such net proceeds are proposed to be applied as follows:

- as to approximately HK\$682 million for the payment of the consideration for the Acquisition;
- as to approximately HK\$400 million to finance the repayment of the PRC Target's outstanding payables and borrowings;
- as to approximately HK\$800 million to finance the development plan of the currently explored areas in Block 212;
- as to approximately HK\$450 million for exploration and development of other areas in Block 212;
- as to approximately HK\$108 million to finance the operating expenses of the PRC Target as well as the Restructured Group; and
- as to approximately HK\$200 million for expanding the Restructured Group's business by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects.

Upstream petroleum business is very capital intensive and requires substantial investments to fuel the development of a single project as well as the continuous growth of an oil and gas company.

The above proposed use of proceeds from the Subscription was arrived at after discussions among the Offeror, the PRC Target and the Company as to the proposed business strategy of the Restructured Group.

Please refer to the section headed "Information on the PRC Target" in this joint announcement below for information on its development plan and strategy.

The Offeror is of the view that it will be an important growth strategy for the Restructured Group to expand through acquisitions after completion of the Transfer and the Transactions. Given the currently low crude oil price environment, the Offeror and the Company consider that there will be many potential upstream crude oil assets in North America (which have large oil reserves operating in more stable legal, political, and economic environment) which could be available for acquisition. Acquisition of overseas assets will help provide the Company with a more diversified and balanced asset portfolio.

The Offeror and the Company are of the view that the currently low commodity price offers an attractive risk/return profile for asset acquisitions. The Offeror will nominate a new senior management team to the Restructured Group after completion of the Transfer and, if applicable, as soon as such appointment is allowed under the Takeovers Code, who will have extensive mergers and acquisitions knowledge and experience and is capable of identifying growth drivers and synergies.

Currently, the Offeror is actively evaluating a number of projects in Canada and the US, which the Offeror considers to have meaningful production and steady cash flow with further exploration upsides, and can be appropriate potential acquisition targets after completion of the Transactions, such as light oil and liquids-rich gas in the Bluesky, Rock Creek, and Wilrich formations in Canada which is showing early stage positive results. The Offeror is also studying Cardium formation in western Canada where there are positive results from some wells drilled, especially in the Lochend, Harmattan/Garrington, Ferrier and Northeast sub-play regions. In the US, the Offeror is considering a focus on Eagle Ford Basin where liquid rich tight oil assets are attractive. The Offeror would advise the Company to consider the following major criteria when selecting and evaluating future acquisition targets:

1. an asset value in the range of US\$250 million to US\$500 million;
2. a total proved and probable reserves in the range of 30 million to 60 million barrels;
3. a working interest net production in the range of 2,500 boe/d to 5,000 boe/d (barrels of oil equivalent per day, a commonly used measure of oil production) with an oil to gas ratio greater than 60%;
4. in production phase with significant future development inventory;
5. an aggregate yearly production decline rate of less than 30%; and
6. approved source rock with a production history and potential exploration upside.

In addition, the Offeror and the PRC Target also consider that there will be more opportunities in the PRC. The PRC Target plans to leverage on the ongoing oil and gas industry reform in the PRC to expand its operations by selectively engaging in more upstream exploration projects in the PRC in future. Although historically the oil and gas resources have long been dominated by state-owned companies, the PRC government has been issuing favorable policies to let non-state-owned companies participate in exploration and development projects in the PRC. Based on Several Opinions of the State Council on Encouraging and Guiding the Healthy Development of Private Investment (國務院關於鼓勵和引導民間投資健康發展的若干意見), a policy issued by the State Council in 2010, the PRC government encourages private capital to (1) engage in oil and gas investments in the PRC, (2) support private capital entering oil and gas exploration and development in the PRC, and (3) cooperate with state-owned petroleum companies. This policy also promotes private capital to participate in the development of infrastructure projects in respect of oil and gas storage, transportation and pipelines. Furthermore, based on the “Energy Development Twelfth Five-year Plan” (能源發展「十二五」規劃) issued by the State Council in 2013, the PRC government encourages foreign capital to enter local complex oil

and gas exploration in the PRC. The oil and gas industry in the PRC will be more open to foreign investments from non-state-owned companies. As a result, the Restructured Group may be able to benefit from such welcoming policy.

Depending on the size of a future acquisition, the Offeror considers that it may propose to the Company to raise additional funding to finance such acquisition, including debt or equity.

As at the date of this joint announcement, the Company has not reached any agreement with the Offeror or any other party (other than the Acquisition) in respect of any possible acquisition.

The Company was approached by the Offeror in respect of the proposal for the Transfer and the Transactions. The Offeror proposed that it, and the other Subscribers, will subscribe for the Subscription Shares in order to provide necessary funding for the capital investment and growth requirements of the Restructured Group. Sufficient working capital is required to ensure the continuing development of the PRC Target whose upstream petroleum business is capital intensive. Furthermore under Rule 18.03(5) of the Listing Rules, a listing applicant which is principally engaged in the exploration and/or extraction of natural resources is required to have available working capital for 1.25 times of its present requirements in the 12 months from the date of the related listing document.

Whilst a substantial amount of money is needed to finance the future development of the PRC Target as well as the Restructured Group as a whole after completion of the Transfer and the Transactions, not all the proceeds from the Subscription are expected to be utilized in the 12 months after completion of the Transactions. Save for the HK\$682 million which will be used to finance the payment of the consideration for Acquisition upon Acquisition Completion, a majority of the expected net proceeds from the Subscription will be used for the continuing exploration and development of the PRC Target's current upstream petroleum project. The further exploration and development work of Block 212 (as further described above) is expected to be gradually carried out over the next few years. Nevertheless it is important for the Company to have a secured source of funding which the Subscription will be able to provide. The Company therefore agreed to the payment schedule in respect of the subscription of the Preferred Shares as suggested by the Offeror and the other Subscribers as described above. As the Company is not allowed to issue partly-paid Ordinary Shares, the Offeror and the Company expect that the issue of the Preferred Shares which allow the agreed deferred payment arrangement will enable the Company to secure a source of funding now and equip the Company with the financial ability to fuel its future development and growth. If the Company does not issue the Preferred Shares, it will face the risk of not being able to raise sufficient funding for its future development. The proportion of the Ordinary Subscription Shares and Preferred Shares is suggested by the Offeror and agreed with the other Subscribers. The Company understands from the Offeror that it proposed such deferred payment schedule after taking into consideration various factors, including, among other things, the timing of the funding needs of the PRC Target after completion of the Transactions, the ability of the Offeror to maintain a majority interest in the Company after completion of the Transfer and the individual investment preference of each other Subscriber. The Company considers that the division of the Subscription for the Ordinary

Subscription Shares and the Preferred Shares as suggested by the Offeror acceptable as under this proposed payment terms, the Restructured Group will still be able to meet its expected future cash requirements based on the current expected development timetable.

Given the proposed business development plan of the PRC Target and the benefits of the Transactions, the Company considers that the size of the Subscription and the related payment terms are in the interests of the Company and the Shareholders as a whole.

## **THE ACQUISITION**

On 22 June 2015, the Target Sellers (as sellers), the Company (as purchaser) and the PRC Target entered into the Acquisition Agreement pursuant to which, the Company has conditionally agreed to acquire from the Target Sellers the entire equity interests in the PRC Target at a consideration of RMB558,880,000 (equivalent to approximately HK\$682 million).

### **The Acquisition Agreement**

**Date:** 22 June 2015

**Parties:** (i) the Company (as purchaser)  
(ii) the Target Sellers (as sellers)  
(iii) PRC Target

Hongbo Investment holds 60% of the equity interests in the PRC Target and Lida Investment owns 40% of the equity interests in the PRC Target.

**Subject matter:** The Company has conditionally agreed to acquire from the Target Sellers, the entire equity interests in the PRC Target.

### **Consideration**

The consideration shall be RMB558,880,000 which shall be satisfied in cash upon the Acquisition Completion by a payment of RMB335,330,000 to Hongbo Investment and a payment of RMB223,550,000 to Lida Investment.

The consideration was determined with reference to the estimation of oil reserves of Block 212 in which the PRC Target is regarded to be interested through the EPCC, recent oil price and price of comparable transactions. Save for certain seismic survey, no material exploration work has been done in respect of Block 378.

A competent person's report on the oil reserve in Block 212 and a valuation report on the PRC Target's interest in the oil reserve in Block 212 issued by a competent evaluator will be set out in the Circular in accordance with the applicable requirements of the Listing Rules.



## Conditions precedent to the Acquisition

The Acquisition Completion is subject to the satisfaction or waiver (as applicable) of the following conditions (other than those which have been satisfied as at the date of this joint announcement):

- (a) the respective representations and warranties of the Target Sellers and the Company set forth in the Acquisition Agreement remain true, accurate, complete and not misleading in all respects at the date of the Acquisition Agreement, and as at the date of the Acquisition Completion, except for those representations and warranties which are explicitly stated to be true and accurate as at a particular date specified only;
- (b) the Target Sellers and the Company having fulfilled and complied with all the material terms, undertakings, and conditions as set out in the Acquisition Agreement at or before the Acquisition Completion;
- (c) there is no prohibition, writ, temporary restriction or any form of order issued by any competent governmental authorities that impedes the Acquisition Completion or make the Acquisition Completion illegal;
- (d) the completion of the capitalisation of the loans owed by the PRC Target to the Target Sellers;
- (e) the renewal of the EPCC to the satisfaction of the Company;
- (f) the approvals being obtained from the National Development and Reform Commission (if applicable) and Ministry of Commerce of the PRC;
- (g) the completion of a change of business registration at the relevant Industrial and Commercial Bureau in the PRC registering the Company as the new holder of the PRC Target's equity interests;
- (h) the completion of necessary registration with the State Administration of Foreign Exchange;
- (i) the approvals of the Independent Shareholders, the Stock Exchange and the SFC (if applicable) for the transactions contemplated under the Acquisition Agreement having been obtained;
- (j) the entering into of the Subscription Agreement on the date when the Acquisition Agreement was entered into, and the simultaneous completion of the Subscription Agreement and the Acquisition Agreement; and
- (k) the entering into of the Divestment Agreement on the date when the Acquisition Agreement was entered into and the simultaneous completion of the Divestment Agreement and the Acquisition Agreement.

As at the date of this joint announcement, conditions (d) and (e) have been fulfilled. The Target Sellers may, in writing, waive any of the above conditions (other than conditions (a) and (b) in respect of their own obligations and conditions (f), (g), (h), (i), (j) and (k)); whilst the Company may, in writing, waive any of the above conditions (other than conditions (a) and (b) in respect of its own obligations and conditions (f), (g), (h), (i), (j) and (k)).

The Acquisition has been approved by the Bureau of Commerce of Inner Mongolia Autonomous Region of the PRC.

As at the date of this joint announcement, the Company has no intention to waive any of the above conditions which are capable of being waived and it is not aware of any intention of the Target Sellers to waive such conditions. The Company will consider the seriousness and any adverse impact to the Group in respect of any condition which cannot be satisfied before it decides to waive any of the conditions that it is entitled to waive.

### **Acquisition Completion**

The Acquisition Completion is expected to take place within five business days (or such other date as the parties to the Acquisition Agreement shall agree) after the parties to the Acquisition Agreement having confirmed in writing all the conditions to the Acquisition Agreement have either been fulfilled or (as the case may be) waived or such other date as may be agreed between the parties to the Acquisition Agreement.

If Acquisition Completion does not take place by 31 December 2015 (or such other date as may be agreed between the parties to the Acquisition Agreement), each of the parties to the Acquisition Agreement may choose to terminate the Acquisition Agreement; provided a party shall not be entitled to terminate the Acquisition if its default is the major cause of the Acquisition Completion failing to take place on or before 31 December 2015.

The Acquisition Completion is conditional on the Subscription Completion and the Divestment Completion, all of which shall take place simultaneously.

### **THE CN SUBSCRIPTION**

On 22 June 2015, the Company (as issuer), League Way (as subscriber) and the Offeror (as guarantor) entered into the CN Subscription Agreement pursuant to which League Way has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, the Convertible Note with an aggregate principal amount of HK\$250 million.

#### **The CN Subscription Agreement**

**Date:** 22 June 2015

**Issuer:** The Company

**Subscriber:** League Way

**Guarantor:** The Offeror

## Conditions precedent

The CN Subscription Completion is conditional on the satisfaction or waiver (or the case may be) of the following conditions precedent:

- (a) the Group having obtained all consent from approval authorities which are necessary to be obtained for the execution and performance of the CN Subscription Agreement and consummation of any of the transactions contemplated under the CN Subscription Agreement;
- (b) the Company having obtained all consent from third parties which are necessary to be obtained for the execution and performance of the CN Subscription Agreement and consummation of any of the transactions contemplated under the CN Subscription Agreement;
- (c) the passing of resolutions by the Independent Shareholders in the SGM approving the CN Subscription;
- (d) the Listing Committee of the Stock Exchange having granted listing of and permission to deal in the New Conversion Shares issuable upon the conversion of the Convertible Note and such approval and granting of permission not having been withdrawn or revoked;
- (e) each of the transaction documents in relation to the CN Subscription having been duly executed by the parties thereto;
- (f) the Acquisition Completion having occurred pursuant to the Acquisition Agreement;
- (g) there being no approval authority or any other person that has:
  - (i) instituted or threatened any action or investigation to restrain, prohibit or otherwise challenge the issuance of the Convertible Note or any of the transactions contemplated under the CN Subscription Agreement;
  - (ii) threatened to take any action as a result of or in anticipation of the implementation of the transactions contemplated under the CN Subscription Agreement; or
  - (iii) instituted or threatened any action for the delisting of or suspension of trading of the Ordinary Shares on the Stock Exchange;
- (h) there having been no statute, regulation or decision which would prohibit or restrict the execution, delivery or performance of the transaction documents in relation to the CN Subscription or the consummation of the transactions contemplated under the transaction documents in relation to the CN Subscription having been enacted or taken by any approval authority whether in Hong Kong, the PRC or elsewhere;
- (i) there having been no material adverse change (as defined in the CN Subscription Agreement);

- (j) the warranties of the Company set forth in the CN Subscription Agreement being true, accurate and correct in all material respects at the CN Subscription Completion and the Company having performed all its obligations under the CN Subscription Agreement or other documents entered into in respect of the CN Subscription to be performed before the CN Subscription Completion;
- (k) the Company having complied fully with the pre-completion obligations set out in the CN Subscription Agreement and otherwise having performed in all material respects all of the covenants and agreements required to be performed by it under other documents entered into in respect of the CN Subscription to be performed simultaneously; and
- (l) there having been delivered to League Way a completion certificate from the Company confirming that the conditions precedent (other than those that cannot be satisfied until the CN Subscription Completion) set out in the CN Subscription Agreement have been met.

League Way may, at any time, waive in whole or in part any of the conditions precedent (other than conditions (a) to (h)) by written notice to the Company. Such waiver may or may not be accompanied with conditions and shall not prejudice the rights of League Way to claim for compensation or damages under the CN Subscription Agreement.

If the conditions precedent are not satisfied or waived on or before 31 December 2015, the CN Subscription Agreement shall lapse and none of the parties shall have any claim against any other under the CN Subscription Agreement, save with respect to any antecedent rights arising under the CN Subscription Agreement.

As at the date of this joint announcement, none of the above conditions have been fulfilled, and the Company is not aware of any intention of League Way to waive any of the above conditions.

### **CN Subscription Completion**

The CN Subscription Completion is conditional on the Acquisition Completion and shall take place on or before the 10th business day following the satisfaction or waiver of the conditions precedent (other than those conditions precedent that by their terms cannot be fulfilled until the CN Subscription Completion) or on such other date as may be agreed in writing by the Company and League Way. The CN Subscription Completion shall take place simultaneously with the Subscription Completion, the Acquisition Completion and the Divestment Completion.

#### *Payment of CN Subscription money*

The entire principal amount of the Convertible Note shall be payable by League Way to the Company by telegraphic transfer by instalments as follows:

- (a) HK\$12,500,000, being 5% of the principal amount of the Convertible Note, shall be payable by League Way upon the CN Subscription Completion; and
- (b) HK\$237,500,000, being 95% of the principal amount of the Convertible Note, shall be payable by League Way within 120 days after the CN Subscription Completion.

The Convertible Note will be issued by the Company to League Way on the CN Subscription Completion date after League Way has paid the required 5% of the principal amount of the Convertible Note. Nevertheless, the holder of the Convertible Note will not be entitled to any of the redemption, conversion or other rights under the Convertible Note prior to the full payment of the remaining subscription money in the manner set out in (b) above (save for the rights to which an unsecured creditor is entitled upon liquidation of the Company).

For illustrative purposes only, subject to final audit and possible audit adjustments, in respect of the principal amount of the Convertible Note received upon the CN Subscription Completion, it would be recognised as bank balances and cash with the remaining principal amount to be received within 120 days after CN Subscription Completion being recognised under prepayments, deposits and other receivables, whilst the Convertible Note would also be recorded in non-current liabilities and reserves of the Company assuming that the Convertible Note will meet the fixed-for-fixed requirements, i.e. to be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's ordinary shares, subject to the adjustment of the conversion ratio to compensate the holder for changes in the number of ordinary shares outstanding that relate to share issuances or redemption not at fair value.

#### *CN forfeiture*

If League Way fails to meet its payment obligation in (b) above under the sub-section headed "Payment of CN Subscription money" and fails to rectify the default within 60 days after the payment becomes due, the Convertible Note will be forfeited in accordance with the terms of the Convertible Note and the CN Subscription Agreement. Under the CN Subscription Agreement, no-refund of part payment of the subscription money made by League Way is provided. There is no procedure that the Company will need to carry out before it forfeits the Convertible Note and forfeits the part of the subscription money received by it. The aforesaid forfeiture mechanism of the Convertible Note is a contractual arrangement agreed between the parties to the CN Subscription Agreement. The Company does not require League Way to surrender the Convertible Note for the purposes of forfeiture. The Board may, at its sole discretion, resolve to have such Convertible Note forfeited. The Company may send a forfeiture notice to League Way after the forfeiture. However, there is no legal or contractual requirement for the Company to carry out such procedure and failure to do that will not render the forfeiture invalid.

The above deferred payment arrangement described under the sub-section headed "Payment of CN Subscription money" was agreed between League Way and the Company after arm's length negotiation having considered the procedures that League Way may need to take for transmitting funds in the PRC to Hong Kong to satisfy the payment obligation, the development plan and funding needs of the PRC Target after completion of the Acquisition (as set out in the section headed "Information on the PRC Target" in this joint announcement), and the terms of the Convertible Note allowing the Company to forfeit all payments made by League Way to the Company if League Way fails to pay the remaining amount by the deadline and fails to rectify the default within 60 days after the payment becomes due (as described above under the sub-section headed "CN forfeiture"), and that the holder of the Convertible Note will not be entitled to any of the redemption and conversion rights under the Convertible Note prior to the full payment of the remaining

subscription money. Based on the above and the reasons and benefits of the issue of the Convertible Note as described below in this joint announcement, the Company considers that the settlement arrangement is in the interests of the Company and the Shareholders as a whole.

### **Principal terms of the Convertible Note**

*Principal amount:*

HK\$250,000,000

*Maturity date:*

The third anniversary of the date of the CN Subscription Completion

*Interest:*

No interest shall be payable on the entire CN Principal Amount

*Conversion:*

Upon full payment of the principal amount of the Convertible Note under the CN Subscription Agreement, League Way shall have the right, at its option and by delivering a conversion notice to the Company, to convert all (but no less than all) of the CN Principal Amount into such number of CN Conversion Shares as is equal to the quotient of (x) the CN Principal Amount, divided by (y) the conversion price per CN Conversion Share of HK\$0.6696, subject to adjustment in respect of any stock split, stock combination, stock bonus dividends or similar events affecting the share capital of the Company after the issue of the Convertible Note.

Notwithstanding the foregoing, the Company shall not be obliged to issue any CN Conversion Share if to the extent such issuance will result in breach of the Listing Rules (including but not limited to the minimum public float requirement of the Listing Rules), provided that the Company shall use its commercially reasonable efforts to ensure the CN Conversion Shares can be allotted without resulting in a breach of the Listing Rules as soon as practicable.

*Redemption:*

Upon full payment of the principal amount of the Convertible Note under the CN Subscription Agreement, during the period starting from the first day of the 31st month following the CN Subscription Completion and ending on the maturity date, the holder of the Convertible Note shall have the right to request the Company to redeem the then outstanding Convertible Note by paying the holder of the Convertible Note the CN Principal Amount and the Redemption Premium of HK\$125,000,000 within 30 days after receiving the relevant redemption notice from League Way.



Upon full payment of the Subscription Price for the Convertible Note under the CN Subscription Agreement, upon the maturity date, if the Convertible Note is not converted into CN Conversion Shares or redeemed by then, the Company shall redeem the Convertible Note by paying the holder of the Convertible Note the CN Principal Amount and the Redemption Premium within 30 days after the maturity date.

*Transfer of the Convertible Note:*

Except as required by law or pursuant to a general offer for the Convertible Note in accordance with the Takeovers Code, the Convertible Note may not be transferred.

*Listing:*

The Convertible Note will not be listed on the Stock Exchange or any other stock exchanges.

*Conversion price:*

The initial conversion price of HK\$0.6696 per CN Conversion Share represents:

- (i) a discount of approximately 88.65% to the closing price of HK\$5.90 per Ordinary Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 88.29% to the average closing price of HK\$5.72 per Ordinary Share as quoted on the Stock Exchange over the last five consecutive trading days prior to the Last Trading Day (when trading in the Ordinary Shares was not suspended);
- (iii) a discount of approximately 85.03% to the average closing price of approximately HK\$4.47 per Ordinary Share as quoted on the Stock Exchange over the last 10 consecutive trading days prior to the Last Trading Day (when trading in the Ordinary Shares was not suspended); and
- (iv) a premium of approximately HK\$0.9720 over the audited net liabilities of the Group as at 31 March 2015 as represented by each Ordinary Share (before any conversion of the Convertible Bonds) of approximately HK\$0.3024.

The initial conversion price was arrived at after arm's length negotiation among the Company, the Offeror and League Way taking into account the prevailing market price of the Ordinary Shares, the trading volume of the Ordinary Shares, the audited consolidated net liabilities of the Group as at 31 March 2015 and the Subscription Price.

Based on the initial conversion price, the Convertible Note can be converted into 373,357,228 CN Conversion Shares, which have an aggregate nominal value of HK\$3,733,572.28 and shall represent:

- (i) approximately 107.49% of the total number of Ordinary Shares in issue as at the date of this joint announcement;

- (ii) approximately 51.81% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of such CN Conversion Shares upon exercise of the conversion rights attached to the Convertible Note (assuming that there is no other issue or repurchase of the issued Ordinary Shares);
- (iii) approximately 18.76% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of:
  - (a) such CN Conversion Shares upon exercise of the conversion rights attached to the Convertible Note; and
  - (b) the Ordinary Subscription Shares (assuming that there is no other issue or repurchase of the issued Ordinary Shares); and
- (iv) approximately 5.72% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of:
  - (a) such CN Conversion Shares upon exercise of the conversion rights attached to the Convertible Note;
  - (b) the Ordinary Subscription Shares (assuming that there is no other issue or repurchase of the issued Ordinary Shares);
  - (c) 2,747,909,199 New Conversion Shares to be issued upon exercise of the conversion rights attached to the Preferred Shares (based on the initial conversion price); and
  - (d) 1,785,714,285 CB Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Bonds in full (assuming that there is no other issue or repurchase of the issued Ordinary Shares) (based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share).

### **Undertaking of the Offeror**

Upon the CN Subscription Completion, the Offeror, which shall become the controlling Shareholder as of the date of issuance of the Convertible Note, agrees to stand behind the Company's obligations to pay the CN Principal Amount and the Redemption Premium to the holder of the Convertible Note if the Company fails to comply with such obligations.

Immediately upon payment by the Offeror pursuant to its undertaking above, the Offeror shall be entitled to exercise the rights of the holder of the Convertible Note against the Company with respect to such payment by way of subrogation.

### **Undertaking of League Way**

During the CN Relevant Period (being the period commencing on the date of the CN Subscription Completion and ending on the date on which a cash offer to be made by the Offeror to acquire the Convertible Note and all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it)

(if any) closes or lapses), League Way irrevocably and unconditionally undertakes in favour of the Offeror under the CN Subscription Agreement that it shall:

- (a) not accept such offer (if any) which may be made by the Offeror to acquire all the Convertible Note (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it);
- (b) not convert the Convertible Note;
- (c) not enter into any agreement, arrangement or understanding with a view to effecting any of the acts prohibited by the foregoing paragraph; and
- (d) in the event that it should fail to comply with the undertakings given above, indemnify to the Offeror for any loss, damages, costs and expenses which may be incurred.

### **Use of proceeds**

As the issue of the Convertible Note is being executed as part of the Transactions, it will be difficult to carve out those expenses incurred in relation to the Transactions which are solely related to the issue of the Convertible Note. For convenience, the Company has decided to pay all expenses in relation to the Transactions out of the proceeds from the Subscription. Accordingly, the net proceeds from the issue of the Convertible Note equal the gross proceeds and the net price per CN Conversion Share is approximately HK\$0.6696, calculated by dividing the net proceeds from the issue of the Convertible Note over the number of New Conversion Shares which may fall to be issued upon full conversion of the Convertible Note at the initial conversion price.

It is intended that the Company shall use the net proceeds from the CN Subscription as follows:

- as to approximately HK\$200 million to expand the Restructured Group's business by acquiring other oil companies and the further exploration, development and production of the other newly acquired oil and gas projects; and
- as to approximately HK\$50 million to finance the operations of the PRC Target and to be used as general working capital of the Restructured Group.

## **THE DIVESTMENT**

### **The Divestment Agreement**

On 22 June 2015, the Company (as vendor) and Seller 1 (as purchaser) entered into the Divestment Agreement (as amended on 23 October 2015) pursuant to which, the Company has conditionally agreed to sell to Seller 1, and Seller 1 has conditionally agreed to purchase from the Company the Divestment Shares, the Current Accounts Receivable and the shares of SouFun held by the Company at a consideration of HK\$1,652,995 which shall be subject to the adjustment as set out in the Divestment Agreement.

Set out below are the principal terms of the Divestment Agreement:

<b>Date:</b>	22 June 2015 (as amended on 23 October 2015)
<b>Parties:</b>	(i) the Company (as vendor)  (ii) Seller 1 (as purchaser)
<b>Assets to be disposed of/assigned:</b>	The Divestment Shares, the Current Accounts Receivable and a total number of 125,000 ADS (equivalent to 25,000 class A ordinary shares) of SouFun held by the Company as of the date of the Divestment Agreement (which, as a condition precedent to completion of the Divestment Agreement, will be transferred by the Company to Target 1 at the market price effective at the time of such transfer).

### **Consideration**

The Initial Consideration for the Divestment shall be HK\$1,652,995, which was agreed with reference to the aggregate value of the Current Accounts Receivable as at 31 March 2015 of HK\$257,513,000 and the unaudited combined net liabilities of the Divestment Group attributable to owners of the Divestment Group as at 31 March 2015 of HK\$268,279,000, and shall be subject to the following adjustments:

- (a) the amount (which, for the avoidance of doubt, can either be a positive amount or a negative amount) of (i) the aggregate fair market value of the Real Properties set forth in the Circular, minus (ii) the aggregate book value of the Real Properties (including any related leasehold improvement) as reflected in the Company's audited accounts for the financial year ended 31 March 2015; and
- (b) the amount (which, for the avoidance of doubt, can either be a positive amount or a negative amount) of (i) the aggregate net amount of the Current Accounts Receivable as of the date of the Divestment Completion, minus (ii) HK\$257,513,295, being the aggregate net amount of the Current Accounts Receivable as of 31 March 2015,

provided that, in any event, if the aggregate amount of the Initial Consideration and the Adjustment Amount is less than HK\$1, the adjusted consideration for the Divestment shall be deemed to be HK\$1.

Any Adjustment Amount shall be certified by the Company's external auditors.

The consideration shall be paid by Seller 1 to the Company by telegraphic transfer on the date of the Divestment Completion.

## **Conditions precedent for the Company's obligation to proceed with the Divestment Completion**

The Company's obligation to complete the Divestment is conditional upon the fulfilment (or waiver by the Company of any one or more) of the following conditions precedent:

- (a) the passing of resolutions by the Independent Shareholders in the SGM approving, among other things, the execution of the Divestment Agreement and consummation and completion of the Divestment and related transactions;
- (b) there being no notification from the Stock Exchange stating that the Divestment is prohibited under the Rule 14.92 of the Listing Rules on the part of the Company;
- (c) the Executive having consented to the Divestment as a special deal under Note 4 of Rule 25 of the Takeovers Code;
- (d) the Company (and the relevant members of the Divestment Group) having obtained all consent from the other approval authorities which are necessary to be obtained for the execution and performance of the S&P Agreement and the Transaction Documents and any of the transactions contemplated under the S&P Agreement and the Transaction Documents;
- (e) the Company (and the relevant members of the Divestment Group) having obtained all consent from third parties which are necessary to be obtained for the execution and performance of the S&P Agreement and the Transaction Documents and any of the transactions contemplated under the S&P Agreement and the Transaction Documents;
- (f) there being no approval authority or any other person that has:
  - (i) instituted or threatened any action or investigation to restrain, prohibit or otherwise challenge any of the transactions contemplated under the S&P Agreement and the Transaction Documents; or
  - (ii) threatened to take any action as a result of or in anticipation of the implementation of the transactions contemplated under the S&P Agreement and the Transaction Documents;
- (g) there having been no statute, regulation or decision which would prohibit or restrict the execution, delivery or performance of the S&P Agreement and the Transaction Documents or the consummation of the transactions contemplated under the S&P Agreement and the Transaction Documents enacted or taken by any approval authority whether in Hong Kong, the PRC or elsewhere;
- (h) the Company, Seller 1 and the relevant members of the Divestment Group having entered into an assignment deed pursuant to which the Company shall assign to Seller 1, at Divestment Completion and for nil consideration, the rights and obligations of the Company with respect to all its rights to the entire net amount of the Current Accounts Receivable as of the date of the Divestment Completion;
- (i) the warranties given by Seller 1 under the Divestment Agreement being true, accurate and correct in all material respects at Divestment Completion and Seller 1 having performed all its obligations under the S&P Agreement and the Transaction Documents to be performed before Divestment Completion;

- (j) there having been delivered to the Company a certificate from Seller 1 confirming that all the conditions precedent (other than the conditions (a), (b), (c), (d) and (e) set out above, this condition and condition (k) below) having been met; and
- (k) each of the S&P Agreement and the Transaction Documents having been duly executed by the parties thereto and the transactions contemplated under the S&P Agreement and the Transaction Documents (including the Subscription, the Transfer, the Acquisition and the Divestment) being completed prior to or simultaneously at Divestment Completion.

### **Conditions precedent for Seller 1's obligation to proceed with the Divestment Completion**

Seller 1's obligation to complete the Divestment is conditional upon the fulfilment (or waiver by Seller 1 of any one or more) of the following conditions precedent:

- (a) the warranties given by the Company under the Divestment Agreement being true, accurate and correct in all material respects at Completion and Seller 1 having performed all its obligations under the S&P Agreement and the Transaction Documents to be performed before Divestment Completion;
- (b) all the shares of SouFun held by the Company as of the date of the Divestment Agreement having been transferred, at market price effective at the time of transfer, from the Company to Target 1;
- (c) Seller 1 receiving the following documents on or prior to Divestment Completion:
  - (i) the books and records (including without limitation statutory books, minute books, company chops, contract chops and finance chops, etc.) of each member company of the Divestment Group; and
  - (ii) resignation letters issued by all the relevant directors (as designated by Seller 1) of the member companies of the Divestment Group; and
- (d) there having been delivered to Seller 1 a certificate from the Company confirming that all the conditions precedent (other than condition (c) above) have been met.

If the Divestment Completion fails to take place on or before 31 December 2015 or such later date the Company and Seller 1 may agree, the Divestment Agreement shall lapse and none of the parties shall have any claim against any other under the Divestment Agreement, save with respect to any antecedent rights arising under the Divestment Agreement. However, Seller 1 shall not, by relying on any failure by the Company to satisfy any of the conditions precedent refuse to complete the Divestment if such failure to satisfy such conditions precedent is within the control of Seller 1.

As at the date of this joint announcement, none of the above conditions have been fulfilled, the Company has no intention to waive any of the above conditions, and the Company is not aware of any intention of Seller 1 to waive such conditions. The Company will consider the seriousness and any adverse impact to the Group in respect of any condition which cannot be satisfied before it decides to waive any of the conditions that it is entitled to waive.



## **Divestment Completion**

The Divestment Completion shall take place on or before the 10th business day following the satisfaction or waiver of the conditions precedent (other than those conditions precedent that by their terms cannot be fulfilled until Divestment Completion) or on such other date as may be agreed in writing by the parties. The Divestment Completion is conditional on the S&P Completion, the Subscription Completion, the Acquisition Completion and the CN Subscription Completion. The Divestment Completion, the Subscription Completion, the Acquisition Completion and the CN Subscription Completion shall take place simultaneously.

## **Use of proceeds**

Based on the Initial Consideration, the aggregate gross proceeds from the Divestment amount to HK\$1,652,995. The Company has discussed with the Offeror and proposes to use the proceeds for general working capital of the Restructured Group.

## **ESTIMATED FINANCIAL EFFECT OF THE DIVESTMENT**

As required under Rule 14.60(3)(a) of the Listing Rules, the gain or loss expected to accrue to the Company from the Divestment and the basis for calculating such gain or loss are set out in the following paragraphs.

On the assumption that the Divestment had completed on 31 March 2015, it is estimated that the Group would record a gain of approximately HK\$36.3 million from the Divestment representing the Initial Consideration of HK\$1,652,995 and adding back the unaudited combined net liabilities of the Divestment Group attributable to owners of the Divestment Group as at 31 March 2015 of HK\$268,279,000 (as per the unaudited financial statements of the Divestment Group as at 31 March 2015), less the unaudited aggregate amount of the Current Accounts Receivable due from the Divestment Group as at 31 March 2015 of HK\$257,513,000, and adding the release of exchange fluctuation reserve of HK\$23,833,000.

The actual gain or loss to be recorded would depend on the actual balance of the Current Accounts Receivable as at the date of the Divestment Completion. The estimated gain from the Divestment has been compiled based on the unaudited financial information of the Divestment Group as at 31 March 2015. The Company would like to draw the attention of the Shareholders and potential investors of the Company that the unaudited estimated gain from the Divestment as stated above is regarded as a profit forecast for the purposes of the Takeovers Code but does not meet the standard required by Rule 10 of the Takeovers Code. The auditors of and the financial adviser to the Company will report on the unaudited estimated gain from the Divestment in accordance with Rule 10 of the Takeovers Code and such reports will be set out in the next document to be despatched to the Shareholders, which is expected to be the Circular.

Shareholders and potential investors of the Company should note that the estimated gain from the Divestment included in this joint announcement has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance on such unaudited estimated gain from the Divestment in assessing the merits and demerits of the Divestment and the Offer.

Immediately after Divestment Completion, the Company will not hold any equity interest in the Divestment Group, and member companies of the Divestment Group will no longer be subsidiaries of the Company.

## SHAREHOLDING STRUCTURE OF THE COMPANY

The following table sets out the shareholding structure of the Company (i) immediately prior to the Tranche 1 Sale Completion; (ii) immediately after the Tranche 1 Sale Completion (assuming no conversion of the Convertible Bonds); (iii) immediately after the Tranche 1 Sale Completion and the Tranche 2 Sale Completion (i.e. the S&P Completion) (assuming no conversion of the Convertible Bonds); (iv) immediately after the S&P Completion (assuming conversion in full of the Convertible Bonds); (v) immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion (assuming no conversion of the Convertible Bonds, the Convertible Note and the Preferred Shares); (vi) immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion (assuming conversion in full of the Convertible Bonds (taking into account of the adjustment of CB Conversion Price as detailed in the section headed “Adjustment to the CB Conversion Price of the Convertible Bonds”), the Convertible Note and the Preferred Shares):

### Shareholding structure

	Immediately prior to the Tranche 1 Sale Completion		Immediately after the Tranche 1 Sale Completion (assuming no conversion of the Convertible Bonds)		Immediately after the Tranche 1 Sale Completion and the Tranche 2 Sale Completion (i.e. the S&P Completion) (assuming no conversion of the Convertible Bonds)		Immediately after the S&P Completion (assuming conversion in full of the Convertible Bonds) (Note 1)		Immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion (assuming no conversion of the Convertible Bonds, the Convertible Note, and Preferred Shares)		Immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion (assuming conversion in full of the Convertible Bonds, the Convertible Note and Preferred Shares) (Note 2)	
	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%	Number of Ordinary Shares	%
Seller 1	209,753,409	60.39%	173,728,685	50.02%	34,753,409	10.01%	34,753,409	5.17%	34,753,409	2.15%	34,753,409	0.53%
Seller 2	—	—	—	—	—	—	62,699,523	9.33%	—	—	344,754,077	5.28%
<b>The Sellers</b>	209,753,409	60.39%	173,728,685	50.02%	34,753,409	10.01%	97,452,932	14.50%	34,753,409	2.15%	379,507,486	5.82%
The Offeror	—	—	36,024,724	10.37%	175,000,000	50.38%	437,063,670	65.03%	809,707,289	50.08%	3,662,173,119	56.14%
IDG Technology	11,500,000	3.31%	11,500,000	3.31%	11,500,000	3.31%	11,500,000	1.71%	11,500,000	0.71%	11,500,000	0.18%
Lin Dongliang	12,910,000	3.72%	12,910,000	3.72%	12,910,000	3.72%	12,910,000	1.92%	12,910,000	0.80%	12,910,000	0.20%
Aquarius Investment (Note 4)	—	—	—	—	—	—	—	—	—	—	338,829,152	5.19%
Lu Xi (Note 3)	—	—	—	—	—	—	—	—	14,934,289	0.92%	14,934,289	0.23%
Prime Eagle Holdings Limited (Note 3)	—	—	—	—	—	—	—	—	14,934,289	0.92%	14,934,289	0.23%
Fang Chao (Note 3)	—	—	—	—	—	—	—	—	14,934,289	0.92%	14,934,289	0.23%
Classicime Investments Limited (Note 3)	—	—	—	—	—	—	—	—	89,605,735	5.54%	152,329,749	2.34%
China Alpha Fund Management (HK) Limited (Note 3)	—	—	—	—	—	—	—	—	44,802,867	2.77%	86,618,877	1.33%
Leading Global Limited (Note 3)	—	—	—	—	—	—	—	—	14,934,289	0.92%	14,934,289	0.23%
Hwabao Overseas Investment Series 2 No 20-6 QDII Single Money Trust (Note 3)	—	—	—	—	—	—	—	—	93,588,212	5.79%	93,588,212	1.43%
Hwabao Overseas Investment Series 2 No 20-7 QDII Single Money Trust (Note 3)	—	—	—	—	—	—	—	—	46,794,106	2.89%	46,794,106	0.72%
New Fast Investments Limited (Note 3)	—	—	—	—	—	—	—	—	50,029,870	3.09%	166,766,230	2.56%
Real Smart Holdings Limited (Note 3)	—	—	—	—	—	—	—	—	50,029,870	3.09%	166,766,230	2.56%
Grand Empire Global Limited (Note 3)	—	—	—	—	—	—	—	—	50,029,870	3.09%	166,766,230	2.56%
True Success Global Limited (Note 3)	—	—	—	—	—	—	—	—	75,044,800	4.64%	250,149,340	3.83%
Sonic Gain Limited (Note 3)	—	—	—	—	—	—	—	—	75,044,800	4.64%	250,149,340	3.83%
Haitong International Securities Company Limited (Note 3)	—	—	—	—	—	—	—	—	—	—	50,000,000	0.77%
ExaByte Capital Fund L.P. (Note 3)	—	—	—	—	—	—	—	—	—	—	14,934,289	0.23%
Rich Harvest Worldwide Ltd. (Note 3)	—	—	—	—	—	—	—	—	—	—	127,681,952	1.96%
<b>Public Shares Subscribers (Note 3)</b>	—	—	—	—	—	—	—	—	634,707,286	39.26%	1,632,281,711	25.02%
<b>The Offeror and parties acting in concert with it</b>	24,410,000	7.03%	60,434,724	17.40%	199,410,000	57.41%	461,473,670	68.66%	1,468,824,575	90.85%	5,657,693,982	86.72%
League Way (Note 5)	—	—	—	—	—	—	—	—	—	—	373,357,228	5.72%
Other existing public Shareholders	113,162,591	32.58%	113,162,591	32.58%	113,162,591	32.58%	113,162,591	16.84%	113,162,591	7.00%	113,162,591	1.73%
<b>Total</b>	<b>347,326,000</b>	<b>100.00%</b>	<b>347,326,000</b>	<b>100.00%</b>	<b>347,326,000</b>	<b>100.00%</b>	<b>672,089,193</b>	<b>100.00%</b>	<b>1,616,740,575</b>	<b>100.00%</b>	<b>6,523,721,287</b>	<b>100.00%</b>
Total public Shareholders (Note 6)	137,572,591	39.61%	113,162,591	32.58%	113,162,591	32.58%	113,162,591	16.84%	782,623,286	48.41%	2,498,309,016	38.30%

*Notes:*

- (1) The calculation of the total number of CB Conversion Shares is based on the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share.

The above situation is for illustrative purposes only. Each of the Company, the Offeror and Seller 2 have unconditionally and irrecoverably undertaken to ensure that no less than 25% of the Ordinary Shares will be held by the public at all times in compliance with the minimum public float requirement of the Listing Rules in particular immediately following any conversion of the Convertible Bonds (i.e. the Sale Bonds under the Tranche 1 Transfer, the Sale Bonds under the Tranche 2 Transfer and the Excluded Bonds).

- (2) The calculation of the total number of CB Conversion Shares is based on the Adjusted CB Conversion Price of HK\$0.0672 per CB Conversion Share, details of which are set out in the section headed “Adjustment to the CB Conversion Price of the Convertible Bonds”.
- (3) Given that the Public Shares Subscribers are not connected persons to the Offeror, their subscription of the Ordinary Subscription Shares and Preferred Shares are not financed by any connected persons of the Company and they will not become connected persons of the Company as a result of the Subscription or after full conversion of the Preferred Shares/Convertible Note, the interests of the Public Shares Subscribers in the Company upon the Subscription Completion and/or conversion of the Preferred Shares/Convertible Note shall form part of the Company’s public shareholding. The Public Shares Subscribers are parties acting in concert with the Offeror as the Public Shares Subscribers were introduced by the Offeror and the terms of the Subscription Agreement were negotiated between the Company and the Offeror (for itself and on behalf of the other Subscribers) and all the Subscribers entered into the Subscription Agreement (being one single agreement) together with the Company.
- (4) Aquarius Investment is held as to 9% by Mr. Wang, who is the chief executive officer and an executive director of Titan Gas Holdings, and a director of Standard Gas and Aquarius Investment. Further, Mr. Wang holds an approximately 8.05% equity interest in Titan Gas Holdings.
- (5) Given League Way is independent of the Offeror, its subscription of the Convertible Note is not financed by any connected persons of the Company and it will not become a connected person of the Company as a result of the CN Subscription or conversion of the Convertible Note, the interests of League Way in the Company upon the Subscription Completion and/or after conversion of the Convertible Note shall form part of the Company’s public shareholding.
- (6) In above the shareholding table, (i) under the column “Immediately prior to the Tranche 1 Sale Completion”, “Total public Shareholders” refer to the aggregate shareholding interest in the Company held by IDG Technology, Lin Dongliang (林棟樑) and “Other existing public Shareholders”; (ii) under the columns “Immediately after the Tranche 1 Sale Completion (assuming no conversion of the Convertible Bonds)”, “Immediately after the Tranche 1 Sale Completion and the Tranche 2 Sale Completion (i.e. the S&P Completion) (assuming no conversion of the Convertible Bonds)” and “Immediately after the S&P Completion (assuming conversion in full of the Convertible Bonds)”, “Total public Shareholders” refer to the shareholding interest in the Company under “Other existing public Shareholders”; (iii) under the columns “Immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion (assuming no conversion of the Convertible Bonds, the Convertible Note, and Preferred Shares)”, “Total public Shareholders” refer to the total shareholding interest in the Company under “The Sellers”, “Public Shares Subscribers” and “Other existing public Shareholders”; (iv) under the column “Immediately after the S&P Completion, the Subscription Completion and the CN Subscription Completion (assuming conversion in full of the Convertible Bonds, the Convertible Note and Preferred Shares)”, “Total public Shareholders” refer to the total shareholding interest in the Company under “The Sellers”, “Public Shares Subscribers”, “League Way” and “Other existing public Shareholders”.

## INFORMATION ON THE GROUP

The Company, through the Divestment Group, is principally engaged in the ownership and operations of hotels and restaurants in the PRC. Save for the Divestment Group, the Group does not have other significant operations.

As at the date of this joint announcement, the Divestment Group wholly owns the Nanning Hotel which is located in Nanning, Guangxi, the PRC.

The Divestment Group also owns a 26.7% interest in the Beihai Yintan No. 1 Hotel which is located in Beihai Guangxi, the PRC.

As required to be disclosed under Rule 14.58(7) of the Listing Rules, the Divestment Group's unaudited net loss before and after taxation for the two years ended 31 March 2014 and 2015 are as follows:

	<b>For the year ended 31 March</b>	
	<b>2014</b>	<b>2015</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net loss before taxation (including non-controlling interests)	197,119	152,366
Loss for the year attributable to owners of the Divestment Group	196,644	151,452

As required to be disclosed under Rule 14.58(6) of the Listing Rules, the unaudited combined net liabilities of the Divestment Group attributable to owners of the Divestment Group as at 31 March 2015 was HK\$268,279,000 and the carrying value of the Current Accounts Receivable as at 31 March 2015 was HK\$257,513,000, the net amount of which is HK\$12,418,995 lower than the Initial Consideration.

Target 1 and Target 2 are companies incorporated in the BVI and there are no requirements for the two companies to prepare audited financial statements. Accordingly, whilst the financial information on the Divestment Group is compiled based on the audited financial statements of the Group, it has not been separately audited. The Company would like to draw the attention of the Shareholders and potential investors of the Company that the unaudited net losses of the Divestment Group as stated in this joint announcement are regarded as profit forecast for the purposes of the Takeovers Code but do not meet the standard required by Rule 10 of the Takeovers Code. The auditors of and the financial adviser to the Company will report on the unaudited net losses of the Divestment Group in accordance with Rule 10 of the Takeovers Code and such reports will be set out in the next document to be despatched to the Shareholders, which is expected to be the Circular. In accordance with the Listing Rules, the Company will include in the Circular financial information on the Divestment Group for the three years ended 31 March 2015 as reviewed by the Company's auditors.

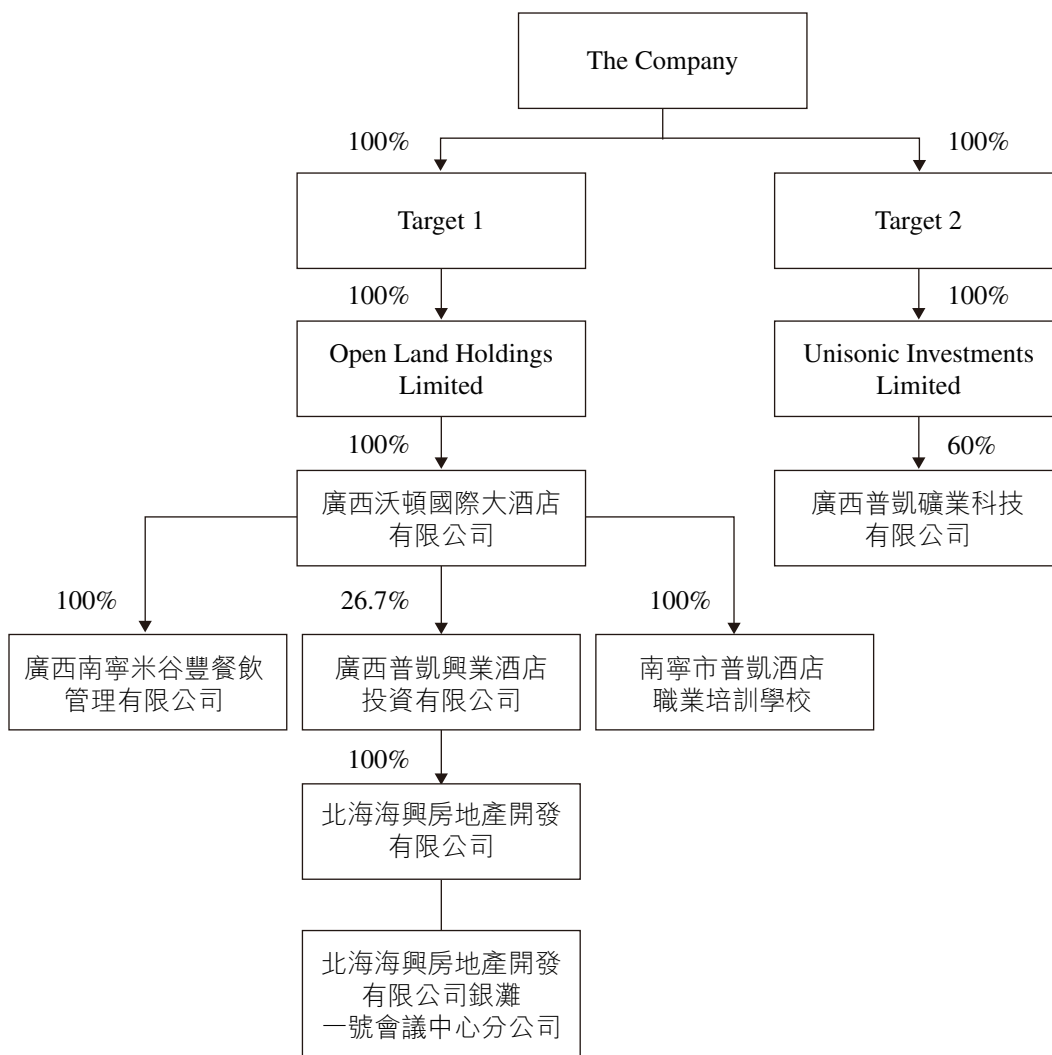
Shareholders and potential investors of the Company should note that the unaudited net losses of the Divestment Group included in this joint announcement has not been reported on in accordance with the requirements under Rule 10 of the Takeovers Code. Shareholders and potential investors of the Company should therefore exercise caution in placing reliance

on such unaudited net losses of the Divestment Group in assessing the merits and demerits of Transactions and the Offer. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

## GROUP STRUCTURE

Please refer to the section headed “Information on the Group” for the information on the principal business, assets and financial results of the Divestment Group.

The corporate chart of the Company and the Divestment Group as at the date of this joint announcement is as follows:



## INFORMATION ON THE PRC TARGET

### Business of the PRC Target

The PRC Target is principally engaged in upstream crude oil exploration, development and production.

The PRC Target was established in the PRC in July 2008. The PRC Target has been working on the exploration of the Area for oil reserve through the EPCC entered into between the PRC Target and Yanchang (as renewed from time to time).

Yanchang is a state-owned enterprise and is one of the corporations permitted to own mineral rights in respect of oil and gas natural reserves and resources in China. Yanchang is a third party independent of and not connected with the Company and its connected persons.

Yanchang owns the oil mineral rights in respect of the Area pursuant to exploration permits granted by the Ministry of Land and Resources since 2008 and 2009. The exploration permits are renewed every 2 years currently with a term expiring on 9 November 2015 in respect of Block 378 and on 5 March 2017 in respect of Block 212. Under the EPCC, Yanchang has granted the PRC Target the right to explore and extract any crude oil from the Area. The principal terms of the current EPCC are summarised as follows:

**Date:** 23 June 2015 (the current EPCC was dated 23 June 2015 after commencement of the current term, this was mainly a result of certain administrative procedures taken by Yanchang in relation to the outstanding revenue sharing amount payable by the PRC Target to Yanchang)

**Term:** 2 years from 1 July 2014 to 30 June 2016

**Subject Area:** The Area comprising Block 212 and Block 378

**Key obligations of the PRC Target:** The PRC Target is responsible for formulating annual investment plans, quarterly production plans and exploration work implementation plans, which shall be submitted to Yanchang for review.

The PRC Target is required to make actual work of not less than RMB30,000 per km<sup>2</sup> every year for the Area, which shall include any exploratory works undertaken by the PRC Target, including among other things, seismic appraisal and analysis, well drilling, testing, logging, fracking, repair and maintenance, etc. The amount of actual work of not less than RMB30,000 per km<sup>2</sup> every year for the Area is determined in accordance with the standard management policies of Yanchang.

The PRC Target is responsible for all costs and expenses in connection with obtaining the exploration and production permits in respect of the Area in the name of Yanchang.



The PRC Target is responsible for maintaining proper records for the daily production in the Area and the related sale.

The PRC Target is required to report its finding on the exploration works, including any exploration findings, data gathered, testing results, drilling data and plans, wells records and data, testing reports, pilot production data, etc., to Yanchang semi-annually or on a yearly basis.

**Key rights and obligations of Yanchang:**

Yanchang reviews the annual and quarterly investment, production and exploration plans prepared and submitted by the PRC Target.

Yanchang has the right to designate customers to which the PRC Target can sell the crude oil produced from the Area.

Yanchang has to right to review and monitor exploration works in the Area, in particular the production and sale of crude oil.

With regard to any proven reserve identified, Yanchang has the right to engage qualified experts to gather information on the reserve and report the finding to the relevant authority in the PRC.

**Production sharing:**

The PRC Target is entitled to share 80% of the proceeds from the sale of the crude oil produced from the Area whilst Yanchang is entitled to the remaining 20% of the proceeds (net of any sales related taxes).

Payment shall be made by the PRC Target to Yanchang monthly in cash.

As mentioned above, the PRC Target is required under the EPCC to make actual work of not less than RMB30,000 per km<sup>2</sup> every year for the Area. The PRC Target has confirmed to the Company that it has satisfied the required minimum actual work done. According to the EPCC, if the PRC Target fails to satisfy the required minimum actual work done, Yanchang shall have the right to demand payment of the shortfall by the PRC Target to Yanchang.

The PRC Target has been responsible for making all decisions in respect of the exploration, development and production plans and works on the Area and other related operations, other than that the PRC Target shall only sell to customers designated by Yanchang. In connection with the annual investment plans, quarterly production plans and exploration work implementation plans, the PRC Target also prepares the operating budgets in respect of the exploration, development and production works.

According to the Internal Management Guidelines of Yanchang, any exploration and production cooperation contract shall be of a term of no more than two years, in line with the requirements of the Ministry of Land and Resources where exploration permits are renewable every two years. Since 2010, the PRC Target has renewed its EPCC with Yanchang after expiry of each EPCC term.

Further, as set out in a letter issued by Yanchang to the PRC Target dated 26 May 2015 (the “**Confirmation Letter**”), Yanchang has stated that it has established a history of good working relationship with the PRC Target and confirmed to the PRC Target that it will renew the EPCC with the PRC Target for so long as the PRC Target has performed its obligations under the EPCC based on the term of the related oil exploration and/or production permits held by Yanchang from time to time.

The Company understands from its PRC legal adviser that based on its understanding of the rules and regulations and the market practice, there should not be any legal impediment for Yanchang to be granted the production permit in respect of Block 212, and that pursuant to the Confirmation Letter, Yanchang shall be legally obligated to renew the EPCC with the PRC Target based on the term of the production permit if the PRC Target has performed its obligations under the EPCC. The PRC Target believes that the Confirmation Letter will help it secure a long-term working interest in the Area under the EPCC.

### **The Area**

The PRC Target is planning to move its exploration and extraction works in Block 212 from development stage to commercial production. Further information on its investment and production plan will be set out in the Circular.

With regard to Block 378, on 1 May 2015, the PRC Target entered into the Services Agreement with Hongjin Engineering and the Target Sellers pursuant to which the exploration works in respect of Block 378 will be provided by Hongjin Engineering. No material exploration and extraction work on Block 378 has been carried out up to the date of this joint announcement.

The PRC Target commenced its first well drilling in 2008. Since then a number of exploration and development wells have been drilled, and certain amount of oil reserves has been identified and proved during recent years. Up to 30 June 2015, a total of 135 wells have been drilled within Block 212, including 29 exploration/appraisal wells and 106 development wells (including oil producers and water injectors). There are currently 87 active oil wells producers and 23 water injectors. A competent person’s report on the oil reserves and a valuation report on the PRC Target’s interest in the oil reserves issued by a competent evaluator will be set out in the Circular in accordance with the applicable requirements of the Listing Rules. Based on the draft competent person report prepared based on the definitions of the Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council, and Society of Petroleum Evaluation Engineers in March 2007, it is preliminarily estimated that Block 212 has a total proved and probable reserves of about 19.4 million bbl (including proved reserves of about 10.2 million bbl) as at 30 June 2015.

Pursuant to the Services Agreement, Hongjin Engineering will be responsible for providing exploration services in respect of Block 378 in accordance with the exploration, development, and operating plans approved by the PRC Target. In return, a fixed fee of RMB30,000,000 shall be paid by the PRC Target to Hongjin Engineering within 3 years from the date of the Services Agreement based on the progress of the exploration and development works as agreed between the PRC Target and Hongjin Engineering. Hongjin Engineering will have to timely report to the PRC Target its exploration and testing data and results. Hongjin Engineering's responsibilities under the Services Agreement are also required to be conformed with the obligations of the PRC Target under the EPCC. Hongjin Engineering is also required to seek the PRC Target's written consent prior to execution of or conducting any material operating plans or events.

The Services Agreement shall have a term equal to the term of the EPCC as renewed by Yanchang from time to time.

After Hongjin Engineering has spent RMB30 million on the exploration work on Block 378, it can terminate the Services Agreement. Upon termination of the Services Agreement, all rights and obligations of each party thereunder shall then be terminated and released. If Hongjin Engineering does not decide to terminate the Services Agreement, it will be responsible to finance any further exploration work of Block 378 thereafter at its own cost and expenses.

If the exploration works of Block 378 under the Services Agreement reach certain agreed exploration results within the term of the Services Agreement, either Hongjin Engineering or the PRC Target will have the right to terminate the Services Agreement, and the PRC Target shall then pay Hongjin Engineering a success fee of RMB200,000,000. Further details of the Services Agreement will be set out in the Circular.

It is agreed among the parties to the Services Agreement that all obligations of each party under the Services Agreement (including, among other things, the payment of the abovementioned success fee) shall be subject to compliance with applicable laws, listing rules of the applicable stock exchange or regulations (which shall include compliance with the Listing Rules after the PRC Target has become and for so long thereafter will continue to be a subsidiary of the Company). If any provision in the Services Agreement cannot be satisfied as a result of an applicable law, listing rule or regulation, the parties to the Services Agreement shall use their best endeavours to agree an alternative arrangement with a view to achieving the economic result closest to that originally anticipated under the related provision as allowed under the subject law, listing rule or regulation.

## Development plan of the PRC Target

The PRC Target has formulated a five year development plan involving (under the high case), among other things, the building of 124 oil producers and 35 water injectors, and conducting 112 workovers over the next few years up to 2019. It is expected that the approximately HK\$800 million proposed to be used to finance the development plan of the currently explored areas in Block 212 (as stated under the paragraph headed “Proposed use of proceeds” of the section headed “The Subscription” of this joint announcement), will be used as follows:

<b>Year</b>	<b>Funding planned to be used HK\$'000</b>
2016 (including the period before 2016 but after completion of the Transfer and the Transactions)	
● First half of the year	101,300
● Second half of the year	142,900
2017	168,700
2018	185,700
2019	<u>201,400</u>
Total	<u><u>800,000</u></u>

The actual timing of the proposed use of proceeds may change as a result of the changes in the production results and business environment from time to time.

It is also currently planned that HK\$450 million from the proceeds of the Subscription will be used to finance the further exploration and development of the other areas in Block 212 which will involve, among other things, further 3D seismic survey and analysis, the drilling of exploration and appraisal wells, the drilling of development and producing wells, the building of water injectors and conducting workovers up to year 2019.

The PRC Target plans to utilise the said funding available from the Subscription as follows:

<b>Year</b>	<b>Major exploration work</b>	<b>Funding planned to be used HK\$'000</b>
2016	<ul style="list-style-type: none"> <li>● A further 3D seismic survey and analysis</li> <li>● Drilling of exploration and appraisal wells</li> </ul>	152,500
2017	<ul style="list-style-type: none"> <li>● Drilling of additional exploration and appraisal wells</li> <li>● Drilling of development and producing wells</li> <li>● Building of water injectors</li> </ul>	146,100
2018 and 2019	<ul style="list-style-type: none"> <li>● Drilling of additional development and producing wells</li> <li>● Building of additional water injectors</li> <li>● Workovers</li> </ul>	<hr style="width: 100%;"/> 151,400
<b>Total</b>		<hr style="width: 100%;"/> <hr style="width: 100%;"/> 450,000

There is no industry standard and there is no provision in the EPCC defining the meaning of commercial production. The PRC Target has set a commercial production target of a daily production of over 3,000 bbl, which is targeted to be reached in around 2018.

It is one of the business strategies of the PRC Target to continue to convert its resources into reserves, and to migrate possible reserves into proved plus probable reserves, by further exploration and development activities, including additional drilling of exploration/appraisal wells and step-out wells, further improvements of the facilities, and the optimization and adoption of better drilling and completion techniques. According to the draft competent person report, the PRC Target has gross possible reserves of 4.9 million bbl and best estimate gross prospective resources of 9.7 million bbl as at 30 June 2015. By continuing to convert resources into reserves and migrating reserves into categories with higher certainty and lower risk, the PRC Target will be able to improve the certainty of recoverable oil, reduce development risk, increase its aggregate production and increase the expected asset life.

### **Financial information on the PRC Target**

Whilst the PRC Target has prepared its PRC audited accounts based on its accounting policies, the financial information of the PRC Target is being reviewed by an independent audit firm. Based on the preliminary review work of such independent audit firm, the financial information on the PRC Target prepared based on its accounting policies is subject to quite substantial adjustments based on HKFRS. Accordingly, it is considered that it would not be meaningful to set out the audited financial information of the PRC Target in this joint announcement. Based on the unaudited financial information of the PRC Target being prepared in accordance with HKFRS (which may be subject to further adjustments during the course of audit in connection with the preparation of the accountants' report on the PRC Target),

- (i) as required to be disclosed under Rule 14.58(7) of the Listing Rules, the net loss of the PRC Target for the two years ended 31 December 2013 and 2014 were as follows:

	<b>For the year ended 31 December</b>	
	<b>2013</b>	<b>2014</b>
	<i>RMB'million</i>	<i>RMB'million</i>
Net loss before taxation	22.9	9.7
Net loss after taxation	25.4	13.1

- (ii) as required to be disclosed under Rule 14.58(6) of the Listing Rules, the unaudited net asset value of the PRC Target as at 30 June 2015 was approximately RMB271.2 million.

The Company would like to draw to the attention of the Shareholders and potential investors of the Company that the above unaudited net losses of the PRC Target are regarded as profit forecast for the purposes of the Takeovers Code but do not meet the standard required by Rule 10 of the Takeovers Code. Pursuant to Rule 10 of the Takeovers Code, the above unaudited net losses of the PRC Target should be reported on by the Company's financial adviser and reporting accountants and such reports may be set out in the next document to be despatched to the Shareholders, which is expected to be the Circular. In accordance with the Listing Rules, an accountants' report which will set out the PRC Target's audited financial information prepared under HKFRS for the three years ended 31 December 2012, 2013 and 2014 will be included in the Circular. As the aforesaid accountants' report will be audited by the Company's reporting accountants, a separate report from the Company's financial adviser and reporting accountant will not be set out in the Circular. Shareholders should note that there may be differences between the financial information relating to the PRC Target as presented in this joint announcement and the financial information to be presented in the Circular.

## **INFORMATION ON THE OFFEROR**

The Offeror is an investment holding company incorporated in the BVI with limited liability on 2 April 2015 and wholly owned by Titan Gas Holdings which is held as to (i) approximately 49.14% by the IDG Funds; (ii) approximately 35.13% by Standard Gas; (iii) approximately 8.05% by Mr. Wang; (iv) approximately 6.87% by Kingsbury (as stated below in the last paragraph under the paragraph headed "Kingsbury", Standard Gas, Mr. Wang and Kingsbury entered into an acting in concert arrangement with respect to their voting rights in Titan Gas Holdings); (v) approximately 0.73% by Zhang Weiwei (張唯唯); and (vi) approximately 0.08% by Bryce Wayne Lee. Save for the entering into of the S&P Agreement, the CN Subscription Agreement and the Subscription Agreement, the Offeror did not engage in any business activities.

As at the date of this joint announcement, the IDG Funds, Standard Gas, Mr. Wang, Kingsbury, Zhang Weiwei (張唯唯) and Bryce Wayne Lee, being the shareholders of Titan Gas Holdings, do not hold any Ordinary Shares, or any other relevant securities in the Company.



## **IDG Funds**

As at the date of this joint announcement, IDG-Accel Capital II holds series A preferred voting shares and series B preferred voting shares in Titan Gas Holdings representing in aggregate approximately 47.04% of the outstanding voting rights in Titan Gas Holdings; and IDG-Accel Investors II holds series A preferred voting shares and series B preferred voting shares in Titan Gas Holdings representing in aggregate approximately 2.10% of the outstanding voting rights in Titan Gas Holdings. The IDG Funds are exempted limited partnerships registered in the Cayman Islands and are under common control of their ultimate general partner, IDG-Accel Ultimate GP. IDG-Accel Ultimate GP is an exempted company incorporated in the Cayman Islands with limited liability and is beneficially owned as to 50% by Ho Chi Sing (何志成), and 10% each by Zhou Quan (周全), Shong Hugo (熊曉鵠), Guo Yihong (過以宏), Li Jianguang (李建光) and Zhang Suyang (章蘇陽), respectively. IDG-Accel Ultimate GP's board of directors (comprising Ho Chi Sing (何志成) and Zhou Quan (周全)) is responsible for decision-making of matters relating to the IDG Funds and their investments, and hence controls the exercise of the voting rights attached to the shares that the IDG Funds hold in Titan Gas Holdings.

As at the date of this joint announcement, Ho Chi Sing (何志成), Zhou Quan (周全), Shong Hugo (熊曉鵠), Guo Yihong (過以宏), Li Jianguang (李建光) and Zhang Suyang (章蘇陽), being the ultimate owners of IDG-Accel Ultimate GP, do not hold any Ordinary Shares, or any other relevant securities in the Company.

## **Standard Gas**

Standard Gas is a company incorporated in the BVI. As at the date of this joint announcement, Blazing Success Limited holds all the issued voting shares in Standard Gas, being 2,500,000 shares. Blazing Success Limited is a company incorporated in the BVI and is wholly owned by Lee Khay Kok, the chief engineer of Titan Gas Holdings. On 8 May 2015, Blazing Success Limited granted a power of attorney to the board of directors of Standard Gas to exercise all the voting rights attached to the 2,500,000 voting shares in Standard Gas held by Blazing Success Limited. The board of directors of Standard Gas comprises Mr. Wang, Lin Dongliang (林棟樑) and Shong Hugo (熊曉鵠). As at the date of this joint announcement, 11,350,000 share options of Standard Gas have been granted under its employee stock option plan.

As at the date of this joint announcement, Lee Khay Kok and Shong Hugo (熊曉鵠) do not hold any Ordinary Shares, or any other relevant securities in the Company. In addition, as disclosed above, as at the date of this joint announcement, Mr. Wang does not hold any Ordinary Shares, or any other relevant securities in the Company.

## **Kingsbury**

As at the date of this joint announcement, Kingsbury is a joint stock company incorporated in the PRC and its scope of business mainly includes investment and management of urban infrastructures, land development, investment and management. Kingsbury is owned as to approximately 74.80% by Luo Yuping (羅玉平), approximately 14.15% by Guo Xihong (郭西紅), approximately 8.75% by Luo Xinyu (羅信余), approximately 0.7% by Chen Chang

(陳暢), approximately 0.7% by Zhang Zhi (張智), approximately 0.7% by Li Kai (李凱), approximately 0.133% by Zeng Hong (曾紅) and approximately 0.067% by Gong Mei (龔梅), none of whom is affiliated with the other shareholders of Titan Gas Holdings.

As at the date of this joint announcement, Luo Yuping (羅玉平), Guo Xihong (郭西紅), Luo Xinyu (羅信余), Chen Chang (陳暢), Zhang Zhi (張智), Li Kai (李凱), Zeng Hong (曾紅) and Gong Mei (龔梅), being the beneficial owners of Kingsbury, do not hold any Ordinary Shares, or any other relevant securities in the Company.

On 8 May 2015, Standard Gas, Mr. Wang and Kingsbury entered into an acting in concert arrangement with respect to their voting rights in Titan Gas Holdings for the purpose of facilitating a more efficient decision-making process in connection with the exercise of their shareholders' rights in Titan Gas Holdings. Standard Gas and Kingsbury are both passive investors of Titan Gas Holdings. Pursuant to such arrangement, Standard Gas, Mr. Wang and Kingsbury commercially agreed to align with each other in respect of the voting of major actions in respect of Titan Gas Holdings' business and each of Standard Gas, Mr. Wang and Kingsbury will consult with each other and reach agreement on material matters of Titan Gas Holdings before it/he exercises its/his respective voting rights in Titan Gas Holdings, provided that Mr. Wang will have a casting vote and will have the final decision making power in the event that a consensus cannot be reached among Standard Gas, Mr. Wang and Kingsbury.

*Interests in the Company as at the date of this joint announcement*

After the Tranche 1 Sale Completion and as at the date of this joint announcement, the Offeror holds:

- (i) 36,024,724 Ordinary Shares (i.e. 36,024,724 Sale Shares) representing approximately 10.37% of the total number of Ordinary Shares in issue as at the date of this joint announcement; and
- (ii) the Convertible Bonds with an aggregate principal amount of HK\$14,964,000 which is convertible into 40,497,970 CB Conversion Shares based on the Existing CB Conversion Price of HK\$0.3695 per CB Conversion Share, representing:
  - (a) approximately 11.66% of the total number of Ordinary Shares in issue as at the date of this joint announcement;
  - (b) approximately 10.44% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 40,497,970 CB Conversion Shares to the Offeror upon exercise of the conversion rights attached to the Convertible Bonds with an aggregate principal amount of HK\$14,964,000 held by the Offeror in full at the Existing CB Conversion Price; and
  - (c) approximately 6.03% of the total number of Ordinary Shares in issue as enlarged by the allotment and issue of 324,763,196 CB Conversion Shares upon exercise of the conversion rights attached to all the Convertible Bonds in full at the Existing CB Conversion Price.

As at the date of this joint announcement, IDG Technology (which is managed by its general partner IDG Technology GP and Ho Chi Sing (何志成) and Zhou Quan (周全) (who are directors of IDG-Accel Ultimate GP, the ultimate general partner of the IDG Funds, which in turn own approximately 49.14% of the issued share capital of Titan Gas Holdings, the sole shareholder of the Offeror) are the only two managing members of IDG Technology GP, who manage IDG Technology GP pursuant to an operating agreement) holds 11,500,000 Ordinary Shares, representing approximately 3.31% of the total number of Ordinary Shares in issue as at the date of this joint announcement.

As at the date of this joint announcement, Lin Dongliang (林棟樑) (a director of Titan Gas Holdings, which is interested in 100% of the issued shares of the Offeror, and also a director of Standard Gas which holds approximately 35.13% of Titan Gas Holdings) holds 12,910,000 Ordinary Shares, representing approximately 3.72% of the total number of Ordinary Shares in issue as at the date of this joint announcement.

#### *Interests in SouFun*

Zhou Quan (周全) (a director of SouFun) together with Ho Chi Sing (何志成) are beneficially interested in approximately 2.74% of the class A ordinary shares of SouFun in issue (not including Zhou Quan's (周全) interest in options over shares of SouFun) as at the date of this joint announcement, represented by the aggregate interest in SouFun held by IDG-Accel China Capital L.P. and IDG-Accel China Capital Investors L.P., both of which have the same ultimate general partner, namely IDG-Accel China Capital GP Associates Ltd., of which both Zhou Quan (周全) and Ho Chi Sing (何志成) are directors. The issued voting shares in IDG-Accel China Capital GP Associates Ltd. are held as to 50% by Zhou Quan (周全) and 50% by Ho Chi Sing (何志成).

SouFun announced that on 17 September 2015, SouFun entered into (i) a subscription agreement with IDG Alternative Global Limited (“**IDG Alternative**”, a company 100% owned by Ho Chi Sing (何志成)); and (ii) a subscription agreement with Safari Group Holdings Limited and Safari Group CB Holdings Limited (which are beneficially owned by Carlyle Group) (“**Carlyle**”) (collectively, the “**SouFun Subscription Agreements**”). According to the said announcement, IDG Alternative, Carlyle and the management of SouFun (including Mr. Mo) will invest a total amount between US\$400 million and US\$700 million to purchase SouFun's newly issued class A ordinary shares and convertible notes (the “**SouFun Notes**”) on a 50/50 basis. Under the SouFun Subscription Agreements, the subscription price of the new class A ordinary shares of SouFun is US\$5.85 per current ADS (i.e. US\$29.25 per class A ordinary share), which represented an approximately 0.2% premium over the closing price of US\$5.84 per current ADS or US\$29.20 per class A ordinary share as at 16 September 2015 and an approximately 3.4% premium over the volume-weighted average trading price of approximately US\$5.66 per current ADS or US\$28.30 per class A ordinary share for the 20 trading days preceding 16 September 2015. Holders of the SouFun Notes will have the right to convert the SouFun Notes into class A ordinary shares at the price per share equal to 122.5% of the purchase price per share of the new class A ordinary shares in seven (7) years after the issuance of the SouFun Notes. The SouFun Notes shall bear an annual interest of 1.5%. According to IDG Alternative, the terms of the SouFun Subscription Agreements were negotiated and discussed among the parties on an arm's length basis.

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, save as disclosed in this joint announcement, prior to the entering into of the S&P Agreement, the Offeror and its ultimate owners are independent third parties and not connected with the Company or its connected persons; and the Offeror has become a substantial Shareholder after the Tranche 1 Sale Completion and as at the date of this joint announcement.

## INFORMATION ON THE PUBLIC SHARES SUBSCRIBERS

Lu Xi (盧熙) is an individual investor.

Prime Eagle Holdings Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Jiang Jianning (蔣建寧), who is a businessman and the chairman of the board of directors of 北京古北水鎮旅遊有限公司 (Beijing Gubei Water Town Travel Co., Ltd.\*) (“**GB Co**”). IDG-Accel China Capital L.P. and IDG-Accel China Capital Investors L.P. (collectively, “**IDG Funds I**”) collectively and indirectly hold certain interests in GB Co. The IDG Funds (which collectively hold 49.14% of the outstanding voting rights in Titan Gas Holdings, the immediate shareholder of the Offeror) and IDG Funds I are under ultimate common control by Ho Chi Sing (何志成) and Zhou Quan (周全).

Fang Chao (房超) is a businessman.

ClassicTime Investments Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Jun Yang Financial Holdings Limited (formerly known as Jun Yang Solar Power Investments Limited), a company incorporated in Bermuda with limited liability and whose shares are listed on the Main Board of the Stock Exchange.

China Alpha Fund Management (HK) Limited is incorporated in Hong Kong with limited liability and an entity licensed under the provisions of the SFO to engage in type 4 (advising on securities) and type 9 (asset management) regulated activities. China Alpha Fund Management (HK) Limited subscribes for the Subscription Shares for and on behalf of China Alpha Master Fund Ltd and Global Integrity Alpha Fund Ltd, which will be the ultimate beneficial owners of the relevant Subscription Shares.

Leading Global Investment Ltd is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Cheng Hei Yu (鄭熹榆), who is a businessman.

華寶•境外市場投資2號系列20-6期QDII單一資金信託 (Hwabao.Overseas Investment Series 2 No 20-6 QDII Single Money Trust\*) and 華寶•境外市場投資2號系列20-7期QDII單一資金信託 (Hwabao.Overseas Investment Series 2 No 20-7 QDII Single Money Trust\*) are required to act based on the instructions of 上海宏流投資管理有限公司 (Shanghai Trend Capital Co., Ltd.\*) (“**Trend Capital**”). Trend Capital will, upon completion of the Subscription, exercise the voting rights attached to the Subscription Shares subscribed by the two QDII Trusts. Trend Capital is owned as to 85% by Wang Ruyuan (王茹遠) and 15% by Yang Mei (楊梅). The trustee of the above two QDII Trusts is Hwabao Trust Co., Ltd. (華寶信託有限責任公司).

New Fast Investments Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Yu Nan (余楠), who is an individual investor.

Real Smart Holdings Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Xu Sa (徐颯), who is an individual investor.

Grand Empire Global Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Zhang Lu (張璐), who is an individual investor.

True Success Global Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Ko Wing Yan Samantha (高穎欣), who is an individual investor.

Sonic Gain Limited is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Ko Chun Shun Johnson (高振順), who is an individual investor. Ko Wing Yan Samantha is a daughter of Ko Chun Shun Johnson. Mr. Ko and Ms. Ko are directors of REORIENT Group Limited. Mr. Ko is also the ultimate beneficial controlling shareholder of REORIENT Group Limited holding approximately 50.17% of the issued share capital of REORIENT Group Limited as at the date of this joint announcement. REORIENT Group Limited wholly owns REORIENT Financial Markets Limited which is the financial adviser to the Company in respect of the Offer and the Transactions.

Aquarius Investment is an investment holding company incorporated in the BVI and owned as to 91% by Zhao Ming (趙明) and 9% by Mr. Wang. Zhao Ming (趙明) is a businessman and Mr. Wang is a director of Aquarius Investment and Standard Gas, and the chief executive officer and an executive director of Titan Gas Holdings which beneficially owns 100% equity interests of the Offeror.

Haitong International Securities Company Limited is a company incorporated in Hong Kong with limited liability and is ultimately wholly owned by Haitong International Securities Group Limited, a company listed on the Stock Exchange.

Rich Harvest Worldwide Ltd. is an investment holding company incorporated in the BVI with limited liability and is ultimately wholly owned by Zhang Chunhua (張春華), who is an individual investor.

ExaByte Capital Fund L.P. (the “**ExaByte Fund**”) is a limited partnership registered under the laws of the Cayman Islands, which is a Greater China-focused hedge fund with a long-short equity strategy. ExaByte Capital Management (HK) Limited (“**ExaByte Hong Kong**”) is the investment adviser of the ExaByte Fund. ExaByte Hong Kong, a company incorporated in Hong Kong with limited liability, is licensed to carry out type 9 (asset management) regulated activity under the SFO.



As at the date of this joint announcement, none of the Public Shares Subscribers holds, owns, has control or direction over any voting rights and rights over any Ordinary Shares, or convertible securities, warrants and options in the Company or outstanding derivatives in respect of the securities of the Company.

For the purposes of the Subscription Agreement and the Offer, the Public Shares Subscribers are parties acting in concert with the Offeror as the Public Shares Subscribers were introduced by the Offeror and the terms of the Subscription Agreement were negotiated between the Company and the Offeror (for itself and on behalf of the other Subscribers) and all the Subscribers entered into the Subscription Agreement (being one single agreement) together with the Company. Accordingly, the Offer will not be extended to the Public Shares Subscribers and the Subscribers will also not be allowed to dispose of any of the Ordinary Subscription Shares that may be allotted to them under the Subscription during the Offer Period. To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the above other Subscribers and their ultimate owners are independent third parties and not connected with the Company or its connected persons.

Mr. Wang is a senior management member of Titan Gas Holdings (holding 100% equity interests in the Offeror) and is a business acquaintance of Mr. Mo. The Offeror initiated the discussions with the Company relating to the Subscription through the connection between Mr. Wang and Mr. Mo. The Offeror then discussed such investment opportunity with the Public Shares Subscribers who were businessmen and investors that have financial resources and experience in investments. Subsequently, the Offeror introduced the Public Shares Subscribers (being business acquaintances of the Offeror including some introduced by one of the other Subscribers to the Offeror) to the Company concerning the Subscription.

Save as disclosed in this joint announcement, there is no other personal, family or business relationship among the Offeror and the Subscribers, and the Offeror and the Subscribers have not entered into any agreement or arrangement (either explicit or implicit) or understanding (whether formal or informal) in connection with the Subscription (other than those set out in the Subscription Agreement).

#### **INFORMATION ON HONGBO INVESTMENT, LIDA INVESTMENT, HONGJIN ENGINEERING AND LEAGUE WAY**

Hongbo Investment is a company established in the PRC with limited liability and is ultimately held as to 80% by Shi Jianji (石建極) and 20% by Shi Wei (石為). The principal businesses of Hongbo Investment include investment management, investment consulting, business information and other business.

Lida Investment is a company established in the PRC with limited liability and is ultimately owned as to 95% by Hongbo Investment and 5% by Shi Jianji (石建極). The principal businesses of Lida Investment include investment management, investment consulting, business information and other business.

League Way is a company incorporated in the BVI with limited liability and is ultimately owned as to 70% by Shi Jianji (石建極) and 30% by Shi Wei (石為). League Way is an investment holding company.



Hongjin Engineering is a company established in the PRC with limited liability and is ultimately held as to 60% by Hongbo Investment and 40% by Lida Investment. Hongjin Engineering is principally engaged in the provision of petroleum engineering technology services, oilfield engineering services and drilling services.

As at the date of this joint announcement, none of Hongbo Investment, Lida Investment, League Way, Hongjin Engineering, Shi Jianji (石建極) and Shi Wei (石為) holds, owns, has control or direction over any Ordinary Shares or convertible securities, warrants or options in the Company or outstanding derivatives in respect of securities of the Company.

Mr. Wang, as representative of the Offeror, introduced Shi Wei (石為) (being the representative of the Target Sellers and League Way) to Mr. Mo (being the representative of the Company). To the best knowledge, information and belief of the Directors having made all reasonable enquiries, Hongbo Investment, Lida Investment, League Way and Hongjin Engineering and their respective ultimate owners are independent third parties and not connected with the Company or its connected persons nor the Offeror or parties acting in concert with the Offeror. Save as disclosed in this joint announcement, there is no other personal, family or business relationship between (i) the Company and the Target Sellers, and (ii) the Company and League Way; and the Company, the Target Sellers and/or League Way have not entered into any agreement or arrangement (either explicit or implicit) or understanding (whether formal or informal) in connection with the Acquisition (other than those set out in the Acquisition Agreement) or the CN Subscription (other than those set out in the CN Subscription Agreement).

## **THE OFFEROR'S INTENTION**

### **Business**

The Group shall no longer engage in the existing hotel and restaurant business carried on through the Divestment Group immediately upon the Divestment Completion, but will be principally engaged in a new business, namely, the exploration, development and production of crude oil after the Acquisition Completion.

Apart from the Acquisition, the Offeror will, following the completion of the Offer, conduct a detailed review of the operations and investment portfolio of the Restructured Group with a view to developing a sustainable corporate strategy to broaden its income stream, which may include rebalancing the resources of the Group should opportunities arise. As at the date of this joint announcement, the Offeror is actively evaluating a number of acquisition opportunities, and except for the transactions contemplated under the Acquisition Agreement, the Offeror has confirmed that it and its associates currently have no concrete plans for any acquisition of assets and/or business by the Company. In the event that any of such opportunities materialises, further announcements will be made as and when required by the Listing Rules.

As at the date of this joint announcement, save for the Divestment and the proposed change of the Board composition as described below in this joint announcement, and subject to the result of the Offeror's review on the operations of the Company, the Offeror has not entered into any agreement, arrangements, understandings or negotiations and has no intention to (i) discontinue the employment of any employee of the Group; (ii) redeploy any fixed assets of

the Company other than those in its ordinary and usual course of business but may evaluate the continued employment of the remaining employees of the Company depending on the business strategy and focus of the Restructured Group after completion of the Transactions.

### **Maintaining the listing status of the Company**

The Offeror intends that the Ordinary Shares will remain listed on the Stock Exchange after the close of the Offer and does not intend to exercise any rights to compulsorily acquire all the Ordinary Shares. The sole director of the Offeror and the new Directors to be nominated by the Offeror will jointly and severally undertake to the Stock Exchange to take appropriate steps following the close of the Offer to ensure the minimum public float requirement under the Listing Rules is complied with by the Company.

The Stock Exchange has indicated that if, upon the close of the Offer, less than 25% of the issued Ordinary Shares are held by the public or if the Stock Exchange believes that:

- (i) a false market exists or may exist in the trading of the Ordinary Shares; or
- (ii) there are insufficient Ordinary Shares in public hands to maintain an orderly market,


it will consider exercising its discretion to suspend the trading in the Ordinary Shares.

### **Proposed change of board composition of the Company**

As at the date of this joint announcement, the Board comprises two executive Directors, one non-executive Director and three independent non-executive Directors. All the current Directors except Prof. Chen Zhiwu have indicated to the Board their intentions to resign with effect from the closing of the Offer (being the earliest time permitted under the Takeovers Code). The Offeror intends to nominate a number of new Directors (including executive and/or non-executive Directors) who will form the majority of the Board with effect from the date of despatch of the Composite Document (being the earliest time permitted under the Takeovers Code). Information on the background and experience of those new Directors to be nominated by the Offeror will be set out in the Circular.

### **Proposed change of company name and company logo**

Upon the S&P Completion, the Offeror intends to propose to the Board to change the English name of the Company and to adopt and register a new Chinese name as its secondary name.

Further, as informed by the Board, the Company is currently using the existing logo being “” as a licensee without a written contract, accordingly, the Offeror also intends to propose to the Board to adopt a new logo, subject to the S&P Completion.

### **REASONS FOR AND BENEFITS OF THE TRANSACTIONS**

The Group recorded net loss for the past four years. Whilst the Group has been implementing various measures with a view to increasing revenue and controlling cost, the operating environment and prospect of the Group's existing hotel and restaurant business remain challenging. The Group recorded audited net current liabilities of HK\$147.1 million and a deficiency in net assets of HK\$105.0 million as at 31 March 2015. The auditors of the

Company have expressed disclaimer opinion on their reports in respect of the Group's financial statements for the years ended 31 March 2014 and 2015. The ongoing operation of the Group will substantially depend on the continuing support of the Company's existing majority shareholder and its affiliates.

As set out in the annual report of the Group for the year ended 31 March 2014, the independent auditor's report states that the consolidated financial statements have been prepared by the Directors on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the related consolidated financial statements (and as summarized below). In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group's ability to continue as a going concern, the auditors have disclaimed their audit opinion on the consolidated financial statements.

As set out in note 2 to the financial statements of the Company for the year ended 31 March 2014, the Directors have adopted the following measures with a view to improving the Group's overall financial and cash flow position and to maintain the Group's existence as a going concern: (i) the Group's principal banker continued to provide continuing financing to the Group under the Group's existing available facilities which amounted to RMB162,000,000 (approximately HK\$197.6 million); (ii) the Group implemented cost-saving measures to maintain adequate cash flows for the Group's operations; and (iii) as set out in the Company's announcement on 24 June 2014, the filing of an appeal in relation to a civil judgment where a provision for the litigation of approximately HK\$166,780,000 was made as at 31 March 2014. In light of the above, the then Directors were of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 March 2014 on a going concern basis.

As set out in the annual report of the Group for the year ended 31 March 2015, the independent auditors' report states that the consolidated financial statements for the year ended 31 March 2015 have been prepared by the Directors on a going concern basis, the validity of which depends upon the successful implementation and outcome of the measures to be undertaken by the Group as described in note 2 to the related consolidated financial statements (and as summarised below). However, the auditors were unable to obtain sufficient appropriate audit evidence regarding the continuing provision of financing by the Group's principal banker to the Group, successful implementation and outcome of the measures and therefore on the appropriateness of the use of the going concern assumption adopted for the preparation of the consolidated financial statements. In view of the extent of the material uncertainties relating to the successful implementation and outcome of the measures to be undertaken by the Group as mentioned above which might cast a significant doubt on the Group's ability to continue as a going concern, the auditors have disclaimed their audit opinion on the consolidated financial statements.

As set out in note 2 to the financial statements of the Company for the year ended 31 March 2015, the Directors considered the Group has adequate cash flows to maintain the Group's operation: (i) the Group's principal banker shall continue to provide continuing financing to the Group under the Group's existing available facilities; and (ii) the Group shall implement cost-saving measures to maintain adequate cash flows for the Group's operations.

Accordingly, the Directors are of the opinion that it is still appropriate to prepare the consolidated financial statements for the year ended 31 March 2015 on a going concern basis.

The Offeror will become the controlling Shareholder after completion of the Transfer. The other existing Shareholders will be offered a chance to dispose of their investments in the Company under the Offer on the same terms as Seller 1 and Seller 2.

Through Mr. Mo, the Company was approached by the Offeror which offered the Company a proposal to inject substantial cash of up to approximately HK\$2,690 million under the Subscription to the Company. The Subscription will significantly improve the financial and liquidity positions of the Group. Under the Acquisition, the Company will be able to invest in the PRC Target which is principally engaged in the exploration, development and production of crude oil through the EPCC in the PRC. The Offeror and the Company (having considered information and explanation as given by the Offeror) consider that it is a good time to invest in the PRC Target given the recent decrease in the oil market price and thus the lower valuation of the PRC Target. The diagram below shows the oil market price (Brent Crude) since 1 January 2014 up to 26 October 2015 (being the most recent practicable date).



Source: Bloomberg

The Offeror will nominate new Directors and management to the Company, who will be appointed after the despatch of the Composite Document as soon as allowed under the Takeovers Code, to manage the business of the Company and the PRC Target. The Offeror has confirmed that the new Directors and senior management team will have sufficient experience and expertise in upstream oil exploration and extraction activities satisfying the

requirements under Rule 18.04 of the Listing Rules. The experience and background of the new Directors and senior management of the Company to be nominated by the Offeror will be set out in the Circular.

The CN Subscription is carried out in connection with the Acquisition and will help the Restructured Group further strengthen its cash position for the development of the PRC Target's business after completion of the Transactions. The Company considers that the terms of the Convertible Note, including the conversion price and the Redemption Premium fair and reasonable after having considered the maturity and redemption term of the Convertible Note and the overall terms of the Acquisition.

The Company further understands that the Offeror is not interested in the Group's existing hotel and restaurant assets and operations and has suggested the Company to divest them from the Group. The consideration for the Divestment reflects the latest unaudited combined net asset value of the Divestment Group prior to the entering into of the Divestment Agreement which will be further adjusted by, among other things, the latest fair market value of the Real Properties. The Divestment Completion is conditional on, among other things, the Subscription Completion and the Acquisition Completion.

The Directors consider that entering into the Transactions represents a good opportunity for the Company to (i) raise a substantial amount of additional funds; and (ii) improve the financial position and liquidity and trading prospects of the Company.

The Board (in the case of the Divestment, excluding all the independent non-executive Directors, the opinion of which after taking into account the advice from the Independent Financial Adviser, will be included in the Circular) are of the view that the terms of the Transactions, which have been agreed after arm's length negotiation among the parties to the various related agreements, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. As Ms. Cao and Mr. Mo are considered to have material interests in the Transfer and the Transactions, accordingly they abstained from voting from the relevant resolutions of the Board. Other than these two Directors, none of the Directors has a material interest in the Transfer and the Transactions or was required to abstain from voting from the relevant resolutions of the Board.

## **RISKS ASSOCIATED WITH THE TRANSFER AND THE TRANSACTIONS**

**Completion is subject to the fulfilment of conditions precedent and there is no assurance that they can be fulfilled and/or the Transfer and the Transactions will be completed as contemplated.**

The Subscription Completion, the Acquisition Completion and the Divestment Completion are inter-conditional, and in addition, the Subscription Completion and the Divestment Completion are each conditional on the S&P Completion. The CN Subscription Completion is conditional on the Acquisition Completion. The S&P Completion is not conditional on any of the Subscription Completion, the Acquisition Completion, the Divestment Completion or the CN Subscription Completion.

Completion of the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment is subject to a number of conditions precedent as set out in this joint announcement, some of which involve the decisions of third parties, including approvals by

the Independent Shareholders at the SGM, the approval of the deemed new listing application by the Listing Committee, and the consent of the Executive to the Divestment. As fulfilment of these conditions precedent is not within the control of the parties involved in the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment, there is no assurance that they can be fulfilled and/or that the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment will be completed as contemplated and/or the Offer will be made.

### **Other risks**

The risks relating to the business of the Restructured Group, the business, legal and regulatory environment for business of the PRC Target and the general economy, laws, regulations and other areas will be set out in the Circular.

### **ADJUSTMENT TO THE CB CONVERSION PRICE OF THE CONVERTIBLE BONDS**

As a result of the Subscription and the CN Subscription, the Existing CB Conversion Price will be adjusted from HK\$0.3695 to HK\$0.0672 per CB Conversion Share pursuant to the terms and conditions of the Convertible Bonds subject to the Subscription Completion and the CN Subscription Completion. Based on the outstanding principal amount of HK\$120,000,000 of the Convertible Bonds as at the date of this joint announcement, the number of CB Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds based on the Adjusted CB Conversion Price shall be 1,785,714,285 Ordinary Shares, representing:

- (i) approximately 514.13% of the number of Ordinary Shares in issue as at the date of this joint announcement; and
- (ii) approximately 27.37% of the number of Ordinary Shares in issue as enlarged by the allotment and issue of:
  - (a) 1,269,414,575 Ordinary Subscription Shares;
  - (b) the New Conversion Shares to be issued upon the conversion of the 1,373,954,600 Tranche 1 Preferred Shares and the 1,373,954,599 Tranche 2 Preferred Shares (based on the initial conversion price of HK\$0.6696 per Ordinary Share);
  - (c) 1,785,714,285 CB Conversion Shares upon conversion of the Convertible Bonds in full (based on the Adjusted CB Conversion Price); and
  - (d) 373,357,228 CN Conversion Shares upon conversion of the Convertible Note in full (based on the initial conversion price of HK\$0.6696 per CN Conversion Share).

Pursuant to the Transfer, the Offeror will acquire the Sale Bonds with an aggregate principal amount of HK\$96,832,526 from Seller 2. Such Sale Bonds can be converted into 1,440,960,208 CB Conversion Shares upon full conversion at the Adjusted CB Conversion Price. The remaining Convertible Bonds (i.e. the Excluded Bonds) with an aggregate principal amount of HK\$23,167,474 can be converted into 344,754,077 CB Conversion



Shares upon full conversion at the Adjusted CB Conversion Price. Please refer to the section headed “Shareholding structure of the Company” in this joint announcement for further information on the impact of the conversion of the Convertible Bonds based on the Adjusted CB Conversion Price.

### **SPECIFIC MANDATES AND LISTING APPROVAL**

The Ordinary Subscription Shares and any New Conversion Shares which may fall to be issued by the Company upon conversion of the Preferred Shares and/or the Convertible Note will be issued under the Specific Mandates which are subject to the Independent Shareholders’ approval at the SGM.

The Ordinary Subscription Shares and the New Conversion Shares will rank *pari passu* in all respects with the Ordinary Shares in issue as at the date of allotment and issue of the Ordinary Subscription Shares and the New Conversion Shares respectively.

No application will be made for the listing of, or permission to deal in, the Preferred Shares and the Convertible Note on the Stock Exchange or any other stock exchanges. An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Ordinary Subscription Shares and the New Conversion Shares.

### **RAISING OF FUNDS IN THE PAST 12 MONTHS**

The Company has not raised any other funds by way of issues of equity securities in the 12 months immediately preceding the date of the Subscription Agreement.

### **INCREASE OF AUTHORISED SHARE CAPITAL AND ADOPTION OF NEW BYE-LAWS**

The Company has an authorised share capital of HK\$80,000,000 divided into 8,000,000,000 Ordinary Shares of HK\$0.01 each as at the date of this joint announcement. In view of the Subscription, the Board proposes to put forward the Increase of Authorised Share Capital and Adoption of New Bye-laws Resolution to be passed by the Independent Shareholders at the SGM approving, *inter alia*, (i) the increase of the authorised share capital of the Company from HK\$80,000,000 to HK\$130,000,000 by the creation of 5,000,000,000 Preferred Shares of HK\$0.01 each, such Preferred Shares having the rights, privileges and restrictions as set out in the New Bye-laws, such that the authorised share capital of the Company shall become HK\$130,000,000 divided into 8,000,000,000 Ordinary Shares of HK\$0.01 each, and 5,000,000,000 Preferred Shares of HK\$0.01 each and all the existing shares of the Company in issue shall be designated as Ordinary Shares and; (ii) the adoption of the New Bye-laws.

The Board proposes that the Company adopt the New Bye-laws to, amongst other things, (a) reflect the aforesaid increase of the authorised share capital and the creation and issue of the Preferred Shares, and (b) generally bring the Bye-laws in line with the current laws in Bermuda and the requirements under the Listing Rules. Further information on the New Bye-laws will be included in the Circular to be despatched to the Shareholders.

## **IMPLICATIONS UNDER THE LISTING RULES AND THE TAKEOVERS CODE**

### **The Acquisition**

The Acquisition constitutes:

- (a) a very substantial acquisition for the Company under Rule 14.06(5) of the Listing Rules as one or more of the relevant percentage ratios under Rule 14.07 of the Listing Rules are over 100% for the Company in relation to the Acquisition; and
- (b) a reverse takeover of the Company under Rule 14.06(6)(a) of the Listing Rules on the basis that (i) the Acquisition constitutes a very substantial acquisition for the Company under Chapter 14 of the Listing Rules; and (ii) the Acquisition will take place in connection with the Transfer.

Accordingly, the Acquisition is subject to the approval of the Independent Shareholders at the SGM. Mr. Mo, Seller 1, the Offeror, Lin Dongliang (林棟樑), IDG Technology and their respective associates, and any person who has a material interest or who are involved in or interested in any of the Transfer, the Subscription, the Acquisition, the CN Subscription and/or the Divestment are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve, among others, the Acquisition.

As the Acquisition constitutes a reverse takeover of the Company, the Company is treated as if it were a new listing applicant under Rule 14.54 of the Listing Rules. The Company will submit a new listing application to the Stock Exchange and the Acquisition will be subject to the approval of the Listing Committee. As the PRC Target's principal business relates to the exploration and extraction of natural resources, the deemed new listing application of the Company is required to comply with all the applicable requirements under the Listing Rules, in particular the applicable requirements under Chapters 8, 9 and 18 of the Listing Rules.

Based on the preliminary unaudited financial information of the PRC Target as set out above in this joint announcement, the PRC Target will not be able to satisfy the financial requirements under Rule 8.05 of the Listing Rules. The Company will apply for the deemed new listing based on the alternative requirements under Rule 18.04 of the Listing Rules. As at the date of this joint announcement, the deemed new listing application has not yet been submitted to the Stock Exchange, and the Company will initiate the new listing application process as soon as practicable.

### **The Divestment**

As one or more of the applicable percentage ratios in respect of the Divestment are 75% or more, the Divestment constitutes a very substantial disposal for the Company under Chapter 14 of the Listing Rules. Seller 1 is wholly-owned by, and is an associate of, Mr. Mo, a non-executive Director. Accordingly, the Divestment also constitutes a connected transaction for the Company. Pursuant to Chapter 14 and Chapter 14A of the Listing Rules, the Divestment Agreement and the transactions contemplated thereunder are therefore subject to the disclosure and the Independent Shareholders' approval requirements.

Since the Divestment is an arrangement made between the Company and Seller 1, the majority Shareholder, which is not capable of being extended to all Shareholders, the Divestment constitutes a special deal of the Company under Rule 25 of the Takeovers Code and requires the consent of the Executive. Such consent, if granted, will be subject to (i) an independent financial adviser publicly stating that in its opinion the terms of the Divestment are fair and reasonable; and (ii) the approval of the Divestment by the Independent Shareholders by way of poll at the SGM.

Mr. Mo, Seller 1, the Offeror, Lin Dongliang (林棟樑), IDG Technology and their respective associates, and any person who has a material interest or who are involved in or interested in any of the Transfer, the Subscription, the Acquisition, the CN Subscription and/or the Divestment are required to abstain from voting on the relevant resolutions to be proposed at the SGM to approve, among others, the Divestment.

### **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all independent non-executive Directors, namely Prof. Ye Jianping, Palaschuk Derek Myles and Prof. Chen Zhiwu, has been established to make recommendation to the Independent Shareholders in respect of the Offer, the Divestment Agreement and the transactions contemplated thereunder. Mr. Mo, a non-executive Director, will not be a member of the Independent Board Committee as Mr. Mo, being a party to the S&P Agreement and being interested in the Divestment Agreement (through Seller 1), is considered to have material interests in the Offer and the Divestment.

Somerley Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Offer, the Divestment Agreement and the transactions contemplated thereunder and the appointment has been approved by the Independent Board Committee.

### **SGM**

An SGM will be convened and held to consider and, if thought fit, to approve, amongst other things, the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement and the respective transactions contemplated thereunder. Mr. Mo, Seller 1, the Offeror, Lin Dongliang (林棟樑), IDG Technology and their respective associates and Shareholders who have a material interest or who are involved in or interested in any of the S&P Agreement, the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and/or the Divestment Agreement will abstain from voting on the Increase of Authorised Share Capital and Adoption of New Bye-laws Resolution and the resolutions approving the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement and the transactions contemplated thereunder at the SGM.

## **THE CIRCULAR**

The Circular containing, among other things, (i) further details of the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement; (ii) financial information of the Group; (iii) audited financial information of the PRC Target; (iv) a competent person's report on the oil reserve in Block 212; (v) a valuation report on the PRC Target's interest in the oil reserve in Block 212 issued by a competent evaluator; (vi) unaudited financial information of the Divestment Group as reviewed by the Company's auditors; (vii) reports by the auditors or consultant accountants of and the financial adviser to the Company on the estimated gain from the Divestment and the unaudited net losses of the Divestment Group and the PRC Target in accordance with Rule 10 of the Takeovers Code; (viii) the unaudited pro forma financial information of the Restructured Group; (ix) a letter from the Independent Board Committee advising the Independent Shareholders on the Divestment Agreement; (x) a letter from the Independent Financial Adviser advising the Independent Board Committee and the Independent Shareholders on the Divestment Agreement; and (xi) a notice of the SGM, will be despatched to the Shareholders. As the Acquisition will be subject to compliance with the deemed new listing requirements under the Listing Rules, substantial time is required to prepare and finalise the Circular, and as such, the despatch date of the Circular is expected to be postponed to a date on or before 31 December 2015.

## **COMPOSITE DOCUMENT**

It is the intention of the sole director of the Offeror and the Board to combine the offer document and the offeree board circular in the Composite Document. In accordance with Rule 8.2 of the Takeovers Code, the Composite Document containing, among other things; (i) details of the Offer (including the expected timetable); (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders in relation to the Offer; and (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee in relation to the Offer, is required to be despatched to the Shareholders within 21 days of the date of this joint announcement or such later date as the Executive may approve. As the making of the Offer by the Offeror is subject to the prior fulfilment of pre-conditions and the pre-conditions cannot be fulfilled within the time period contemplated by Rule 8.2 of the Takeover Code, an application will be made by the Offeror for the Executive's consent under Note 2 to Rule 8.2 of the Takeovers Code to extend the deadline for the despatch of the Composite Document to within seven (7) days after the Target Completion Date (being 31 December 2015), i.e. 7 January 2016.

## **DEALINGS DISCLOSURE**

In accordance with Rule 3.8 of the Takeovers Code, the associates (as defined under the Takeovers Code) of each of the Company and the Offeror (including persons who own or control 5% or more of any class of relevant securities issued by the Company or the Offeror) are reminded to disclose their dealings in the securities of the Company under Note 11 to Rule 22 of the Takeovers Code.

In accordance with Rule 3.8 of the Takeovers Code, the full text of Note 11 to Rule 22 of the Takeovers Code is reproduced below:

***“Responsibilities of stockbrokers, banks and other intermediaries***

*Stockbrokers, banks and others who deal in relevant securities on behalf of clients have a general duty to ensure, so far as they are able, that those clients are aware of the disclosure obligations attaching to associates and other persons under Rule 22 of the Takeovers Code and that those clients are willing to comply with them. Principal traders and dealers who deal directly with investors should, in appropriate cases, likewise draw attention to the relevant rules of the Takeovers Code. However, this does not apply when the total value of dealings (excluding stamp duty and commission) in any relevant security undertaken for a client during any 7 day period is less than HK\$1 million.*

*This dispensation does not alter the obligation of principals, associates and other persons themselves to initiate disclosure of their own dealings, whatever total value is involved.*

*Intermediaries are expected to co-operate with the Executive in its dealings enquiries. Therefore, those who deal in relevant securities should appreciate that stockbrokers and other intermediaries will supply the Executive with relevant information as to those dealings, including identities of clients, as part of that co-operation.”*

**RESUMPTION OF TRADING**

At the request of the Company, trading in the Ordinary Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 22 June 2015 pending the publication of this joint announcement. An application has been made by the Company to the Stock Exchange for the resumption of trading in the Ordinary Shares with effect from 9:00 a.m. on 28 October 2015.

**GENERAL**

**Financial advisers**

Essence Corporate Finance has been appointed as the financial adviser to the Offeror. Reorient has been appointed as the financial adviser to the Company.

**Warning**

**As fulfilment of the conditions precedent to the S&P Agreement, the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement is not within the control of the respective parties involved in the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment, there is no assurance that they can be fulfilled and/or that the Transfer, the Subscription, the Acquisition, the CN Subscription and the Divestment will be completed as contemplated and/or the Offer will be made. Shareholders and potential investors of the Company should exercise caution when dealing in the Ordinary Shares. If the Shareholders and potential investors of the Company are in any doubt about their position, they should consult their professional advisers.**

## DEFINITIONS

In this joint announcement, unless the context otherwise requires, the following expressions have the following meanings:

“Acquisition”	the sale and purchase of the entire equity interest in the PRC Target as contemplated under the Acquisition Agreement
“Acquisition Agreement”	the agreement dated 22 June 2015 entered into among the Company, the Target Sellers and the PRC Target regarding the Acquisition
“Acquisition Completion”	the completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement
“acting in concert”	has the meaning ascribed in the Takeovers Code
“Adjusted CB Conversion Price”	the adjusted conversion price at which the CB Conversion Shares will be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds, being HK\$0.0672 per CB Conversion Share as a result of the Subscription and the CN Subscription which shall become effective on the date of completion of the Transactions
“Adjustment Amount”	the sum of the following:  (a) the amount (which, for the avoidance of doubt, can either be a positive amount or a negative amount) of (i) the aggregate fair market value of the Real Properties set forth in the Circular, minus (ii) the aggregate book value of the Real Properties (including any related leasehold improvement) as reflected in the Company’s audited accounts for the financial year ended 31 March 2015; and  (b) the amount (which, for the avoidance of doubt, can either be a positive amount or a negative amount) of (i) the aggregate net amount of the Current Accounts Receivable as of the date of the Divestment Completion, minus (ii) HK\$257,513,295, being the aggregate net amount of the Current Accounts Receivable as of 31 March 2015
“ADS”	American Depository Shares in respect of shares in SouFun
“Aquarius Investment”	Aquarius Growth Investment Limited, a company incorporated in the BVI, being one of the Subscribers



“Area”	a total area of approximately 591 km <sup>2</sup> located in Xilin Gol League, Inner Mongolia Autonomous Region, the PRC (中國內蒙古自治區錫林郭勒盟)
“associate”	has the meaning given to it under the Listing Rules
“Block 212”	an area of approximately 212.924 km <sup>2</sup> forming part of the Area
“Block 378”	an area of approximately 378.151 km <sup>2</sup> forming part of the Area
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Bye-laws”	bye-laws of the Company as may be amended from time to time
“CB Conversion Share(s)”	new Ordinary Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Bonds
“Circular”	the circular to be sent to the Shareholders in relation to the SGM containing, amongst other things, details of the Transactions, the Specific Mandates, the proposed increase of the authorised share capital of the Company and the proposed adoption of the New Bye-laws
“CN Conversion Share(s)”	new Ordinary Share(s) to be allotted and issued by the Company pursuant to the exercise of the conversion rights attached to the Convertible Note
“CN Principal Amount”	the principal amount of the Convertible Note of HK\$250,000,000
“CN Relevant Period”	the period commencing on the date of the CN Subscription Completion and ending on the date on which the cash offer made by the Offeror to acquire the Convertible Note and all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) (if any) closes or lapses
“CN Subscription”	subscription of the Convertible Note under the CN Subscription Agreement
“CN Subscription Agreement”	the subscription agreement dated 22 June 2015 entered into among the Company, League Way and the Offeror in relation to the issue of the Convertible Note

“CN Subscription Completion”	completion of the CN Subscription in accordance with the terms and conditions of the CN Subscription Agreement
“Company”	Shun Cheong Holdings Limited, a company incorporated in Bermuda with limited liability and the Ordinary Shares of which are listed on the Main Board of the Stock Exchange
“Composite Document”	the composite offer document combining the offer document to be issued by the Offeror and the offeree board circular to be issued by the Company (together with the Form of Acceptance) in respect of the Offer to be despatched to the Shareholders in accordance with the Takeovers Code
“Conditions”	the conditions precedent to the S&P Agreement
“Convertible Bonds”	the convertible bonds with an aggregate principal amount of HK\$120,000,000 issued by the Company to Seller 2 pursuant to a subscription agreement executed on 29 October 2007 and as amended by two separate deeds on 28 March 2013 and 3 June 2014 with the maturity date of 30 April 2018
“Convertible Note”	a convertible promissory note to be issued by the Company with a principal amount of HK\$250,000,000 pursuant to the CN Subscription Agreement
“Current Accounts Receivable”	aggregate amount of the following, which amounted to HK\$257,513,295 as of 31 March 2015: (a) the net account receivable owed by Target 1 to the Company, which amounted to HK\$248,291,405 as of 31 March 2015 (b) the net account receivable owed by Target 2 to the Company, which amounted to HK\$2,269,879 as of 31 March 2015; and (c) the net account receivable owed by a subsidiary of Target 1 to the Company which amounted to HK\$6,952,011 as of 31 March 2015
“Director(s)”	the director(s) of the Company
“Divestment”	the disposal of the Divestment Shares and the assignment of the Current Accounts Receivable by the Company in accordance with the terms and conditions of the Divestment Agreement
“Divestment Agreement”	the agreement dated 22 June 2015 (as amended on 23 October 2015) entered into between the Company and Seller 1 regarding the Divestment
“Divestment Completion”	completion of the Divestment in accordance with the terms and conditions of the Divestment Agreement

“Divestment Group”	being Target 1, Target 2 and their respective subsidiaries
“Divestment Shares”	the 100 ordinary shares in Target 1 held by the Company, representing 100% of the issued and outstanding share capital of Target 1, and the 100 ordinary shares in Target 2 held by the Company, representing 100% of the issued and outstanding share capital of Target 2
“Encumbrances”	any encumbrance, including any claim, debenture, mortgage, pledge, charge, lien, deposit or assignment by way of security, bill of sale, option or right of pre-emption, entitlement to beneficial ownership (including usufruct and similar entitlements), any provisional or executorial attachment and any other interest or right held, or claim that could be raised, by a third party
“EPCC”	exploration and production cooperation contract entered into between the PRC Target and Yanchang in respect of the Area since 2010 as renewed from time to time thereafter
“Essence Corporate Finance”	Essence Corporate Finance (Hong Kong) Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO and the financial adviser to the Offeror in respect of the Offer
“Essence Securities”	Essence International Securities (Hong Kong) Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 4 (advising on securities) regulated activities under the SFO, being the agent making the Offer on behalf of the Offeror

“Excluded Bonds”

the Convertible Bonds with an aggregate principal amount of HK\$23,167,474 held by Seller 2, being all the Convertible Bonds held by Seller 2 as at the date of the S&P Agreement less the Sale Bonds, and of which Seller 2 has irrevocably and unconditionally undertaken in the S&P Agreement in favour of the Offeror that during the Relevant Period Seller 2 shall not: (i) directly or indirectly, (a) offer, (b) sell, transfer, give or otherwise dispose of, (c) grant any option, right or warrant to purchase in respect of, (d) charge, mortgage, pledge or otherwise create an Encumbrance over, or (e) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Sale Bonds and the Excluded Bonds or any interest therein, except other than as contemplated under the S&P Agreement; (ii) accept an offer (if any) to be made by the Offeror to acquire all the Convertible Bonds (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) in respect of the Excluded Bonds; and (iii) convert any of the Excluded Bonds into Ordinary Shares

“Excluded Shares”

34,753,409 Ordinary Shares held by Seller 1, being all of the Ordinary Shares held by Seller 1 as at the date of the S&P Agreement less the Sale Shares, and of which Seller 1 has irrevocably and unconditionally undertaken in the S&P Agreement in favour of the Offeror that during the Relevant Period Seller 1 shall not: (i) directly or indirectly, (a) offer, (b) sell, transfer, give or otherwise dispose of, (c) grant any option, right or warrant to purchase in respect of, (d) charge, mortgage, pledge or otherwise create an Encumbrance over, or (e) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the legal, beneficial or economic consequences of ownership of, all or any of the Sale Shares and the Excluded Shares or any interest therein, except other than as contemplated under the S&P Agreement; (ii) accept the Offer in respect of the Excluded Shares; and (iii) acquire any Ordinary Shares or any interest in Ordinary Shares, other the Ordinary Shares or an interest in Ordinary Shares deriving from the Excluded Shares

“Executive”

the Executive Director of the Corporate Finance Division of the SFC and any delegate of the Executive Director

“Existing CB Conversion Price”	the conversion price at which the CB Conversion Shares will be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds, being HK\$0.3695 per CB Conversion Share before any adjustment as a result of the Subscription and the CN Subscription
“Form of Acceptance”	the accompanying form of acceptance and transfer of Ordinary Shares in respect of the Offer
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hongbo Investment”	上海宏博投資管理(集團)有限公司 (Shanghai Hongbo Investment & Management (Group) Co., Ltd*), formerly known as 上海宏博投資管理有限公司 (Shanghai Hongbo Investment & Management Co. Ltd.*), a company incorporated in the PRC with limited liability and ultimately held as to 80% by Shi Jianji (石建極) and 20% by Shi Wei (石為)
“Hongjin Engineering”	錫林郭勒盟宏錦工程技術服務有限公司 (Xilin Gol League Hongjin Engineering Technical Service Company Limited*), a company incorporated in the PRC with limited liability and held as to 60% by Hongbo Investment and 40% by Lida Investment
“IDG-Accel Capital II”	IDG-Accel China Capital II L.P., an exempted limited partnership registered in the Cayman Islands under the Exempted Limited Partnership Law (as amended)
“IDG-Accel Investors II”	IDG-Accel China Capital II Investors L.P., an exempted limited partnership registered in the Cayman Islands under the Exempted Limited Partnership Law (as amended)
“IDG-Accel Ultimate GP”	IDG-Accel China Capital GP II Associates Ltd., an exempted company incorporated in the Cayman Islands, being the ultimate general partner of each of IDG-Accel Capital II and IDG-Accel Investors II
“IDG Funds”	collectively, IDG-Accel Capital II and IDG-Accel Investors II, which together own approximately 49.14% of the issued share capital of Titan Gas Holdings

“IDG Technology”	IDG Technology Venture Investment III, L.P., a limited partnership formed under the laws of the State of Delaware, the US being the direct sole beneficial owner of an aggregate of 11,500,000 Ordinary Shares
“Increase of Authorised Share Capital and Adoption of New Bye-laws Resolution”	the special resolution proposed to be passed by the Independent Shareholders at the SGM approving, inter alia, the increase of the authorised share capital of the Company from HK\$80,000,000 to HK\$130,000,000 by the creation of 5,000,000,000 Preferred Shares of HK\$0.01 each, such Preferred Shares having the rights, privileges and restrictions as set out in the New Bye-laws, such that the authorised share capital of the Company shall become HK\$130,000,000 divided into 8,000,000,000 Ordinary Shares of HK\$0.01 each and 5,000,000,000 Preferred Shares of HK\$0.01 each, and all the existing shares of the Company in issue shall be designated as Ordinary Shares and; (ii) the adoption of the New Bye-laws
“Independent Board Committee”	an independent board committee comprising all independent non-executive Directors established to make recommendation to the Independent Shareholders in respect of the Offer and the Divestment
“Independent Financial Adviser”	the independent financial adviser appointed by the Company to advise the Independent Board Committee and/or the Independent Shareholders in relation to the Offer and the Divestment
“Independent Shareholders”	Shareholders other than Mr. Mo, Seller 1, the Offeror, Lin Dongliang (林棟樑) and IDG Technology and their respective associates and other Shareholders who have a material interest or who are involved in or interested in any of the Transfer, the Subscription, the Acquisition, the CN Subscription and/or the Divestment
“independent third party”	a person other than a connected person (within the meaning of the Listing Rules) of the Company or of the Offeror and the Subscribers or of the Target Sellers or the PRC Target, as the case may be
“Initial Announcement”	the announcement made by the Company pursuant to Rule 3.7 of the Takeovers Code dated 8 June 2015 regarding, among other things, the Company’s discussion with the Offeror about various possible transactions (i.e., the Transactions) and the possible Transfer and possible Offer
“Initial Consideration”	HK\$1,652,995, being the initial consideration for the Divestment



“Internal Management Guidelines”	Yanchang Oil Resources Management Bureau Oil and Gas Resources Cooperation Exploration and Extraction Management Temporary Guidelines*
“Kingsbury”	金世旗國際控股股份有限公司 (Kingsbury International Holdings Co., Ltd.*), a joint stock company incorporated in the PRC
“Last Trading Day”	19 June 2015, being the last day of trading in the Ordinary Shares on the Stock Exchange prior to the date of the S&P Agreement, the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement
“League Way”	League Way Ltd., a company incorporated in the BVI, being the subscriber of the Convertible Note under the CN Subscription Agreement and is owned by Shi Jianji (石建極) as to 70% and Shi Wei (石為) as to 30%
“Lida Investment”	上海立大投資管理有限公司 (Shanghai Lida Investment Management Company Limited*), a company incorporated in the PRC with limited liability and is ultimately wholly owned as to (i) 95% by Hongbo Investment (Hongbo Investment is ultimately owned as to 80% by Shi Jianji (石建極) and 20% by Shi Wei (石為)) and (ii) 5% by Shi Jianji (石建極)
“Listing Committee”	the Listing Committee of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Majority Subscriber(s)”	Subscriber(s) who, in aggregate, agreed to subscribe for not less than 50.1% of the Subscription Shares on an as-converted basis under the Subscription Agreement, being only the Offeror
“Mr. Mo”	Mo Tianquan (莫天全), a non-executive Director and the ultimate beneficial controlling Shareholder, holding approximately 50.02% of the total number of Ordinary Shares in issue immediately after the Tranche 1 Sale Completion and as at the date of this joint announcement
“Mr. Wang”	Wang Jingbo (王靜波), the chief executive officer and an executive director of Titan Gas Holdings and a director of Standard Gas and Aquarius Investment, who directly holds a 9% equity interest in Aquarius Investment and an approximately 8.05% equity interest in Titan Gas Holdings which in turns holds 100% equity interests in the Offeror

“Ms. Cao”	Cao Jing (曹晶), an executive Director, the executive chairman of the Board and the spouse of Mr. Mo
“Nanning Hotel”	Guangxi Wharton International Hotel owned by the Divestment Group located in Nanning, Guangxi Province, the PRC
“New Conversion Share(s)”	new Ordinary Share(s) to be allotted and issued upon exercise of the conversion rights attached to the Preferred Shares and/or the Convertible Note (as the case may be)
“Offer”	the unconditional mandatory cash offer to be made by Essence Securities for and on behalf of the Offeror for all the issued Ordinary Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code
“Offer Period”	the period commencing on 8 June 2015 (being the date of the Initial Announcement) to the date when the S&P Agreement lapses or terminates or when the Offer closes or lapses, whichever is earlier
“Offer Price”	the price per Offer Share at which the Offer will be made in cash, being HK\$0.6696 per Offer Share
“Offer Shareholder(s)”	Shareholder(s) other than the Offeror and parties acting in concert with it
“Offer Share(s)”	all the Ordinary Share(s) in issue, other than those Ordinary Shares already owned or agreed to be acquired by the Offeror and parties acting in concert with it or subject to undertakings given by Seller 1 and Seller 2 under the S&P Agreement, and League Way under the CN Subscription Agreement
“Offeror”	Titan Gas Technology Investment Limited, a company incorporated in the BVI with limited liability, being a purchaser under the S&P Agreement, a Subscriber and the guarantor under the CN Subscription Agreement
“Option Period”	3 years from the date of the Services Agreement
“Ordinary Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Ordinary Shares Subscription”	the subscription of the Ordinary Shares under the Subscription Agreement
“Ordinary Subscription Shares”	1,269,414,575 new Ordinary Shares, in aggregate, to be subscribed for by the Subscribers
“percentage ratios”	any of the five ratios set out in Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China excluding, for the purpose of this joint announcement, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“PRC Target”	錫林郭勒盟宏博礦業開發有限公司 (Xilin Gol League Hongbo Mining Development Co., Ltd.*), a company established in the PRC with limited liability, owned as to 60% by Hongbo Investment and 40% by Lida Investment as at the date of this joint announcement
“Preferred Share(s)”	the 2,747,909,199 restricted voting non-redeemable convertible preferred shares of HK\$0.01 each in the share capital of the Company to be created, with the rights, privileges and restrictions as set out in the New Bye-laws
“Public Shares Subscribers”	the Subscribers other than the Offeror and Aquarius Investment
“Real Properties”	all interests in land, premises, buildings and other real properties owned or leased by the Divestment Group
“Redemption Premium”	the redemption premium of HK\$125,000,000 payable by the Company to the holder of the Convertible Note upon redemption
“Relevant Period”	the period commencing on the date of the S&P Agreement and ending on the date when the Offer closes or lapses, or when the S&P Agreement terminates (whichever is earlier)
“Restructured Group”	the Group and the PRC Target, excluding the Divestment Group, following completion of the Transactions
“RMB”	Renminbi, the lawful currency of the PRC
“S&P Agreement”	the conditional sale and purchase agreement dated 22 June 2015 (as amended on 27 October 2015) entered into among the Offeror, Mr. Mo and the Sellers in relation to the Transfer

“S&P Completion”	completion of the Transfer (in respect of the Sale Shares and the Sale Bonds under the Tranche 2 Sale Completion) in accordance with the terms and conditions of the S&P Agreement
“SAFE”	the PRC State Administration of Foreign Exchange or its local counterparts
“Sale Bonds”	the Convertible Bonds with an aggregate principal amount of HK\$96,832,526 to be acquired by the Offeror from Seller 2 pursuant to the terms of the S&P Agreement
“Sale Shares”	the 175,000,000 Ordinary Shares to be acquired by the Offeror from Seller 1 pursuant to the terms of the S&P Agreement
“Sellers”	collectively, Seller 1 and Seller 2
“Seller 1”	Upsky Enterprises Limited, a company incorporated in the BVI with limited liability, the entire interest of which is held by Mr. Mo
“Seller 2”	Tanisca Investments Limited, a company incorporated in the BVI with limited liability, the entire interest of which is held by Mr. Mo
“Services Agreement”	the services agreement dated 19 September 2015 and entered into among the PRC Target, Hongbo Investment, Lida Investment and Hongjin Engineering in respect of the exploration and production work in Block 378
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened for the purpose of considering and, if thought fit, approving, amongst other matters, the Subscription, the Acquisition, the CN Subscription, the Divestment, the Specific Mandates, the proposed increase of the authorised share capital of the Company and the proposed adoption of the New Bye-laws
“Shareholder(s)”	holder(s) of Ordinary Share(s)
“SouFun”	SouFun Holdings Limited, the class A ordinary shares of which are listed on the New York Stock Exchange in the form of ADS

“Specific Mandates”	specific mandates to allot and issue (i) the Subscription Shares and the New Conversion Shares to be issued upon exercise of the conversion rights attached to the Preferred Shares; and (ii) the New Conversion Shares to be issued upon exercise of the conversion rights attached to the Convertible Note to be sought from the Shareholders at the SGM; a “Specific Mandate” means any one of them
“Standard Gas”	Standard Gas Capital Limited, a limited liability company incorporated in the BVI, which holds more than 30% equity interests in Titan Gas Holdings which in turn directly holds 100% equity interest in the Offeror
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	the Offeror and the other subscribers under the Subscription Agreement as listed out in the section headed “The Subscription” in this joint announcement
“Subscription”	subscription of the Subscription Shares under the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 22 June 2015 (as amended on 23 October 2015) entered into between the Company and the Subscribers regarding the Subscription
“Subscription Completion”	the completion of the Subscription in accordance with the terms and conditions of the Subscription Agreement
“Subscription Price”	HK\$0.6696 per Subscription Share
“Subscription Shares”	collectively, the Ordinary Subscription Shares, the Tranche 1 Preferred Shares and Tranche 2 Preferred Shares
“Takeovers Code”	the Code on Takeovers and Mergers
“Target 1”	Aykens Holdings Limited, a limited liability company incorporated and existing under the laws of the BVI and a wholly owned subsidiary of the Company
“Target 2”	Hopland Enterprises Limited, a limited liability company incorporated and existing under the laws of the BVI and a wholly owned subsidiary of the Company
“Target Completion Date”	the target completion date for the Transfer under the S&P Agreement, being 31 December 2015, or such other date as agreed to by the Offeror, the Sellers and Mr. Mo in writing
“Target Sellers”	Hongbo Investment and Lida Investment

“Titan Gas Holdings”	Titan Gas Technology Holdings Limited, a limited liability company incorporated in the BVI, which holds 100% equity interests in the Offeror
“Tranche 1 Preferred Shares”	1,373,954,600 Preferred Shares, in aggregate, to be subscribed for by the Subscribers under the Tranche 1 Preferred Shares Subscription
“Tranche 1 Preferred Shares Subscription”	the subscription of the Tranche 1 Preferred Shares under the Subscription Agreement
“Tranche 1 Sale Completion”	completion of the Tranche 1 Transfer which has taken place immediately following the execution of the amendment agreement to the S&P Agreement on 27 October 2015
“Tranche 1 Transfer”	the sale and purchase of 36,024,724 Sale Shares and the Sale Bonds with an aggregate principal amount of HK\$14,964,000 as contemplated under the S&P Agreement
“Tranche 2 Preferred Shares”	1,373,954,599 Preferred Shares, in aggregate, to be subscribed for by the Subscribers under the Tranche 2 Preferred Shares Subscription
“Tranche 2 Preferred Shares Subscription”	the subscription of the Tranche 2 Preferred Shares under the Subscription Agreement
“Tranche 2 Sale Completion”	completion of the Tranche 2 Transfer which shall take place on the first business day after the Conditions described in the paragraph headed “Conditions precedent to the S&P Completion” under the section headed “The Transfer” in this joint announcement are fulfilled (or, where applicable, waived)
“Tranche 2 Transfer”	the sale and purchase of 138,975,276 Sale Shares and the Sale Bonds with an aggregate principal amount of HK\$81,868,526 as contemplated under the S&P Agreement
“Transaction Documents”	the Subscription Agreement, the Acquisition Agreement, the CN Subscription Agreement and the Divestment Agreement, together with all other documents or agreements, as contemplated under the above agreements, entered or to be entered into or executed by the relevant parties in respect of the Transactions
“Transactions”	the Subscription, the Acquisition, the CN Subscription and the Divestment
“Transfer”	the sale and purchase of the Sale Shares and the Sale Bonds as contemplated under the S&P Agreement



“US”	the United States of America
“US\$”	US Dollars, the lawful currency of the US
“Yanchang”	陝西延長石油(集團)有限責任公司(延長油礦管理局) (Shaanxi Yanchang Petroleum (Group) Company Limited (Yanchang Oil Mineral Administrative Bureau)*), including its oil and gas exploration branch
“%”	per cent.
“km <sup>2</sup> ”	square kilometre
“m <sup>2</sup> ”	square metre

By order of the sole director of  
**Titan Gas Technology Investment Limited**  
**Xie Jianping**  
*Sole Director*

By order of the Board of  
**Shun Cheong Holdings Limited**  
**Cao Jing**  
*Executive Director*

Hong Kong, 27 October 2015

*As at the date of this joint announcement, the Board of the Company comprises two executive Directors, being Cao Jing and Zhang Shaohua, one non-executive Director, being Mr. Mo; and three independent non-executive Directors, being Prof. Ye Jianping, Palaschuk Derek Myles and Prof. Chen Zhiwu.*

*As at the date of this joint announcement, the sole director of the Offeror is Xie Jianping.*

*The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Offer, the Offeror and parties acting in concert with it), and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any such statement contained in this joint announcement misleading.*

*The sole director of the Offeror accepts full responsibility for the accuracy of the information contained in this joint announcement (other than the information relating to the Group, Mr. Mo, the Sellers, the PRC Target, League Way and parties acting in concert with them), and confirm, having made all reasonable enquires, that to the best of his knowledge, opinions expressed in this joint announcement have been arrived at after due and careful consideration and there are no other facts not contained in this joint announcement, the omission of which would make any such statement contained in this joint announcement misleading.*

*For illustration purposes, RMB is translated into HK\$ at an exchange rate of RMB1.00 = HK\$1.22.*

\* For identification purpose only