

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in EPI (Holdings) Limited (the "Company"), you should at once hand this circular and the enclosed proxy form to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to the shareholders of the Company or any other persons to acquire, purchase, or subscribe for securities of the Company.

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EPI EPI (Holdings) Limited
長盈集團(控股)有限公司*
(Incorporated in Bermuda with limited liability)
(Stock code: 689)

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE AT HK\$0.14 PER RIGHTS SHARE;
(2) PROPOSED REFRESHMENT OF SHARE OPTION SCHEME MANDATE LIMIT;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING

Financial adviser to the Company



Optima Capital Limited

Underwriters of the Rights Issue



Guotai Junan Securities (Hong Kong) Limited **Always Profit Development Limited**

Independent financial adviser to
the Independent Board Committee and the Independent Shareholders



A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 38 of this circular. A letter from Gram Capital Limited, containing its advice to the Independent Board Committee and the Independent Shareholders, is set out on pages 39 to 53 of this circular.

It should be noted that the Shares will be dealt in on an ex-rights basis from Tuesday, 22 December 2015. Any Shareholder or other person dealing in the Shares from the Latest Practicable Date up to the date on which all conditions of the Rights Issue are fulfilled (which is expected to be at 4:00 p.m. on Wednesday, 20 January 2016), and any dealings in the Rights Shares in their nil-paid form from Tuesday, 5 January 2016 to Tuesday, 12 January 2016 (both days inclusive), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating dealings in the securities of the Company are recommended to consult their own professional advisers.

It should be noted that the Underwriting Agreement contains provisions granting the Underwriters the right to terminate the obligations of the Underwriters thereunder on the occurrence of certain events including force majeure. These certain events are set out in the section headed "Termination of the Underwriting Agreement" on pages 7 to 8 of this circular. If the Underwriting Agreement is terminated by the Underwriters or does not become unconditional, the Rights Issue will not proceed.

A notice convening the SGM to be held at 10 a.m. on Friday, 18 December 2015, at Meeting Room, Regus Business Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular. A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case maybe). Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case maybe) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

* for identification purposes only

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EXPECTED TIMETABLE

The expected timetable for the Rights Issue and the change in board lot size of the Company is set out below. The expected timetable is subject to change, and any changes will be announced by the Company as and when appropriate.

Event	2015
Expected despatch date of the circular, proxy form and notice of the SGM.....	Wednesday, 2 December
Latest time for lodging proxy forms for the SGM	10:00 a.m. on Wednesday, 16 December
Expected time and date of the SGM	10:00 a.m. on Friday, 18 December
Announcement of poll results of the SGM	Friday, 18 December
Last day of dealings in the Shares on a cum-rights basis.....	Monday, 21 December
First day of dealings in the Shares on an ex-rights basis	Tuesday, 22 December
Latest time for the Shareholders to lodge transfer of the Shares in order to qualify for the Rights Issue	4:30 p.m. on Wednesday, 23 December
Closure of register.....	From Thursday, 24 December to Wednesday, 30 December
Record Date.....	Wednesday, 30 December
Register of members of the Company re-opens.....	Thursday, 31 December
Despatch of Prospectus Documents (in the case of the Non-qualifying Shareholders, the Prospectus only).....	Thursday, 31 December

EXPECTED TIMETABLE

2016

First day of dealings in nil-paid Rights Shares	9:00 a.m. on Tuesday, 5 January
Latest time for splitting of PAL	4:30 p.m. on Thursday, 7 January
Last day of dealings in nil-paid Rights Shares	4:00 p.m. on Tuesday, 12 January
Latest Time For Acceptance	4:00 p.m. on Friday, 15 January
Latest Time For Termination and the Rights Issue becomes unconditional	4:00 p.m. on Wednesday, 20 January
Announcement of the results of the Rights Issue	Tuesday, 26 January
Despatch of certificates for the Rights Shares	Wednesday, 27 January
Despatch of refund cheques if the Rights Issue does not proceed.....	Wednesday, 27 January
Expected first day of dealings in the fully-paid Rights Shares and the effective date for trading in new board lot size of 15,000 Shares	9:00 a.m. on Thursday, 28 January
Designated broker starts to stand in the market to provide matching service for odd lots of Shares	9:00 a.m. on Thursday, 28 January
Designated broker ceases to stand in the market to provide matching services for odd lots of Shares	4:00 p.m. on Tuesday, 23 February

EXPECTED TIMETABLE

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR APPLICATION OF AND PAYMENT FOR THE RIGHTS SHARES

All times in this circular refer to Hong Kong time. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Friday, 15 January 2016, being the date of the Latest Time For Acceptance:

- (i) at any time before 12:00 noon and no longer in force after 12:00 noon, the Latest Time For Acceptance will be postponed to 5:00 p.m. on the same Business Day; or
- (ii) at any time between 12:00 noon and 4:00 p.m., the Latest Time For Acceptance will be rescheduled to 4:00 p.m. on the next Business Day which does not have either of those warnings in force in Hong Kong at any time between 9:00 a.m. and 4:00 p.m..

Under such circumstances, the dates mentioned in the expected timetable above (including, without limitation, the Latest Time For Termination) may be affected.

DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Always Profit”	Always Profit Development Limited, a company incorporated in the BVI with limited liability and wholly owned by Mr. Zhang
“Announcement”	the announcement of the Company dated 12 November 2015 in relation to, among other things, the Rights Issue
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day on which licensed banks in Hong Kong are generally open for business and on which the Stock Exchange is open for normal trading, other than a Saturday or a Sunday or a day on which a black rainstorm warning or tropical cyclone warning signal number 8 or above is issued in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not cancelled at or before 12:00 noon
“BVI”	the British Virgin Islands
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“City Smart”	City Smart International Investment Limited, a company incorporated in the BVI with limited liability which holds 1,120,027 Shares (representing approximately 0.15% of the total issued share capital of the Company as at the Latest Practicable Date) and is wholly owned by Mr. Wu
“City Wise”	City Wise Investment Limited, a company incorporated in the BVI with limited liability which holds 71,734,945 Shares (representing approximately 9.86% of the total issued share capital of the Company as at the Latest Practicable Date) and is wholly owned by South America Petroleum Investment Holdings Limited, which is in turn wholly owned by Mr. Wu
“Company”	EPI (Holdings) Limited, a company incorporated in Bermuda with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Rights Issue

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 regulated activity (advising on corporate finance) under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue
“Group”	the Company and its subsidiaries
“Guotai Junan”	Guotai Junan Securities (Hong Kong) Limited, a corporation licensed to carry out business in Type 1 regulated activity (dealing in securities) and Type 4 regulated activity (advising on securities) under the SFO
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all the three independent non-executive Directors, namely Mr. Qian Zhi Hui, Mr. Teoh Chun Ming and Mr. Zhu Tiansheng, established to give a recommendation to the Independent Shareholders in respect of the Rights Issue
“Independent Shareholders”	Shareholders other than Mr. Tse, Always Profit and their respective associates (including Mr. Zhang and Prestige Rich)
“Irrevocable Undertakings”	the irrevocable undertakings dated 12 November 2015 given by Mr. Wu, City Smart, City Wise, Mr. Zhang and Prestige Rich in favour of the Company and the Underwriters, as described in the paragraph headed “Irrevocable Undertakings” under the section headed “Underwriting arrangement and undertakings” in the letter from the Board
“Last Trading Day”	12 November 2015, being the date of the Underwriting Agreement and the last trading day of the Shares before the release of the Announcement
“Latest Practicable Date”	27 November 2015, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained herein

DEFINITIONS

“Latest Time For Acceptance”	4:00 p.m. on Friday, 15 January 2016, or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time for acceptance of, and payment for, the Rights Shares as described in the Prospectus Documents
“Latest Time For Termination”	4:00 p.m. on the Settlement Date, i.e. the third Business Day following (but excluding) the Latest Time For Acceptance or such later time or date as may be agreed between the Underwriters and the Company in writing, being the latest time to terminate the Underwriting Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tse”	Mr. Tse Kwok Fai, Sammy, an executive Director and the chief executive officer of the Company
“Mr. Wu”	Mr. Wu Shaozhang
“Mr. Zhang”	Mr. Zhang Jinbing
“MW”	mega-watt
“Non-qualifying Shareholders”	the Overseas Shareholder(s) whose registered addresses in the Company’s register of members as at the Record Date are in places where the Directors consider it necessary or expedient not to offer the Rights Shares to such Shareholder(s) on account either of legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place
“O Luxe”	O Luxe Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 860) and is owned as to approximately 27% by Mr. Zhang
“Optionholder(s)”	holder(s) of the Share Option(s)
“Overseas Shareholder(s)”	the Shareholder(s) whose address(es) on the register of members of the Company on the Record Date are outside Hong Kong
“PAL”	the provisional allotment letter(s) to be issued to the Qualifying Shareholders in connection with the Rights Issue

DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region and Taiwan
“Prestige Rich”	Prestige Rich Holdings Limited, a company incorporated in the BVI with limited liability which is interested in 17,943,000 Shares (representing approximately 2.47% of the issued share capital of the Company as at the Latest Practicable Date) and is wholly owned by Mr. Zhang
“Previous Open Offer”	the open offer conducted by the Company on the basis of one offer share for two existing shares then held as announced by the Company on 31 March 2015
“Proposed Acquisition”	has the meaning as ascribed to it in the section headed “Business plan of the Group and reasons for the Rights Issue” in the letter from the Board
“Prospectus”	the prospectus to be despatched to the Shareholders in relation to the Rights Issue in such form as may be agreed between the Company and the Underwriters
“Prospectus Documents”	the Prospectus and the PAL
“Prospectus Posting Date”	Thursday, 31 December 2015, or such other day as may be agreed between the Company and the Underwriters in writing for the despatch of the Prospectus Documents
“PV”	photovoltaic
“Qualifying Shareholders”	the Shareholder(s), whose names appear on the register of members of the Company as at the Record Date, other than the Non-qualifying Shareholders
“Record Date”	Wednesday, 30 December 2015, or such other date as may be agreed by the Company and the Underwriters in writing for determination of the entitlements under the Rights Issue
“Registrar”	the Company’s branch share registrar and transfer office in Hong Kong, which is Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Rights Issue”	the proposed issue by way of rights issue of five (5) Rights Shares for every one (1) existing Share held on the Record Date at the Subscription Price on the terms and subject to the conditions set out in the Underwriting Agreement and the Prospectus Documents

DEFINITIONS

“Rights Share(s)”	new Share(s) to be allotted and issued under the Rights Issue, being not less than 3,639,268,185 Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 4,119,609,640 Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date)
“Scheme Mandate Limit”	the limit imposed under the rules of the Share Option Scheme on the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme of the Company, which may be renewed/refreshed pursuant to the rules of the Share Option Scheme but shall not exceed 10% of the shares in issued as at the date of approval of the proposed renewal/refreshment by the Shareholders
“Settlement Date”	the third Business Day following (but excluding) the Latest Time For Acceptance (or such other time or date as the Underwriters and the Company may agree in writing) as the day for settlement of the Rights Issue
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time
“SGM”	the special general meeting of the Company to be held to consider and approve, among other matters, the Underwriting Agreement, the Rights Issue and the refreshment of the Scheme Mandate Limit
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Share Options”	the share options of the Company granted pursuant to the Share Option Scheme
“Share Option Scheme”	the share option scheme of the Company approved and adopted by the Company at the special general meeting of the Company held on 6 November 2006
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Subscription Price”	the subscription price in respect of each Rights Share, being HK\$0.14 per Rights Share
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers
“Underwriters”	Guotai Junan and Always Profit
“Underwriting Agreement”	the underwriting agreement dated 12 November 2015 entered into between the Company and the Underwriters in relation to the Rights Issue
“Underwritten Shares”	all Rights Shares, other than the 453,989,860 Rights Shares undertaken to be taken up by City Smart, City Wise and Prestige Rich pursuant to the Irrevocable Undertakings
“United States”	United States of America
“Untaken Shares”	any of the Underwritten Shares not taken up on or before the Latest Time For Acceptance
“Warrants”	the non-listed transferable warrants issued by the Company entitling the holders thereof to subscribe for 73,529,411 Shares at the prevailing subscription price of HK\$1.70 per Share (subject to adjustments) during the period from 1 March 2013 to 29 February 2016
“Zhongli”	中利騰輝光伏科技有限公司 (Zhongli Talesun Solar Technology Company Limited*), an entity established under the laws of the PRC
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

* for identification purposes only

TERMINATION OF THE UNDERWRITING AGREEMENT

The Underwriters may terminate the Underwriting Agreement by notice in writing to the Company, served prior to the Latest Time for Termination, 4:00 p.m. (Hong Kong time) on Wednesday, 20 January (being the third Business Day following (but excluding) the Latest Time For Acceptance), or such later time and date as may be agreed between the Underwriters and the Company if, prior to the Latest Time For Termination:

- (i) any material breach of any warranties or the undertakings contained in the Underwriting Agreement comes to the knowledge of the Underwriters, or there has been a material breach on the part of the Company of any other provision of the Underwriting Agreement; or
- (ii) the introduction of any new regulation or any change in existing law or regulation (or the judicial interpretation thereof) which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or is materially adverse in the context of the Rights Issue after the signing of the Underwriting Agreement; or
- (iii) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring after the signing of the Underwriting Agreement or continuing after the signing of the Underwriting Agreement), of a political, military, financial, economic or other nature, or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (iv) any material adverse change after the signing of the Underwriting Agreement in the business or in the financial or trading position of the Group as a whole which is material in the context of the Rights Issue; or
- (v) any event or circumstances in the nature of force majeure including but without limitation any act of God, war, riot, public disorder, civil commotion, fire, flood, terrorism or strike occurred after the signing of the Underwriting Agreement in or affecting Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group which would materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole; or
- (vi) the commencement by any third party of any litigation or claim against any member of the Group after the signing of the Underwriting Agreement which is or might be material to the Group taken as a whole; or
- (vii) there occurs or comes into effect the imposition of any moratorium, suspension or material restriction on trading in the Shares generally on the Stock Exchange due to exceptional financial circumstances or otherwise; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (viii) there is any material adverse change in market conditions (including, without limitation, a change in fiscal or monetary policy or foreign exchange or currency markets, suspension or restriction of trading in securities or imposition of economic sanctions, on Hong Kong, the PRC or other jurisdiction relevant to the Group or any member of the Group); or
- (ix) any statement contained in the Prospectus has become and been discovered to be untrue, incorrect, incomplete or misleading in any material aspect, or matters have arisen or have been discovered which would, if the Prospectus was to be issued at the time, constitute a material omissions therefrom,

the effect of which events and circumstances referred to above, individually or in aggregate (in the reasonable opinion of the Underwriters after consultation with the Company): (i) is or would be reasonably likely to be materially adverse to, or prejudicially affects or would be reasonably likely to prejudicially affect, the Group as a whole or the success of the Rights Issue; or (ii) makes it inadvisable or inexpedient to proceed with the Rights Issue, the Underwriters shall be entitled, by notice in writing to the Company served prior to the Latest Time for Termination, to terminate the Underwriting Agreement.

LETTER FROM THE BOARD

EPI **EPI (Holdings) Limited**
長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 689)

Non-executive Chairman:

Mr. Ho King Fung, Eric

Executive Directors:

Mr. Tse Kwok Fai, Sammy (*Chief Executive Officer*)

Mr. Chan Chi Hung, Anthony

Independent Non-executive Directors:

Mr. Qian Zhi Hui

Mr. Teoh Chun Ming

Mr. Zhu Tiansheng

Registered Office:

Clarendon House

2 Church Street

Hamilton HM11

Bermuda

*Principal Place of business
in Hong Kong:*

Room 1108–09, 11/F

Harbour Centre

25 Harbour Road

Wanchai, Hong Kong

2 December 2015

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE (5) RIGHTS SHARES
FOR EVERY ONE (1) EXISTING SHARE HELD ON THE RECORD DATE
AT HK\$0.14 PER RIGHTS SHARE;
(2) PROPOSED REFRESHMENT OF
SHARE OPTION SCHEME MANDATE LIMIT;
AND
(3) NOTICE OF SPECIAL GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement whereby the Board announced that the Company proposed to conduct the Rights Issue to raise gross proceeds of not less than approximately HK\$509.5 million and not more than approximately HK\$576.7 million. The Company will allot and issue not less than 3,639,268,185 Rights Shares and not more than 4,119,609,640 Rights Shares at the Subscription Price of HK\$0.14 per Rights Share on the basis of five Rights Shares for every one existing Share held on the Record Date. The estimated net proceeds from the Rights Issue will be not less than approximately HK\$503.7 million and not more than approximately HK\$570.2 million. The Rights Issue (excluding the Rights Shares subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriters on the terms and subject to the conditions as set out in the Underwriting Agreement. The Rights Issue

* for identification purposes only

LETTER FROM THE BOARD

is only available to the Qualifying Shareholders. The Rights Issue is subject to, among other things, the approval of the Rights Issue by the Independent Shareholders and the approval of the proposed refreshment of Scheme Mandate Limit by the Shareholders at the SGM.

The purpose of this circular is to provide you with among other things, (i) further details of the Rights Issue; (ii) information regarding propose refreshment of the Scheme Mandate Limit; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in relation to the Rights Issue; (iv) a letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders in relation to the Rights Issue; (v) financial information and other general information of the Group; and (vi) the notice of SGM, at which the ordinary resolutions will be proposed to consider and, if thought fit, approve, among other things, the Underwriting Agreement, the Rights Issue together with the transactions contemplated thereunder and the proposed refreshment of the Scheme Mandate Limit.

(1) PROPOSED RIGHTS ISSUE

The Company proposes to raise gross proceeds of not less than approximately HK\$509.5 million and not more than approximately HK\$576.7 million by way of the Rights Issue. The Company will allot and issue not less than 3,639,268,185 and not more than 4,119,609,640 Rights Shares at the Subscription Price of HK\$0.14 per Rights Share on the basis of five Rights Shares for every one existing Share held on the Record Date. The estimated net proceeds from the Rights Issue will be not less than approximately HK\$503.7 million and not more than approximately HK\$570.2 million. The Rights Issue (excluding the Rights Shares subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement. For further details, please refer to the section headed “Underwriting arrangement and undertakings” below.

Rights Issue statistics

Basis of the Rights Issue	:	five (5) Rights Shares for every one (1) existing Share held on the Record Date
Subscription Price	:	HK\$0.14 per Rights Share
Number of Shares in issue as at the Latest Practicable Date	:	727,853,637

LETTER FROM THE BOARD

- Number of Rights Shares : not less than 3,639,268,185 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 4,119,609,640 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date)
- Aggregate nominal value of the Rights Shares : not less than HK\$36,392,681.85 and not more than HK\$41,196,096.40
- Enlarged issued share capital of the Company upon Completion : not less than 4,367,121,822 Shares and not more than 4,943,531,568 Shares
- Number of Underwritten Shares : not less than 3,185,278,325 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 3,665,619,780 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date), being the total number of Rights Shares less a total of 453,989,860 Rights Shares undertaken to be taken up by City Smart, City Wise and Prestige Rich (a company wholly owned by Mr. Zhang) pursuant to the Irrevocable Undertakings
- Underwriters : (i) Guotai Junan; and
(ii) Always Profit, a company wholly owned by Mr. Zhang

LETTER FROM THE BOARD

As at the Latest Practicable Date:

- (i) there are outstanding Share Options which were granted under the Share Option Scheme at nil consideration and entitle the holders thereof to subscribe for a total of 22,538,880 new Shares, details of which are set out below:

Date of grant	Exercise price (HK\$)	Number of underlying Shares
11 April 2013	2.1722	15,025,920
25 November 2013	<u>1.8656</u>	<u>7,512,960</u>
Total		<u><u>22,538,880</u></u>

- (ii) there are outstanding Warrants which entitle the holders thereof to subscribe for a total of 73,529,411 new Shares at the prevailing subscription price of HK\$1.70 per Share (subject to adjustments) during the period from 1 March 2013 to 29 February 2016.

According to the terms of the Underwriting Agreement, the obligations of the Underwriters under the Underwriting Agreement are conditional on, among other things, the cancellation of the Share Options to an extent that the aggregate Share Options remaining outstanding shall entitle the holder(s) thereof to subscribe for not more than 22,538,880 Shares immediately after such cancellation (the “**Share Options Cancellation**”). As disclosed in the announcement of the Company dated 20 November 2015, the Share Options Cancellation has become effective on 20 November 2015.

Save as disclosed above, the Company has no other derivatives, outstanding convertible securities, options or warrants in issue which confer any right to subscribe for, convert or exchange into the Shares as at the Latest Practicable Date.

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, the minimum number of 3,639,268,185 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent:

- (i) 500.00% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 83.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

LETTER FROM THE BOARD

Assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date, the maximum number of 4,119,609,640 Rights Shares proposed to be allotted and issued pursuant to the Rights Issue represent:

- (i) approximately 565.99% of the issued share capital of the Company as at the Latest Practicable Date; and
- (ii) approximately 83.33% of the issued share capital of the Company as enlarged by the allotment and issue of the Rights Shares.

Despite the potential dilution effects of the Rights Issue on the shareholding interests of the Shareholders in the Company, the Directors consider that the terms of the Rights Issue are fair and reasonable and in the interests of the Company and the Shareholders as a whole after taking into account that:

- (i) the Independent Shareholders are given the opportunity to express their view on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM;
- (ii) whilst the dilution nature of Rights Issue is common in the market if the Qualifying Shareholders did not take up their entitlements under the Rights Issue in full, the Qualifying Shareholders who choose to take up their entitlements in the Rights Issue in full are able to maintain their respective existing shareholding interests in the Company after the Rights Issue;
- (iii) the Rights Issue provides the Qualifying Shareholders an opportunity to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares as discussed in more detail below; and
- (iv) the Qualifying Shareholders who do not wish to take up their entitlements in the Rights Issue are able to sell the nil-paid Rights Shares in the market, while those who wish to increase their shareholding interests in the Company through the Rights Issue are able to acquire additional nil-paid Rights Shares in the market.

The Subscription Price

The Subscription Price of HK\$0.14 per Rights Share will be payable in full by a Qualifying Shareholder upon acceptance of the provisional allotments of the Rights Shares under the Rights Issue or when a transferee of nil-paid Rights Shares accepts the provisional allotment of the relevant Rights Shares. The Subscription Price represents:

- (i) a discount of approximately 26.32% to the closing price of HK\$0.190 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

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- (ii) a discount of approximately 65.43% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a discount of approximately 65.60% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the Last Trading Day of HK\$0.407 per Share;
- (iv) a discount of approximately 65.26% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.403 per Share;
- (v) a discount of approximately 23.91% to the theoretical ex-rights price of approximately HK\$0.184 per Share based on the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (vi) a discount of approximately 25.53% to the consolidated net asset value per Share as at 30 June 2015 of approximately HK\$0.188 (which is calculated based on the unaudited consolidated net asset value of the Group as at 30 June 2015 of approximately HK\$136,660,000 and 727,853,637 Shares in issue as at the Latest Practicable Date).

The Company has approached the Underwriters and a number of financial institutions for the underwriting arrangement of the Rights Issue. During the course of negotiations, it has been indicated to the Company that it is one of the requisite terms to set the Subscription Price at a relatively deep discount to the recent closing prices of the Shares in order to mitigate the underwriting risk to the potential underwriters. The terms of the Rights Issue, including the Subscription Price, were determined after arm's length negotiations between the Company and the Underwriters, taking into account the following factors: (i) as at 30 June 2015, the unaudited net assets of the Group amounted to approximately HK\$136.7 million, equivalent to approximately HK\$0.188 per Share based on 727,853,637 Shares in issue as at the Latest Practicable Date; (ii) the prevailing sentiment in the Hong Kong stock market; (iii) the net loss of the Group for the five consecutive financial years since 2010; (iv) the net cash used in operating activities of the Group for the four consecutive financial years since 2011; (v) the Group's reliance on single geographical market, namely Argentina, and the risk exposure relating to its uncertain political and economic situation; and (vi) the capital needs and the financial position of the Group.

Having considered the recent volatility in the Hong Kong stock market and the possible devaluation trend of Asian currencies in the future, the Directors believe that it would be difficult to attract the Qualifying Shareholders to make further investment in the Company through the Rights Issue if the Subscription Price is not set at a discount to the recent closing prices of the Shares. As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice of Gram Capital) consider that the Subscription Price which is set at a discount to the recent closing prices of the Shares would encourage the Qualifying Shareholders to take up their entitlements so as to maintain their shareholdings in the Company and participate in the future growth of the Group.

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Based on the above, the Directors (excluding the independent non-executive Directors who will form their views after considering the advice of Gram Capital) consider the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Conditions of the Rights Issue

The Rights Issue is conditional on the obligations of the Underwriters under the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement. Please refer to the paragraph headed “Conditions” under the section headed “Underwriting arrangement and undertakings” below for details of the conditions of the Underwriting Agreement.

Basis of provisional allotments

The basis of the provisional allotments shall be five Rights Shares for every one existing Share held by the Qualifying Shareholders at the close of business on the Record Date.

Application for all or any part of a Qualifying Shareholder’s provisional allotment should be made by completing the PAL and lodging the same with a remittance for the Rights Shares being applied for.

Status of the Rights Shares

The Rights Shares, when allotted, issued and fully-paid, will rank pari passu with the Shares then in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the fully-paid Rights Shares.

Qualifying Shareholders

The Rights Issue will only be available to the Qualifying Shareholders. The Company will send the Prospectus Documents to the Qualifying Shareholders and the Prospectus, for information purposes only, to the Non-qualifying Shareholders.

To qualify for the Rights Issue, a Shareholder must be registered as a member of the Company at the close of business on the Record Date and must be a Qualifying Shareholder.

In order to be registered as a member of the Company on the Record Date, Shareholders must lodge any transfers of the Shares (together with the relevant share certificates) with the Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, by no later than 4:30 p.m. on Wednesday, 23 December 2015.

Rights of the Overseas Shareholders (if any)

The Prospectus Documents are not intended to be registered under the applicable securities legislation of any jurisdiction other than Hong Kong.

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According to the register of members of the Company, as at the Latest Practicable Date, there are the following Overseas Shareholders:

Number of Shareholders	Jurisdiction
1	Canada
3	PRC
3	Macau
3	Malaysia
1	New Zealand
2	Singapore
Total	<u><u>13</u></u>

In compliance with Rule 13.36(2)(a) of the Listing Rules, the Company is making enquiries regarding the feasibility of extending the Rights Issue to the Overseas Shareholders (if any). If, based on legal advice, the Directors consider that it is necessary or expedient not to offer the Rights Shares to the Overseas Shareholders on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, the Rights Issue will not be available to such Overseas Shareholders. Further information in this connection will be set out in the Prospectus Documents containing, among other things, details of the Rights Issue to be despatched to the Qualifying Shareholders. The Company will send copies of the Prospectus to the Non-qualifying Shareholders for their information purposes only, but will not send any PAL to them.

Arrangements will be made for the Rights Shares which would otherwise have been provisionally allotted to the Non-qualifying Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence and in any event before the last day of dealings in the nil-paid Rights Shares, if a premium (net of expenses) can be obtained. The net proceeds of such sale, less expenses, will be paid pro rata to the Non-qualifying Shareholders in Hong Kong dollars as soon as practicable except that the Company will retain individual amounts of HK\$100 or less for its own benefit. Any unsold entitlements of the Non-qualifying Shareholders in the Rights Issue will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement. For the avoidance of doubt, the Non-qualifying Shareholders (if any) will be entitled to vote on the resolution in relation to the Rights Issue at the SGM.

Overseas Shareholders should note that they may or may not be entitled to the Rights Issue, subject to the results of enquiries made by the Directors pursuant to Rule 13.36(2)(a) of the Listing Rules. Accordingly, the Overseas Shareholders should exercise caution when dealings in the securities of the Company.

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Closure of register of members

The Company's register of members will be closed from Thursday, 24 December 2015 to Wednesday, 30 December 2015, both dates inclusive, for the purpose of, among other things, establishing entitlements to the Rights Issue. No transfer of Shares will be registered during this period.

No application for excess Rights Shares

No application for excess Rights Shares will be offered to Qualifying Shareholders. Any Untaken Shares will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement.

The Board considers that since each Qualifying Shareholder will be given equal and fair opportunity to maintain their pro rata shareholding interests in the Company through the Rights Issue, the additional work which may be required to prepare for and administer the excess application arrangement (such as printing excess application forms and incurring professional fees to process and handle the excess applications) may not be justified. The excess application mechanism may be abused by the Qualifying Shareholders by splitting their shareholdings into odd lots to enable them to submit multiple top-up applications and be possibly allocated more excess Rights Shares, which is not considered to be fair and equitable. In addition, the excess application mechanism may result in an unexpected introduction of a new substantial shareholder or controlling shareholder to the Company which may cast uncertainties on the Company's future direction and may not be in the interests of the Company and the Shareholders as a whole.

In light of the above and that the Independent Shareholders are given the opportunity to express their view on the terms of the Rights Issue (including no application for excess Rights Shares) through their votes at the SGM, the Board believes that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole not to offer any excess application to the Qualifying Shareholders.

Qualifying Shareholders who do not take up the Rights Shares to which they are entitled should note that their shareholdings in the Company will be diluted.

Share certificates for the Rights Shares and refund cheques

Subject to fulfillment of the conditions of the Rights Issue, share certificates for the fully-paid Rights Shares are expected to be posted on or before Wednesday, 27 January 2016 to those entitled thereto by ordinary post at their own risks. If the Rights Issue does not proceed, refund cheques are expected to be posted on or before Wednesday, 27 January 2016 by ordinary post to the applicants at their own risk.

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Application for listing of the Rights Shares

The Company will apply to the Listing Committee of the Stock Exchange for the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange. No part of the securities of the Company is listed or dealt in, and no listing of or permission to deal in any such securities is being or is proposed to be sought, on any other stock exchanges.

Dealings in the Rights Shares in their fully-paid form in new board lot size of 15,000 Shares and the Rights Shares in their nil-paid form in the existing board lot size of 5,000 Shares, which are registered in the Registrar, will be subject to payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

Subject to the granting of the listing of, and the permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange as well as compliance with the stock admission requirements of HKSCC, the Rights Shares (in both their nil-paid and fully-paid forms) will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the commencement date of dealings in the Rights Shares (in both their nil-paid and fully-paid forms) on the Stock Exchange or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second settlement day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements will be made to enable the Rights Shares (in both their nil-paid and fully-paid forms) to be admitted into CCASS.

UNDERWRITING ARRANGEMENT AND UNDERTAKINGS

The Rights Issue (excluding the Rights Shares which are subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriters in accordance with the terms of the Underwriting Agreement as set out below.

Principal terms of the Underwriting Agreement

- Date : 12 November 2015
- Parties : (i) The Company;
- (ii) Guotai Junan; and
- (iii) Always Profit, a company wholly owned by Mr. Zhang.

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To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Guotai Junan, Always Profit and their respective ultimate beneficial owner(s) are third party(ies) independent of the Company and its connected persons.

- Total number of Rights Shares underwritten : Not less than 3,185,278,325 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 3,665,619,780 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date), being the total number of Rights Shares less a total of 453,989,860 Rights Shares undertaken to be taken up by City Smart, City Wise and Prestige Rich (a company wholly owned by Mr. Zhang) pursuant to the Irrevocable Undertakings.
- Underwriting commitment : (i) Firstly, as to 702,000,000 Rights Shares by Always Profit; and
- (ii) then, as to the total number of Underwritten Shares less 702,000,000 Rights Shares, i.e. not less than 2,483,278,325 and not more than 2,963,619,780 Rights Shares, by Guotai Junan.
- Commission : 1.0% of the aggregate Subscription Price in respect of the Rights Shares agreed to be underwritten by the Underwriters. The commission rate was determined after arm's length negotiations between the Company and the Underwriters with reference to, among other things, the scale of the Rights Issue and market rate. The Board considers that the underwriting commission rate is fair and reasonable and in the interests of the Company and the Shareholders as a whole.
- Conditions : Please refer to the paragraph headed "Conditions" below.
- Termination : Please refer to the section headed "Termination of the Underwriting Agreement" in this circular.

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Information on Always Profit and Mr. Zhang

Based on the information provided by Always Profit and Mr. Zhang and to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, (i) Always Profit is a company incorporated in the BVI with limited liability; (ii) Always Profit is principally engaged in investment holding and its ordinary course of business does not include underwriting; (iii) as at the Latest Practicable Date, Always Profit is wholly owned by Mr. Zhang and does not hold any Shares; and (iv) Mr. Zhang is a third party independent of and has no prior or current business dealings or relationships with Zhongli (being the vendor under the Proposed Acquisition).

Mr. Zhang is the ultimate beneficial owner of Prestige Rich, which holds 17,943,000 Shares, representing approximately 2.47% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Zhang is also interested in approximately 27% of the issued share capital of O Luxe, the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 860). As at the Latest Practicable Date, O Luxe is interested in 9,275,000 Shares through its wholly-owned subsidiaries, representing approximately 1.27% of the existing issued share capital of the Company.

The management of the Company is acquainted with a number of existing Shareholders and potential investors including Mr. Zhang which had indicated general willingness to invest in the Company from time to time. The management of the Company started to approach potential investors including Mr. Zhang after the Company entered into the memorandum of understanding with Zhongli with respect to the Proposed Acquisition with a view to soliciting support for possible fund raising activities of the Company to finance the Proposed Acquisition. At the same time, the Directors also considered to raise funds by way of the Rights Issue and approached potential underwriters including Guotai Junan, which also acted as the underwriter for the Previous Open Offer, to negotiate on the terms of the possible fund raising. While Guotai Junan indicated that they were only willing to take up a maximum underwriting commitment of not more than HK\$400 million, the management of the Company approached Mr. Zhang to see if he was willing to act as the co-underwriters alongside with Guotai Junan. After further negotiations among the Company, Guotai Junan and Mr. Zhang, it was agreed that Guotai Junan and Always Profit shall act as co-underwriters for the Rights Issue with respective underwriting commitments as set out in the paragraph headed "Principal terms of the Underwriting Agreement" above.

Irrevocable Undertakings

As at the Latest Practicable Date, (i) Mr. Wu is interested in 72,854,972 Shares (representing approximately 10.01% of the existing issued share capital of the Company), of which 71,734,945 Shares are held by City Wise and 1,120,027 Shares are held by City Smart (both companies are wholly owned by Mr. Wu); and (ii) Prestige Rich is interested in 17,943,000 Shares (representing approximately 2.47% of the existing issued share capital of the Company). Mr. Wu, City Smart, City Wise, Mr. Zhang and Prestige Rich have executed the Irrevocable Undertakings in favour of the Company and the Underwriters, pursuant to which, among other things, (i) each of City Smart, City Wise and Prestige Rich has irrevocably undertaken that the Shares beneficially owned by them on the date of the Irrevocable

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Undertakings will remain beneficially owned by them on the Record Date and each of them has irrevocably undertaken to lodge application and pay for their respective provisional allotments of the Rights Shares under the Rights Issue (being an aggregate of 453,989,860 Rights Shares); (ii) each of City Smart and City Wise has irrevocably undertaken to vote in favour of the resolution in relation to the Rights Issue at the SGM; and (iii) each of Mr. Wu and Mr. Zhang has irrevocably undertaken to procure the performance of the obligations of City Smart, City Wise and Prestige Rich as mentioned above respectively.

Conditions

The obligations of the Underwriters under the Underwriting Agreement are conditional upon the fulfillment or waiver (as the case may be) of the following conditions:

- (i) the posting of the Prospectus Documents to the Qualifying Shareholders on or before the Prospectus Posting Date;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) the listing of, and permission to deal in, the Rights Shares (in both their nil-paid and fully-paid forms) by no later than the first day of their dealings;
- (iii) compliance by the Company with its obligations under the Underwriting Agreement;
- (iv) (a) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Date and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than three trading days (other than pending clearance by the Stock Exchange and publications of announcements, circulars or the Prospectus Documents); and (b) no indication being received before the Latest Time for Termination from the Stock Exchange to the effect that such listing may be withdrawn or objected to (whether or not conditions will or may be attached thereto) (other than pending publications of announcements in respect of the Rights Issue);
- (v) the execution and delivery of the Irrevocable Undertakings in favour of the Company and the Underwriters on the date of the Underwriting Agreement;
- (vi) the Share Options Cancellation having become effective;
- (vii) the Shareholders (other than those who are required to abstain from voting pursuant to the Listing Rules) having approved at a general meeting the Rights Issue; and
- (viii) the Shareholders (other than those who are required to abstain from voting pursuant to the Listing Rules) having approved at a general meeting the refreshment of the existing scheme mandate in respect of granting of the Share Options to the extent that the total number of shares in the capital of the Company which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other option schemes of the Company will not exceed 10% of the issued share capital of the Company as at the date of that general meeting (subject to adjustments on share consolidation or subdivision).

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In the event that the above conditions are not fulfilled or (in respect of condition (iv) only) waived by the Underwriters at their sole discretion on or before the respective prescribed dates (or if no time or date is set out, 20 January 2016 or such other date as may be agreed between the Company and the Underwriters in writing), or if the Underwriting Agreement is terminated, all obligations and liabilities of the parties thereunder shall forthwith cease and determine and no party shall have any claim against the other parties (save for any antecedent breaches and claims hereof). As at the Latest Practicable Date, conditions (v) and (vi) as mentioned above have been fulfilled. Conditions (i), (vii) and (viii) as mentioned above are expected to be fulfilled on or before the Prospectus Posting Date.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Scenario 1 — assuming there is no change in the issued share capital of the Company since the Latest Practicable Date up to the Record Date:

	(i) As at the Latest Practicable Date		(ii) Immediately after Completion, assuming all the Rights Shares are subscribed by the Qualifying Shareholders		(iii) Immediately after Completion, assuming no Qualifying Shareholders (other than City Smart, City Wise and Prestige Rich) applied for their provisional allotments	
	Number of Shares	Approx.	Number of Shares	Approx.	Number of Shares	Approx.
		%		%		%
City Wise (Note 1)	71,734,945	9.86	430,409,670	9.86	430,409,670	9.86
City Smart (Note 2)	<u>1,120,027</u>	<u>0.15</u>	<u>6,720,162</u>	<u>0.15</u>	<u>6,720,162</u>	<u>0.15</u>
Subtotal	72,854,972	10.01	437,129,832	10.01	437,129,832	10.01
Mr. Tse (Note 3)	330,000	0.04	1,980,000	0.04	330,000	0.01
Prestige Rich (Note 5)	17,943,000	2.47	107,658,000	2.47	107,658,000	2.47
Always Profit (Notes 5, 7 and 8)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>702,000,000</u>	<u>16.07</u>
Subtotal	91,127,972	12.52	546,767,832	12.52	1,247,117,832	28.56
O Luxe (Note 6)	9,275,000	1.27	55,650,000	1.27	9,275,000	0.21
Guotai Junan (Notes 7 and 8)	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,483,278,325</u>	<u>56.86</u>
Other public Shareholders	<u>627,450,665</u>	<u>86.21</u>	<u>3,764,703,990</u>	<u>86.21</u>	<u>627,450,665</u>	<u>14.37</u>
Total	<u>727,853,637</u>	<u>100.00</u>	<u>4,367,121,822</u>	<u>100.00</u>	<u>4,367,121,822</u>	<u>100.00</u>

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Scenario 2 — assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date:

	(i) As at the Latest Practicable Date		(ii) Immediately after full exercise of all outstanding Share Options and Warrants but before the Record Date (Note 4)		(iii) Immediately after Completion, assuming all the Rights Shares are subscribed by the Qualifying Shareholders		(iv) Immediately after Completion, assuming no Qualifying Shareholders (other than City Smart, City Wise and Prestige Rich) applied for their provisional allotments	
	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %	Number of Shares	Approx. %
City Wise (Note 1)	71,734,945	9.86	71,734,945	8.71	430,409,670	8.71	430,409,670	8.71
City Smart (Note 2)	1,120,027	0.15	1,120,027	0.13	6,720,162	0.13	6,720,162	0.13
Subtotal	72,854,972	10.01	72,854,972	8.84	437,129,832	8.84	437,129,832	8.84
Mr. Tse (Note 3)	330,000	0.04	330,000	0.04	1,980,000	0.04	330,000	0.01
Prestige Rich (Note 5)	17,943,000	2.47	17,943,000	2.18	107,658,000	2.18	107,658,000	2.18
Always Profit (Notes 5, 7 and 8)	—	—	—	—	—	—	702,000,000	14.20
Subtotal	91,127,972	12.52	91,127,972	11.06	546,767,832	11.06	1,247,117,832	25.23
O Luxe (Note 6)	9,275,000	1.27	9,275,000	1.13	55,650,000	1.13	9,275,000	0.19
Guotai Junan (Notes 7 and 8)	—	—	—	—	—	—	2,963,619,780	59.95
Other public Shareholders	627,450,665	86.21	723,518,956	87.81	4,341,113,736	87.81	723,518,956	14.63
Total	727,853,637	100.00	823,921,928	100.00	4,943,531,568	100.00	4,943,531,568	100.00

Notes:

1. City Wise is wholly owned by South America Petroleum Investment Holdings Limited, which is in turn wholly owned by Mr. Wu.
2. City Smart is wholly owned by Mr. Wu.
3. Mr. Tse is an executive Director and the chief executive officer of the Company.
4. As at the Latest Practicable Date, there are (i) outstanding Warrants which entitle the holders thereof to subscribe for a total of 73,529,411 new Shares at the prevailing subscription price of HK\$1.70 per Share; and (ii) outstanding Share Options which entitle the Optionholders to subscribe for a total of 22,538,880 Shares. Please refer to the paragraph headed “Rights Issue statistics” under the section headed “Rights Issue” above for further details about the outstanding Share Options as at the Latest Practicable Date.
5. Prestige Rich and Always Profit are wholly owned by Mr. Zhang.
6. Mr. Zhang is interested in approximately 27% of the issued share capital of O Luxe.

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7. Pursuant to the Underwriting Agreement:
- (i) none of the Underwriters shall subscribe, for its own account, for such number of Untaken Shares which will result in it and parties acting in concert with it owning 30% (or such other percentage which will trigger a general offer to be made for the Shares under the Takeovers Code) or more of the voting rights of the Company upon Completion;
 - (ii) each of the Underwriters will use its best endeavours to ensure that each of the sub-underwriters and subscribers procured by it or the sub-underwriters (a) shall be third party independent of, not acting in concert with and not connected with the directors or chief executive of the Company or substantial Shareholders or their respective associates; (b) shall not, together with any of its associates, hold 10% or more of the Shares upon Completion; and (c) shall not, together with party(ies) acting in concert with each of them, hold 30% (or such other percentage which shall trigger a general offer to be made for the Shares under the Takeovers Code) or more of the voting rights of the Company upon Completion; and
 - (iii) each of the Underwriters shall use its best endeavours to ensure each of the sub-underwriters shall procure independent places to take up such number of Untaken Shares as necessary to ensure that the public float requirements under Rule 8.08 of the Listing Rules are complied with by the Company.
8. As at the Latest Practicable Date, none of the Underwriters has any sub-underwriting arrangements in place and no sub-underwriters have been identified by the Underwriters.

BUSINESS PLAN OF THE GROUP AND REASONS FOR THE RIGHTS ISSUE

The Company is an investment holding company. The Group is principally engaged in petroleum exploration and production in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (together, the “**Concessions**”) in Cuyana Basin, Mendoza Province of Argentina.

Petroleum exploration and production

As at the Latest Practicable Date, there are 10 production wells at the Concessions. The Group is entitled to 72% interest in production of 5 production wells and 51% interest in production from the remaining 5 production wells. For each of the two years ended 31 December 2013 and 2014, the Group recorded revenue from sale of petroleum of approximately HK\$89.9 million and HK\$85.7 million respectively. Despite the petroleum exploration and production business of the Group was able to generate positive segment results (excluding impairment losses) of approximately HK\$4.4 million and HK\$17.3 million for each of the two years ended 31 December 2013 and 2014 respectively, the Group was loss making due to the significant amount of impairment losses of the exploration and evaluation assets and finance expenses incurred by the Group. Having considered the current economic situation of Argentina, the Group decided to restart the overall business development plan in respect of the Concessions in later years and focus on workover and infrastructure investments to improve production on the existing oil wells. At the same time, the Group has been searching for opportunities in businesses including oil and gas exploration and production, energy related projects and other businesses which would generate satisfactory return to the Group and diversify the Group’s risk exposure in Argentina. To this end, the Group entered into a letter of intent in January 2014 with respect to a proposed acquisition of certain oil and gas properties in the United States (the “**Possible Oil Properties Acquisition**”). However, as disclosed in the announcement of the Company dated 8 January 2015, the significant decreases in oil price and the lack of visibility on near to medium term prospects of a sustained rebound in oil prices

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presented challenges for the Company to pursue the basic purchase price range which was set out in the letter of intent in relation to the Possible Oil Properties Acquisition. As at the Latest Practicable Date, negotiation on the Possible Oil Properties Acquisition has been suspended.

Solar power plant investments

In order to diversify the risks encountered by the Group's petroleum exploration and production business in Argentina, the Company has been actively conducting review of the market situation and potential investments made available to it in order to identify investment opportunities in other energy related sectors that may create shareholders value.

Favorable national policies with respect to the development of renewable energy sectors

Among the various energy sources, solar energy is a clean and renewable energy which does not generate pollutants, wastes and greenhouse gases. The Directors note that the PRC government has continued to promulgate favorable policies to support the development of solar power generation business in the PRC over the years.

In December 2011, the National Energy Administration (“NEA”) issued 《國家能源科技“十二五”規劃》 (the National Energy Technology Twelfth Five Year Plan*) (the “**NET 12th Five-Year Plan**”) which cited that the proportion of solar energy consumption volume to the total energy consumption volume in the world is expected to increase in the future. The NET 12th Five-Year Plan stated that one of the national directions for energy technology development is to reduce reliance on coal energy and shift to use clean, diversified and low-carbon energy. Despite the looming economic pressure in the first half of 2015, NEA considered that the growth of solar power industry in the PRC remained robust. The NEA further published 《關於下達2015年光伏發電建設實施方案的通知》 (Notice About The Implementation of Photovoltaic Power Generation Construction Plan for 2015*) in March 2015. Such notice (i) set out the national target for construction of solar power plants in 2015 including target construction scale for respective provinces in the PRC; (ii) offered priority to certain well-established solar power plants for connecting to the grid; and (iii) encouraged competition in the solar power generation industry by encouraging companies with strong technological support and economic strength to participate in constructing solar power plants so as to reduce the construction costs of solar power plants and subsequently the grid power price.

Currently, the PRC government strives to accelerate the development and production of renewable energy during the NET 12th Five-Year Plan period. To this end, the PRC government focuses on the development of many renewable energy generation projects, including solar power generation, wind power generation and the PV water heating generation.

* For identification purposes only

LETTER FROM THE BOARD

The Proposed Acquisition

In light of the policies promulgated by the PRC government to support the development of solar power, the Directors consider the prospects of solar power generation industry in the PRC is promising and believe that the investment in the solar power generation business is beneficial to the Group in the long run. The Directors believe that the sooner the Group taps into the solar power industry through its investments in solar power plants, the earlier such investments will bring contribution to the Group and benefit the Shareholders and the Group as a whole. The Company intends to diversify into the solar power generation business in the PRC by acquiring solar power plants which meet the following criteria (the “**Criteria**”):

- (i) all of the licences, approvals, consents and agreements necessary for the solar power plant to carry out the solar power generation business and supply electricity to the grid having been obtained, including but not limited to the approval for on-grid connection and agreement for power supply;
- (ii) the solar power plants being qualified for subsidies granted by the local government for supplying solar power;
- (iii) the planned total installed capacity of each solar power plant being no less than 10MW;
- (iv) the average internal rate of return of the solar power plant being no less than 8.5% per annum over 15 to 20 years since commencement of operation; and
- (v) the projected payback period of the solar power plant being no longer than 10 years.

Based on the Company’s understanding, after the construction work of the solar power plants are completed and the solar power plants are connected to the grid, they will operate automatically to generate and supply electricity to the grid. It is expected that the operation of the solar power plants will only involve a few staff, including (i) a small team which comprises three to four technicians and one management staff to monitor the operation thereof through computerised systems and perform ad-hoc maintenance works, and (ii) a few administrative staff to perform general administrative and accounting work. Accordingly, the operating expenses of the solar power plant which usually include staff salaries and benefits, office expenses, maintenance costs and tax expenses, are expected to be funded by internally generated cash derived from solar power plant operation. Substantial capital injection is not expected to be required after the solar power plant commences operation. In light of this, the Group intends to acquire solar power plants of which construction work has been completed and are in operation and permitted to connect and supply electricity to the grid, such that the solar power plants are able to generate immediate cash flow and require less administrative efforts to administer.

As disclosed in the announcement of the Company dated 2 September 2015, the Group entered into a memorandum of understanding (the “**MOU**”) with Zhongli (a subsidiary of one of the top twenty PV power plant investment companies in the PRC) with respect to a proposed acquisition of a target company which will hold the entire interests in certain solar power plants (the “**Proposed Acquisition**”). The MOU does not create any legally binding

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commitment between the parties thereto to proceed with the Proposed Acquisition. Such solar power plants are expected to have aggregate production capacity of 60MW and are located in Changshu and Liyang of Jiangsu Province and Mingchuan of Anhui Province in the PRC. The electricity generated by the solar power plants is expected to be supplied to the local state grid companies. Under the MOU, the Group has the right to conduct due diligence during the 3-month period from the signing of the MOU (i.e. from 1 September 2015 to 30 November 2015). Subject to the results of the due diligence review on the solar power plants and the negotiation between the Group and Zhongli, the Group is not obliged to acquire all solar power plants but may only acquire any part thereof, by requesting Zhongli to transfer only some of the prospective solar power plants to the said target company. As at the Latest Practicable Date, the Group was still conducting the due diligence review on the solar power plants and required additional time to complete such due diligence review. In the event that the Group has not served written notice to Zhongli regarding the results of its due diligence review within 5 business days after 30 November 2015 or where the results of the due diligence is unsatisfactory, Zhongli shall no longer be subject to the 6-month exclusivity provision under the MOU. Irrespective of the continuation of the exclusivity period or not, the Group will, with the co-operation of Zhongli, still conduct the due diligence on the solar power plants. At the initial stage, the Company intends to acquire solar power plants with aggregate production capacity of not less than 30MW and the acquisition is targeted to be completed in the first half of 2016.

Consideration

Based on the Company's understanding, the consideration for acquisition of solar power plant is generally determined based on the production capacity of the solar power plant to be acquired, and the price of solar power plant per unit of production capacity currently ranges from approximately RMB7.60 per Watt to RMB9.28 per Watt in the solar power industry in Jiangsu Province and Anhui Province of the PRC. At present, the Group has not entered into any legally binding agreements with Zhongli for the Proposed Acquisition. The Group is in the process of performing due diligence review on the solar power plants and evaluating the suitability of such solar power plants for acquisition. The Company will determine whether or not to proceed with the Proposed Acquisition by considering, among other things, the results of the due diligence review, the suitability of such solar power plants in accordance with the stated Criteria, and the consideration and payment terms to be agreed between the Group and Zhongli. The Company will make further announcement(s) in relation to the Proposed Acquisition as and when appropriate.

The consideration for the Proposed Acquisition is estimated to be approximately RMB253.2 million (equivalent to approximately HK\$309.0 million) based on the price of solar power plant per unit of production capacity of RMB8.44 per Watt and the professional fees and transaction costs attributable thereto is estimated to be approximately HK\$8.0 million. The Company intends to fund the Proposed Acquisition including the professional fees and transaction costs attributable thereto with the net proceeds from the Rights Issue. In the event that the Group pursues additional acquisition of solar power plants in future, the Company intends to finance such acquisition by debt financing and/or further equity financing, depending on the financing means then available to the Group.

LETTER FROM THE BOARD

In addition to the Proposed Acquisition, the Group is also actively exploring other opportunities to acquire suitable solar power plants. In the event that the Group decides not to proceed with the Proposed Acquisition and the Group is not able to identify other suitable solar power plants to acquire from Zhongli, the Group intends to source suitable solar power plants for acquisition from other potential sellers which are the top twenty PV power plant investment companies engaged in construction of power plants in the PRC. In such circumstances, the net proceeds from the Rights Issue initially allocated for the Proposed Acquisition will instead be applied to the acquisition of other suitable solar power plants. Having considered that there is abundant supply of solar power plants in the market, the Directors are confident that the Group will be able to identify suitable acquisition targets and venture into the solar power generation business.

Money Lending Business

The Company has incorporated a wholly-owned subsidiary on 30 July 2015, namely Have Result Finance Limited (“**HR Finance**”). HR Finance has lodged the application for money lenders license to the Commissioner of the Police and the Registrar of Money Lenders and has obtained the money lenders license on 19 November 2015. It is expected that HR Finance will commence the money lending business, focusing on the provision of corporate loans, within three months after receiving the money lenders license, so as to allow sufficient time for HR Finance to establish loan approval policies including credit review and collateral pledging policies before it solicits any financing business. It will consider recruiting professionals with relevant experience to assist the Directors to manage this business. The initial plan is to build up a loan portfolio in the amount of HK\$50 million to HK\$100 million during the first year of operation, depending on the funding available to the Group. In future, the Company intends to finance the operation of HR Finance by debt financing and/or further equity financing, depending on the financing means then available to the Group.

USE OF PROCEEDS AND REASONS FOR THE RIGHTS ISSUE

As at the Latest Practicable Date, the Group had a short-term loan from a licensed money lender in the principal amount of HK\$20 million which will be due for repayment in February 2016 and bank borrowings from China Development Bank Corporation Hong Kong Branch in the principal amount of HK\$163.8 million, of which HK\$54.6 million will be due for repayment in November 2016, HK\$54.6 million will be due for repayment in November 2017 and HK\$54.6 million will be due for repayment in November 2018 according to the terms of the loan facility.

The gross proceeds from the Rights Issue will be not less than approximately HK\$509.5 million and not more than HK\$576.7 million before expenses. The estimated net proceeds from the Rights Issue will be not less than approximately HK\$503.7 million and not more than approximately HK\$570.2 million. The net price per Rights Share after deducting the related expenses of the Rights Issue will be approximately HK\$0.138. The Company intends to apply such net proceeds as to (i) approximately HK\$317.0 million for the Proposed Acquisition including the professional fees and transaction costs attributable thereto; (ii) approximately HK\$134.4 million for the repayment of the principal amount of the Company’s debts due

LETTER FROM THE BOARD

within the next 24 months (together with interests accrued thereon) by June 2016; and (iii) approximately HK\$52.3 million to HK\$118.8 million (depending on the amount of net proceeds raised from the Rights Issue) for the general working capital of the Group.

As mentioned above, if the Group decides not to proceed with the Proposed Acquisition and the Group is not able to identify other suitable solar power plants to acquire from Zhongli, the Group intends to source suitable solar power plants for acquisition from other PV power plants investors in the market. Accordingly, the net proceeds from the Rights Issue of approximately HK\$317 million which were initially allocated for the Proposed Acquisition (the “**Net Proceeds for Solar Plant Projects**”) will instead be applied to the acquisition of suitable solar power plants from other PV power plant investors in the market. Should the Company fail to complete the Proposed Acquisition or other potential acquisition of solar power plants within the 12 months after Completion, the Company intends to reallocate the Net Proceeds for Solar Plant Projects as to (i) approximately HK\$55.8 million to repay the Company’s debt due in November 2018; and (ii) subject to the then market conditions, approximately HK\$261.2 million for the drilling of new oil wells and/or investment in workover on existing oil wells to improve the production of oil in the Concessions.

The Board considers that the Rights Issue will enable the Group to strengthen the capital base of the Group, reduce its debt and enhance its financial position, and cater for the capital needs of the Proposed Acquisition. The Rights Issue will provide the Qualifying Shareholders opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group. Accordingly, the Board considers that the Rights Issue is in the interests of the Company and the Shareholders as a whole. The Directors also consider that the terms of the Underwriting Agreement (including the Rights Issue and the commission rate) are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

The Board has considered other fund raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, bank borrowings, placing and open offer. The Board believes the Rights Issue represents a more cost effective means to raise the necessary funds for the capital requirements of the Group as compared to the other alternatives, having considered that (i) debt financing and bank borrowings will result in additional interest burden to and higher gearing ratio for the Group; (ii) placing of new Shares would not be available for all Qualifying Shareholders and would possibly dilute the shareholding interests of the existing Shareholders; and (iii) open offer would not provide an additional option to those Qualifying Shareholders who do not wish to take up their entitlements to sell their entitled nil-paid Rights Shares and those who wish to increase their shareholding interests in the Company to acquire additional nil-paid Rights Shares in the market. The Board believes that the Rights Issue enables the Shareholders to maintain their pro-rata shareholding interests in the Company and is in the interests of the Company and the Shareholders as a whole.

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FUND RAISING EXERCISE IN THE PRECEDING 12-MONTH PERIOD

The table below sets out the fund raising exercise conducted by the Company in the past 12 months immediately before the Latest Practicable Date:

Date of announcement	Date of completion of the fund raising activity	Fund raising activity	Net proceeds raised	Proposed use of the proceeds	Actual use of the proceeds
31 March 2015	17 June 2015	The Previous Open Offer	Approximately HK\$119 million	(i) approximately HK\$97 million for the repayment of the Company's debts; and (ii) remaining proceeds for the general working capital of the Group and/or future investment activities when such investment opportunities arise.	(i) approximately HK\$97 million has been used for the repayment of the Company's debt; and (ii) approximately HK\$22.0 million has been used as general working capital of the Company.

Save as disclosed above, the Company has not conducted any other fund raising activities in the past 12 months immediately prior to the Latest Practicable Date.

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The table below sets forth the accumulative dilution effect of the Rights Issue and the Previous Open Offer:

Date of announcement	Event	Dilution to the Share price (Note 1)	Maximum potential dilution to the shareholding interests of the Qualifying Shareholders who do/did not participate in the relevant Rights Issue (Note 2)
31 March 2015	The Previous Open Offer (on the basis of one offer share for every two existing shares then held) completed by the Company in June 2015	15.1%	33.33%
12 November 2015	The Rights Issue (on the basis of five Rights Shares for every one existing Share held)	54.6%	83.33%
	<i>Accumulative dilution effect on the Share price resulting from the Previous Open Offer and the Rights Issue</i>	61.5%	N/A
	<i>Accumulative dilution effect to those Shareholders who do/did not participate in both the Previous Open Offer and the Rights Issue</i>	N/A	88.89%

Notes:

- (1) The dilution effect on the Share price is calculated as the percentage decrease from the adjusted (if applicable) closing price of the Shares as quoted on the Stock Exchange on the date of the relevant underwriting agreement to the ex-entitlement price or ex-rights price of the Shares.
- (2) The maximum potential dilution to the shareholding interests of the Shareholders in the Company is calculated by dividing the increase in number of Shares by the total number of Shares in issue immediately after the relevant fund raising exercises.

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POSSIBLE ADJUSTMENTS RELATING TO SHARE OPTIONS AND WARRANTS

As a result of the Rights Issue, there may be certain adjustments to the exercise prices and/or number of Shares to be issued upon exercise of the Share Options and the subscription price of the Warrants pursuant to the relevant terms of the Share Option Scheme and the terms of the instrument constituting the Warrants respectively. Pursuant to the Share Option Scheme and the terms of the instrument constituting the Warrants, the final results of adjustments (if any) to the exercise prices and/or number of Shares to be issued upon exercise of the Share Options and the subscription price of the Warrants will become effective subject to certification by the auditors of the Company for the time being or, where applicable, an investment or merchant bank of repute. Further details of the adjustments (if any) to the exercise prices and/or number of Shares to be issued by the Company upon exercise of the Share Options and the subscription price of the Warrants will be announced by the Company as and when appropriate.

CHANGE IN BOARD LOT SIZE

As at the Latest Practicable Date, the Shares are traded on the Stock Exchange in board lot of 5,000 Shares. Based on the closing price of HK\$0.190 per Share (equivalent to a theoretical ex-rights price of approximately HK\$0.148 per Share) on the Latest Practicable Date, the value of each board lot of 5,000 Shares is expected to be approximately HK\$740 upon Completion.

In order to increase the value of each board lot of the Shares to not less than HK\$2,000 and to reduce the transaction and handling costs to be incurred by the Shareholders and investors of the Company, the Board proposes to change the board lot size of the Shares for trading on the Stock Exchange from 5,000 Shares to 15,000 Shares with effect from the date of allotment and issue of the Rights Shares. The Board is of the opinion that the change in board lot size of the Shares is in the interests of the Company and the Shareholders as a whole. The share certificates for the existing board lot of the Shares will remain good evidence of legal title and continue to be valid for delivery, trading and settlement purposes after the change in board lot size of the Shares.

ODD LOT ARRANGEMENT

To alleviate the difficulties in trading odd lot of the Shares arising from the change in board lot size of the Shares, the Company has appointed Guotai Junan Securities (Hong Kong) Limited as an agent to provide matching services to those Shareholders who wish to top up or sell their holdings of odd lots of the Shares during the period from 9:00 a.m. on Thursday, 28 January 2016 to 4:00 p.m. on Tuesday, 23 February 2016 (both dates inclusive). Shareholders should note that the matching service is on a “best efforts” basis only. Shareholders who wish to take advantage of this facility should contact Mr. Simon Lou of Guotai Junan Securities (Hong Kong) Limited at 27/F, Low Block, Grand Millennium Plaza, 181 Queen’s Road Central, Hong Kong or at telephone number (852) 2509 7519 during office hours from 9:00 a.m. to 6:00 p.m. The successful matching of the sale and purchase of odd lots of the Shares is not guaranteed and will depend on there being adequate amounts of odd lots of Shares available for such matching. Shareholders are recommended to consult their professional advisers if they are in doubt about the above facility.

LETTER FROM THE BOARD

WARNING OF THE RISKS OF DEALINGS IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Rights Issue is conditional upon, among other things, the obligations of the Underwriters under the Underwriting Agreement having become unconditional and the Underwriters not having terminated the Underwriting Agreement in accordance with the terms thereof. Accordingly, the Rights Issue may or may not proceed. Shareholders and potential investors should therefore exercise caution when dealings in the securities of the Company.

Shareholders should note that the Shares will be dealt in on an ex-rights basis commencing from Tuesday, 22 December 2015 and that dealings in the Shares will take place while the conditions to which the Underwriting Agreement is subject remain unfulfilled.

Any Shareholder or other person dealings in the Shares from the Latest Practicable Date up to the date on which all conditions of the Rights Issue are fulfilled (which is expected to be on 4:00 p.m. on Wednesday, 20 January 2016), and any dealings in the Rights Shares in their nil-paid form from Tuesday, 5 January 2016 to Tuesday, 12 January 2016 (both days inclusive), will accordingly bear the risk that the Rights Issue cannot become unconditional and may not proceed. Any Shareholders or other persons contemplating dealings in the securities of the Company are recommended to consult their own professional advisers.

(2) PROPOSED REFRESHMENT OF THE SHARE OPTION SCHEME MANDATE LIMIT

The Share Option Scheme was approved and adopted by the Shareholders at the special general meeting of the Company on 6 November 2006. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force. At the special general meeting of the Company held on 13 May 2015, the Shareholders approved the refreshment of the Scheme Mandate Limit as permitted under Rule 17.03(3) of the Listing Rules. The number of Shares subject to the Scheme Mandate Limit as refreshed on 13 May 2015 is 24,747,023 Shares, being 5.10% of the Shares then in issue pursuant to the ordinary resolution passed by the Shareholders at the special general meeting held on 13 May 2015. The movements of the Share Options granted under the existing Scheme Mandate Limit are as follows:

	Number of Shares
Scheme Mandate Limit as refreshed on 13 May 2015	24,747,023
Adjustments to the number of Share Options as a result of completion of the Previous Open Offer	<u>(20,937,559)</u>
Unused limit as at the Latest Practicable Date	<u><u>3,809,464</u></u>

LETTER FROM THE BOARD

As disclosed in the announcement of the Company dated 16 June 2015, adjustments were made to the exercise prices and the number of outstanding Share Options as a result of completion of the Previous Open Offer, which had utilised 20,937,559 of the Scheme Mandate Limit. Since then and up to the Latest Practicable Date, no Share Options to subscribe Shares under the Share Option Scheme has been granted by the Company.

On 20 November 2015, the Share Option Cancellation became effective and outstanding Share Options carrying rights to subscribe for an aggregate of 118,798,679 Shares have been cancelled. Accordingly, Share Options carrying rights to subscribe for an aggregate of 22,538,880 Shares remained outstanding as at the Latest Practicable Date.

Pursuant to the provisions of the Share Option Scheme, Rule 17.03(13) of the Listing Rules and the supplementary guidance issued by the Stock Exchange on 5 September 2005 regarding the interpretation of Rule 17.03(13) of the Listing Rules, upon completion of the Rights Issue, the exercise price of the outstanding Share Options and the number of Shares that can be subscribed for upon the exercise of the outstanding Share Options may have to be adjusted. Please refer to the paragraph headed “Possible adjustments relating to Share Options and Warrants” above for details. However, for illustrative purposes, assuming the closing price of the Shares on the last day of dealings in the Shares on a cum-right basis is the same as the closing price of HK\$0.190 per Share as quoted on the Stock Exchange on the Latest Practicable Date, an additional 6,396,168 Shares will fall to be issued upon the exercise of subscription rights attached to all the outstanding Share Options resulting from Completion, thus exceeding the remaining Scheme Mandate Limit as at the Latest Practicable Date.

Further, as disclosed in the section headed “Principal terms of the Underwriting Agreement”, it is one of the conditions precedent to the Underwriting Agreement that the Shareholders’ approval has to be obtained for the refreshment of the Scheme Mandate Limit. In this connection, the Directors propose that the Scheme Mandate Limit be refreshed in order to (i) cover the additional number of Shares that may fall to be issued under the outstanding Share Options as a result of the adjustments triggered by the Rights Issue, and (ii) retain a flexible means to provide incentive or reward to eligible persons for their contribution to and continuing efforts to promote the interests of the Company.

Pursuant to the Share Option Scheme, the Company may refresh the Scheme Mandate Limit by ordinary resolution of the Shareholders at general meeting provided that:

- (a) the Scheme Mandate Limit so refreshed shall not exceed 10% of the total number of Shares in issue as at the date of the Shareholders’ approval of the refreshment of the Scheme Mandate Limit (and in this connection, Share Options previously granted under the Share Option Scheme and any other share option scheme(s) of the Company (including those outstanding, cancelled, or lapsed in accordance with the relevant scheme rules or exercised Share Options) shall not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed); and
- (b) the total number of Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme and any other share option scheme(s) of the Company must not in aggregate exceed 30% of the total number of Shares in issue from time to time.

LETTER FROM THE BOARD

If the refreshment of the Scheme Mandate Limit is approved at the SGM, based on the 727,853,637 Shares in issue as at the Latest Practicable Date and assuming no further Shares will be allotted and issued or repurchased after the Latest Practicable Date and up to the date of the SGM, the Company may grant further Share Options carrying rights to subscribe for up to a total of 72,785,363 Shares under the Share Option Scheme (representing 10% of the issued share capital of the Company as at the date of the SGM).

Assuming that the refreshment of the Scheme Mandate Limit will be approved and a total of 72,785,363 Share Options under the Share Option Scheme were granted, and taking into account the outstanding Share Options (carrying rights to subscribe for up to a total of 22,538,880 Shares) which remain unexercised, the number of Shares that may be issued under the Share Option Scheme will be in aggregate of 95,324,243 Shares, representing approximately 13.10% of the Shares in issue as at the Latest Practicable Date and is within the 30% limit of the total number of Shares in issue from time to time as required under the Share Option Scheme.

The refreshment of the Scheme Mandate Limit is conditional upon:

- (a) the passing of the necessary resolution to approve the refreshment of the Scheme Mandate Limit by the Shareholders at the SGM; and
- (b) the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, such number of Shares representing 10% of the Shares in issue as at the date of the SGM, which may be issued pursuant to exercise of Share Options to be granted under the refreshed Scheme Mandate Limit.

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Shares to be listed by the Company (representing 10% of the Shares in issue as at the date of the SGM) which may be issued pursuant to the exercise of Share Options to be granted under the refreshed Scheme Mandate Limit.

LISTING RULES IMPLICATIONS

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the independent Shareholders at the SGM where any controlling Shareholders and their associates or, where there are no controlling Shareholders (within the meaning of the Listing Rules), the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the relevant resolution in relation to the Rights Issue at the SGM. Since the Company does not have any controlling Shareholders, Mr. Tse (an executive Director and the chief executive officer of the Company) and his associates shall abstain from voting in favour of the relevant resolution in relation to the Rights Issue at the SGM. In addition, Always Profit, which is wholly owned by Mr. Zhang, is one of the Underwriters and has material interest in the Underwriting Agreement. Accordingly, Always Profit and its associates (including Mr. Zhang and Prestige Rich) shall abstain from voting on the relevant resolution in relation to the Rights Issue at the SGM. As at the Latest Practicable Date, (i) Mr. Tse is interested in 330,000 Shares (representing approximately 0.04%

LETTER FROM THE BOARD

of the existing issued share capital of the Company) and none of the other Directors has any interest in the Shares; (ii) Mr. Zhang, through Prestige Rich, is interested in 17,943,000 Shares (representing approximately 2.47% of the existing issued share capital of the Company); and (iii) Always Profit does not have any interest in the Shares. As at the Latest Practicable Date, Mr. Tse had no intention to vote against the relevant resolution in relation to the Rights Issue at the SGM. In addition, as no Shareholder has a material interest in the refreshment of the Scheme Mandate Limit and accordingly, no Shareholder is required to abstain from voting on the relevant resolution in relation to the refreshment of Scheme Mandate Limit at the SGM.

SGM

A notice convening the SGM to be held at 10 a.m. on Friday, 18 December 2015, at Meeting Room, Regus Business Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong is set out on pages SGM-1 to SGM-4 of this circular for the purposes of considering and, if thought fit, approving the Underwriting Agreement, the Rights Issue together with the transactions contemplated thereunder and the proposed refreshment of the Scheme Mandate Limit.

Upon the approval of the Rights Issue by the Independent Shareholders at the SGM, the Prospectus Documents will be despatched to the Qualifying Shareholders as soon as practicable and the Prospectus will be despatched to the Non-qualifying Shareholders for information purposes only.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case maybe). Completion and return of the proxy form shall not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case maybe) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

Subject to the Rights Issue being approved at the SGM, the Prospectus or Prospectus Documents, where appropriate, containing further information on the Rights Issue will be despatched to the Shareholders as soon as practicable, and in any event only the Prospectus but not the PAL will be sent to Non-qualifying Shareholders for their information purposes only.

LETTER FROM THE BOARD

RECOMMENDATION

The Independent Board Committee, comprising all the three independent non-executive Directors, namely Mr. Qian Zhi Hui, Mr. Teoh Chun Ming and Mr. Zhu Tiansheng, has been established to advise the Independent Shareholders as to whether (i) the terms of the Rights Issue are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole and to make recommendations to the Independent Shareholders on how to vote on the resolution regarding the Rights Issue at the SGM. Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

Your attention is drawn to the letter from the Independent Board Committee set out on page 38 of this circular which contains its recommendation to the Independent Shareholders in relation to the Rights Issue, and the letter from Gram Capital set out on pages 39 to 53 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee) believe that (i) the terms of the Rights Issue and the Underwriting Agreement are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) the Rights Issue and the proposed refreshment of the Scheme Mandate Limit is in the interests of the Company and the Shareholders as a whole, and recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve the Rights Issue and the proposed refreshment of the Scheme Mandate Limit.

ADDITIONAL INFORMATION

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

By the order of the Board
EPI (Holdings) Limited
Tse Kwok Fai, Sammy
Executive Director & CEO

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Rights Issue.



2 December 2015

To the Independent Shareholders

Dear Sir or Madam,

PROPOSED RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE

We refer to the circular of the Company dated 2 December 2015 (the “**Circular**”) of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to advise the Independent Shareholders as to whether (i) the terms of the Rights Issue are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) the Rights Issue is in the interests of the company and the Shareholders as a whole.

Gram Capital has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

Having taken into account the terms of the Rights Issue and the advice from Gram Capital (together with the principal factors and reasons considered in arriving such advice), we are of the opinion that (i) the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend you to vote in favour of the relevant resolution to be proposed at the SGM to approve the Rights Issue.

Yours faithfully,
Independent Board Committee

Mr. Qian Zhi Hui

Mr. Teoh Chun Ming

Mr. Zhu Tiansheng

Independent non-executive Directors

* *for identification purposes only*

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

2 December 2015

*To: The independent board committee and the independent shareholders
of EPI (Holdings) Limited*

Dear Sirs,

RIGHTS ISSUE ON THE BASIS OF FIVE RIGHTS SHARES FOR EVERY ONE EXISTING SHARE HELD ON THE RECORD DATE AT HK\$0.14 PER RIGHTS SHARE

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Rights Issue, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 2 December 2015 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 12 November 2015, the Board announced that the Company proposes to raise gross proceeds of not less than approximately HK\$509.5 million and not more than approximately HK\$576.7 million by issuing not less than 3,639,268,185 and not more than 4,119,609,640 Rights Shares to the Qualifying Shareholders by way of the Rights Issue at the Subscription Price of HK\$0.14 per Rights Share on the basis of five Rights Shares for every one existing Share held on the Record Date. The Rights Issue is fully underwritten by the Underwriters.

Since the Rights Issue will increase the issued share capital of the Company by more than 50%, in accordance with Rule 7.19(6) of the Listing Rules, the Rights Issue must be made conditional on, among other things, the approval by the independent Shareholders at the SGM where any controlling Shareholders and their associates or, where there are no controlling Shareholders (within the meaning of the Listing Rules), the Directors (excluding the independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution(s) relating to the Rights Issue. Since the Company does not have any controlling Shareholders, Mr. Tse (an executive Director and the chief executive officer of the Company) and his associates shall abstain from voting in favour of the resolution(s) in relation to the Rights Issue at the SGM. In addition, Always Profit, which is wholly owned by Mr. Zhang, is one of the Underwriters and

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has material interest in the Underwriting Agreement. Accordingly, Always Profit and its associates (including Mr. Zhang and Prestige Rich) shall abstain from voting on the resolutions(s) in relation to the Rights Issue at the SGM.

The Independent Board Committee comprising Mr. Qian Zhi Hui, Mr. Teoh Chun Ming and Mr. Zhu Tiansheng (all being independent non-executive Directors) has been established to advise the Independent Shareholders as to (i) whether the terms of the Rights Issue are fair and reasonable so far as the Company and the Independent Shareholders are concerned; (ii) whether the Rights Issue is in the interests of the Company and the Shareholders as a whole; and (iii) how to vote in relation to the Rights Issue at the SGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no undisclosed private agreements/arrangements or implied understanding with anyone concerning the Rights Issue. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Underwriters or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Rights Issue. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the

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information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Rights Issue, we have taken into consideration the following principal factors and reasons:

1. Background of and reasons for the Rights Issue

Business and financial overview of the Group

As referred to in the Board Letter, the Group is principally engaged in petroleum exploration and production in the Puesto Pozo Cercado Concession and Chañares Herrados Concession in Cuyana Basin, Mendoza Province of Argentina.

Set out below are the financial information of the Group for the six months ended 30 June 2015 and the two years ended 31 December 2014 as extracted from the interim report of the Company for the six months ended 30 June 2015 (the “**2015 Interim Report**”) and the annual report of the Company for the year ended 31 December 2014 (the “**2014 Annual Report**”):

	For the six months ended 30 June 2015	For the year ended 31 December 2014	For the year ended 31 December 2013	Year on year change
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>%</i>
	(unaudited)	(audited)	(audited)	
Turnover	32,871	85,689	89,853	(4.63)
Loss and total comprehensive loss attributable to the owners of the Company	(15,292)	(381,143)	(679,171)	(43.88)

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	As at 30 June 2015 <i>HK\$'000</i> (unaudited)	As at 31 December 2014 <i>HK\$'000</i> (audited)	As at 31 December 2013 <i>HK\$'000</i> (audited)	Year on year change %
Cash and cash equivalents	77,632	28,565	48,029	(40.53)
Net assets	136,660	30,685	218,186	(85.94)

For the financial year ended 31 December 2014, the Group recorded turnover of approximately HK\$85.69 million, representing a decrease of approximately 4.63% as compared to the prior year. During the same financial year under review, the Group recorded loss and total comprehensive loss attributable to the owners of the Company of approximately HK\$381.14 million following the loss and total comprehensive loss attributable to the owners of the Company of approximately HK\$679.17 million recorded for the previous year.

With reference to the 2014 Annual Report and as confirmed by the Directors, sales of petroleum have been the major focus and the only source of revenue for the Group. As mentioned in the 2015 Interim Report, the Group is also looking into investment opportunities in other sectors that may create shareholder value other than the oil and exploration operations.

The business plan of the Group in respect of “petroleum exploration and production”, “solar power plant investments” and “money lending business” is set out under the section headed “Business plan of the Group and reasons for the Rights Issue” of the Board Letter.

Reasons for the Rights Issue

According to the Board Letter, as at the Latest Practicable Date, the Group had a short-term loan from a licenced money lender in the principal amount of HK\$20 million which will be due for repayment in February 2016 and bank borrowings from China Development Bank Corporation Hong Kong Branch in the principal amount of HK\$163.8 million, of which HK\$54.6 million will be due for repayment in November 2016, HK\$54.6 million will be due for repayment in November 2017 and HK\$54.6 million will be due for repayment in November 2018 according to the terms of the loan facility.

The gross proceeds from the Rights Issue will be not less than approximately HK\$509.5 million and not more than HK\$576.7 million before expenses. The estimated net proceeds from the Rights Issue will be not less than approximately HK\$503.7 million and not more than approximately HK\$570.2 million. The Company intends to apply such net proceeds as to (i) approximately HK\$317.0 million for the Proposed Acquisition including the professional fees and transaction costs attributable thereto; (ii) approximately HK\$134.4 million for the repayment of the principal amount of the Company’s debts due within the next 24 months (together with interests accrued thereon)

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by June 2016; and (iii) approximately HK\$52.3 million to HK\$118.8 million (depending on the amount of net proceeds raised from the Rights Issue) for the general working capital of the Group.

If the Group decides not to proceed with the Proposed Acquisition and the Group is not able to identify other suitable solar power plants to acquire from Zhongli, the Group intends to source suitable solar power plants for acquisition from other PV power plant investors in the market. Accordingly, the Net Proceeds for Solar Plant Projects of approximately HK\$317 million will instead be applied to the acquisition of suitable solar power plants from other PV power plant investors in the market. Should the Company fail to complete the Proposed Acquisition or other potential acquisition of solar power plants within the 12 months after Completion, the Company intends to reallocate the Net Proceeds for Solar Plant Projects as to (i) approximately HK\$55.8 million to repay the Company's debt due in November 2018; and (ii) subject to the then market conditions, approximately HK\$261.2 million for the drilling of new oil wells and/or investment in workover on existing oil wells to improve the production of oil in the Concessions.

In view of (i) the historical unsatisfactory financial performance of the Group; (ii) that the Rights Issue will enable the Group to strengthen the capital base of the Group, reduce its debt and enhance its financial position, and cater for the capital needs of the Proposed Acquisition; (iii) the Rights Issue will provide the Qualifying Shareholders opportunity to participate in the enlargement of the capital base of the Company and enable the Qualifying Shareholders to maintain their respective pro-rata shareholding interests in the Company and to continue to participate in the future development of the Group; and (iv) the proposed use of proceeds from the Rights Issue as aforementioned, we concur with the Directors that the reasons for the Rights Issue is justifiable.

Other financing alternatives available to the Group

As advised by the Directors, the Board has considered other fund raising alternatives before resolving to the Rights Issue, including but not limited to debt financing, bank borrowings, placing and open offer. The Board believes the Rights Issue represents a more cost effective means to raise the necessary funds for the capital requirements of the Group as compared to the other alternatives, having considered, amongst others, that (i) debt financing and bank borrowings will result in additional interest burden to and higher gearing ratio for the Group; (ii) placing of new Shares would not be available for all Qualifying Shareholders and would possibly dilute the shareholding interests of the existing Shareholders; and (iii) open offer would not provide an additional option to those Qualifying Shareholders who do not wish to take up their entitlements to sell their entitled nil-paid Rights Shares. The Board believes that the Rights Issue enables the Shareholders to maintain their pro-rata shareholding interests in the Company and is in the interests of the Company and its Shareholders as a whole.

Having taken into account the reasons for and possible benefits of the Rights Issue as well as the availability of and comparison with other financing alternatives, we concur with the Directors that the Rights Issue is in the interests of the Company and the Shareholders as a whole.

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2. Principal terms of the Rights Issue

The following table summarises the major terms of the Rights Issue:

Basis of the Rights Issue:	Five Rights Shares for every one existing Share held on the Record Date
Subscription Price:	HK\$0.14 per Rights Share
Number of Shares in issue as at the Latest Practicable Date:	727,853,637 Shares
Number of Rights Shares:	not less than 3,639,268,185 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date) and not more than 4,119,609,640 Rights Shares (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date)
Underwriters:	Guotai Junan and Always Profit, a company wholly owned by Mr. Zhang
Underwriting commitment:	(i) Firstly, as to 702,000,000 Rights Shares by Always Profit; and (ii) then, as to the total number of Underwritten Shares less 702,000,000 Rights Shares, i.e. not less than 2,483,278,325 and not more than 2,963,619,780 Rights Shares, by Guotai Junan.
Underwriting commission:	1.0% of the aggregate Subscription Price in respect of the Rights Shares agreed to be underwritten by the Underwriters.

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The Subscription Price represents:

- (a) a discount of approximately 26.32% to the closing price of HK\$0.190 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a discount of approximately 65.43% to the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**LTD Discount**”);
- (c) a discount of approximately 65.60% to the average closing price of approximately HK\$0.407 per Share for the last five consecutive trading days up to and including the Last Trading Day as quoted on the Stock Exchange;
- (d) a discount of approximately 65.26% to the average closing price of approximately HK\$0.403 per Share for the last ten consecutive trading days up to and including the Last Trading Day as quoted on the Stock Exchange;
- (e) a discount of approximately 23.91% to the theoretical ex-rights price (assuming there is no new Share being issued and no Share being repurchased by the Company from the Last Trading Day on or before the Record Date) of approximately HK\$0.184 per Share after the Rights Issue, calculated based on the closing price of HK\$0.405 per Share as quoted on the Stock Exchange on the Last Trading Day (the “**TERP Discount**”);
- (f) a discount of approximately 25.53% to the consolidated net asset value per Share as at 30 June 2015 of approximately HK\$0.188 (which is calculated based on the unaudited consolidated net asset value of the Group as at 30 June 2015 of approximately HK\$136,660,000 and 727,853,637 Shares in issue as at the Latest Practicable Date).

With reference to the Board Letter, the Company has approached the Underwriters and a number of financial institutions for the underwriting arrangement of the Rights Issue. During the course of negotiations, it has been indicated to the Company that it is one of the requisite terms to set the Subscription Price at a relatively deep discount to the recent closing prices of the Shares in order to mitigate the underwriting risk to the potential underwriters. The terms of the Rights Issue, including the Subscription Price, were determined after arm’s length negotiations between the Company and the Underwriters, taking into account the following factors: (i) as at 30 June 2015, the unaudited net assets of the Group amounted to approximately HK\$136.7 million, equivalent to approximately HK\$0.188 per Share based on 727,853,637 Shares in issue as at the Latest Practicable Date; (ii) the prevailing sentiment in the Hong Kong stock market; (iii) the net loss of the Group for the five consecutive financial years since 2010; (iv) the net cash used in operating activities of the Group for the four consecutive financial years since 2011; (v) the Group’s reliance on single geographical market, namely Argentina, and the risk exposure relating to its uncertain political and economic situation; and (vi) the capital needs and the financial position of the Group.

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3. Analyses on the Subscription Price

In order to assess the fairness and reasonableness of the Subscription Price, we set out the following informative analyses for illustrative purpose:

Review on Share price performance

The following chart illustrates the average closing price of the Shares as quoted on the Stock Exchange in each month during the period commencing from 1 November 2014 up to and including the Last Trading Day (the “**Review Period**”) (being a period of approximately one year prior to and including the Last Trading day, which is commonly used for analysis purpose):



Source: the Stock Exchange web-site (www.hkex.com.hk)

As shown by the above table, the closing prices of the Shares were above HK\$1.30 during the first half of November 2014. Thereafter, the closing prices of the Shares followed a general sliding trend. Although the closing prices of the Shares recovered to above HK\$1.00 in mid-June 2015, it dropped significantly thereafter and reached HK\$0.42 on 8 July 2015. After recovery after mid-July 2015, the closing prices of the Shares decreased again and reached HK\$0.405 on 12 November 2015, being the Last Trading Day. We also noticed from the above table that the Subscription Price is lower than the closing prices of the Shares during the Review Period.

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Review on trading liquidity of the Shares

The average daily number of the Shares traded per month, and the respective percentages of the Shares' monthly trading volume as compared to (i) the total number of issued Shares held by the public as at the Last Trading Day; and (ii) the total number of issued Shares as at the Last Trading Day, during the Review Period are tabulated as follows:

Month	No. of trading days in each month	Average daily trading volume (the "Average Volume") Shares	% of the Average Volume to total number of issued Shares held by the public as at the Last Trading Day (Note 1) %	% of the Average Volume to total number of issued Shares as at the Last Trading Day (Note 2) %
2014				
November	20	7,237,446	1.11	0.99
December	21	10,488,258	1.60	1.44
2015				
January	21	7,157,300	1.09	0.98
February	18	4,931,209	0.75	0.68
March	22	36,419,758	5.56	5.00
April	19	74,842,535	11.43	10.28
May	19	38,101,789	5.82	5.23
June	22	13,102,498	2.00	1.80
July	22	4,335,087	0.66	0.60
August	21	1,374,187	0.21	0.19
September	20	649,936	0.10	0.09
October	20	3,651,717	0.56	0.50
November (up to and including the Last Trading Day)	9	835,900	0.13	0.11

Source: the Stock Exchange web-site (www.hkex.com.hk)

Notes:

1. Based on 654,668,665 Shares held by the public as at the Last Trading Day.
2. Based on 727,853,637 Shares in issue as at the Last Trading Day.

The above table illustrates that the average daily trading volume of the Shares per month has been relatively thin during the Review Period, save as and except for March, April and May 2015. Other than March, April and May 2015, an average of less than 2% of the total number of issued Shares were traded. From July 2015 to November 2015 (up to and including the Last Trading Day), the percentage of the Average Volume to total number of issued Shares as at the Last Trading Day was even less than 1%.

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Comparison with other rights issue transactions

As part of our analyses, we have also searched for the rights issue transactions (the “**Comparables**”) which were announced from 1 August 2015 up to the Last Trading Day (being a period of approximately three months which we consider to be sufficiently recent to demonstrate the prevailing market practices prior to the Last Trading Day) by companies listed on the Stock Exchange. To the best of our knowledge and as far as we are aware of, we found 13 rights issue transactions which met the aforesaid criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and we have not conducted any independent verification with regard to the businesses and operations of the Comparables. Summarised below is our relevant finding:

Company name	Stock code	Date of announcement	Discount of the subscription price to the closing price per share on the last trading days prior to/ on the date of the announcements in relation to the respective rights issue %	Discount of the subscription price to the theoretical ex-rights price per share based on the closing price per share on the last trading days prior to/ on the date of the announcements in relation to the respective rights issue %	Underwriting commission %
Easyknit Enterprises Holdings Ltd.	616	6 August 2015	(88.00)	(21.68)	1
Chong Hing Bank Ltd.	1111	17 August 2015	(26.03)	(19.00)	2.4 <i>(Note 1)</i>
HNA International Investment Holdings Ltd.	521	30 August 2015	(20.00)	(8.29)	Nil
Fortune Sun (China) Holdings Limited	352	1 September 2015	(28.57)	(24.78)	Nil
Fosun International Limited	656	10 September 2015	Nil	Nil	Nil
First Credit Finance Group Limited	8215	18 September 2015	(51.40)	(7.55)	Nil and 3 <i>(Note 2)</i>
China Resources and Transportation Group Limited	269	29 September 2015	(82.80)	(49.00)	Nil and 2 <i>(Note 2)</i>
Greater China Holdings Limited	431	1 October 2015	(45.00)	(35.29)	Nil and 2 <i>(Note 2)</i>
Real Nutraceutical Group Limited	2010	5 October 2015	(30.77)	(26.65)	Nil and 1.5 <i>(Note 2)</i>
Well Way Group Limited	8063	8 October 2015	(28.57)	(16.67)	Nil and 3.5 <i>(Note 2)</i>
GR Properties Limited	108	26 October 2015	(25.29)	(18.41)	2.5
China Sandi Holdings Limited	910	28 October 2015	(65.52)	(39.39)	1.5
China Agri-Products Exchange Limited	149	4 November 2015	(28.21)	(13.58)	2.5
Minimum			Nil	Nil	Nil
Maximum			(88.00)	(49.00)	3.50
Average			(40.01)	(21.56)	1.22 <i>(Note 2)</i>
The Company	689	12 November 2015	(65.43)	(23.91)	1

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Notes:

1. With reference to the announcement of the listed company dated 17 August 2015, at the sole discretion of the listed company, a discretionary incentive of 0.5% of the aggregate subscription price of the underwritten rights shares may be granted to the joint underwriters.
2. Where there were two underwriting commission rates under a right issue exercise, we adopted the average of the two underwriting commission rates for the calculation of the average underwriting commission rates of the Comparables.

Source: the relevant announcements posted on the Stock Exchange web-site (www.hkex.com.hk)

As shown by the above table, the subscription prices of the Comparables represented discounts of nil to approximately 88.00% to the respective closing prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the “**LTD Market Range**”), with an average discount of approximately 40.01% (the “**LTD Average Market Discount**”). The LTD Discount of approximately 65.43% hence falls within the LTD Market Range but deeper than the LTD Average Market Discount.

Furthermore, the subscription prices of the Comparables represented discounts of nil to approximately 49.00% to the respective theoretical ex-rights prices of their shares on the last trading days prior to/on the date of the release of the respective rights issue announcements (the “**TERP Market Range**”), with an average discount of approximately 21.56% (the “**TERP Average Market Discount**”). The TERP Discount of approximately 23.91% hence also falls within the TERP Market Range but deeper than the TERP Average Market Discount.

Conclusion

As all Qualifying Shareholders are entitled to subscribe for the Rights Shares in the same proportion to his/her/its existing shareholding in the Company held on the Record Date, the Directors considered that the deep discount to the recent closing prices of the Shares represented by the Subscription Price was made with a view to encouraging the Qualifying Shareholders to participate in the Rights Issue and maintain their respective shareholding interests in the Company accordingly, and to take part in the future growth of the Company.

In light of (i) the unsatisfactory historical financial performance of the Group; (ii) the sliding trend of the closing prices of the Shares during the Review Period; (iii) the volatility of the closing prices of the Shares during the Review Period; and (iv) the thin trading volume of the Shares in the open market during the Review Period (save as and except for March, April and May 2015), we concur with the Directors that it would be difficult to attract the Qualifying Shareholders to further invest in the Company through the Rights Issue if the Subscription Price was not set at rather deep discount to the historical closing prices of the Shares.

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Although the LTD Discount and the TERP Discount are deeper than the LTD Average Market Discount and the TERP Average Market Discount respectively, having considered the above factors and that the LTD Discount and the TERP Discount are with the LTD Market Range and TERP Market Range respectively, we are of the opinion that the Subscription Price is fair and reasonable so far as the Independent Shareholders are concerned.

4. Underwriting arrangement

The Rights Issue (excluding the Rights Shares subject to the Irrevocable Undertakings) will be fully underwritten by the Underwriters on the terms and subject to the conditions set out in the Underwriting Agreement, with an underwriting commission of 1.0% of the aggregate Subscription Price in respect of the Rights Shares agreed to be underwritten by the Underwriters (the “**Underwriting Commission**”). With reference to the Board Letter, the Underwriting Commission was determined after arm’s length negotiations among the Company and the Underwriters with reference to, among other things, the scale of the Rights Issue and the market rate.

From the table under the sub-section headed “Comparison with other rights issue transactions” above, we noted that the Underwriting Commission falls within the range of commissions of nil to 3.5% received by underwriters in other rights issue transactions. Given the same, we are of the opinion that the Underwriting Commission is in line with common market practice.

5. Application for excess Rights Shares

As stated in the Board Letter, no application for excess Rights Shares will be offered to Qualifying Shareholders. Any Untaken Shares will be taken up by the Underwriters pursuant to the terms of the Underwriting Agreement. The Board considers that since each Qualifying Shareholder will be given equal and fair opportunity to maintain their pro rata shareholding interests in the Company through the Rights Issue, the additional work which may be required to prepare for and administer the excess application arrangement (such as printing excess application forms and incurring professional fees to process and handle the excess applications) may not be justified. The excess application mechanism may be abused by the Qualifying Shareholders by splitting their shareholdings into odd lots to enable them to submit multiple top-up applications and be possibly allocated more excess Rights Shares, which is not considered to be fair and equitable. In addition, the excess application mechanism may result in an unexpected introduction of a new substantial shareholder or controlling shareholder to the Company which may cast uncertainties on the Company’s future direction and may not be in the interests of the Company and the Shareholders as a whole.

Taking into account the above principal terms of the Rights Issue and the Underwriting Agreement, we consider that the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

6. Possible dilution of the shareholding interests of the existing public Shareholders

All Qualifying Shareholders are entitled to subscribe for the Rights Shares. For those Qualifying Shareholders who take up their entitlements in full under the Rights Issue, their shareholding interests in the Company will remain unchanged after the Rights Issue.

Qualifying Shareholders who do not accept the Rights Issue can, subject to the then prevailing market conditions, consider selling their nil-paid rights to subscribe for the Rights Shares in the market. In such case, (i) assuming there is no change in the issued share capital of the Company since the Latest Practicable Date up to the Record Date and no Qualifying Shareholders (other than City Smart, City Wise and Prestige Rich) applied for their provisional allotments, the shareholding interests of the existing public Shareholders (other than Prestige Rich and O Luxe) in the Company will be diluted by a maximum of approximately 71.84 percent point immediately after Completion; and (ii) assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date and no Qualifying Shareholders (other than City Smart, City Wise and Prestige Rich) applied for their provisional allotments, the shareholding interests of the existing public Shareholders (other than Prestige Rich and O Luxe) in the Company will be diluted by a maximum of approximately 71.58 percent point immediately after Completion. Details of such dilution effect are presented in the table under the sub-section headed “Changes in the shareholding structure of the Company arising from the Rights Issue” of the Board Letter.

We are aware of the potential dilution effects as just mentioned. Nonetheless, we consider that the foregoing should be balanced against by the following factors:

- Independent Shareholders are given the chances to express their views on the terms of the Rights Issue and the Underwriting Agreement through their votes at the SGM;
- Qualifying Shareholders have their choices of whether to accept the Rights Issue or not;
- Qualifying Shareholders have the opportunity to realise their nil-paid rights to subscribe for the Rights Shares in the market;
- the Rights Issue offers the Qualifying Shareholders a chance to subscribe for their pro-rata Rights Shares for the purpose of maintaining their respective existing shareholding interests in the Company at a relatively low price as compared to the historical and prevailing market prices of the Shares; and
- those Qualifying Shareholders who choose to accept the Rights Issue in full can maintain their respective existing shareholding interests in the Company after the Rights Issue.

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Having considered the above, we concur with the Directors that the potential dilution to the shareholding interests of the existing public Shareholders in the Company, which may only happen when the Qualifying Shareholders do not subscribe for their pro-rata Rights Shares, is acceptable.

7. Possible financial effects of the Rights Issue

Effect on net tangible assets

An unaudited pro forma statement of adjusted consolidated net tangible asset value (“NTAV”) of the Group attributable to owners of the Company as at 30 June 2015 as if the Rights Issue had been completed on 30 June 2015 is set out in Appendix II to the Circular (the “Statement”).

Based on the Statement, the unaudited consolidated NTAV of the Group attributable to the owners of the Company was approximately HK\$21.44 million and approximately HK\$0.029 per Share respectively as at 30 June 2015. After completion of the Rights Issue, (i) the unaudited pro forma adjusted consolidated NTAV of the Group attributable to owners of the Company would become approximately HK\$525.14 million (based on 3,639,268,185 Rights Shares to be issued) and approximately HK\$591.68 million (based on 4,119,609,640 Rights Shares to be issued); and (ii) the unaudited pro forma adjusted consolidated NTAV of the Group per Share attributable to owners of the Company per Share would become approximately HK\$0.120 (based on 3,639,268,185 Rights Shares to be issued) and approximately HK\$0.122 (based on 4,119,609,640 Rights Shares to be issued), according to the Statement.

Effect on gearing and working capital

With reference to the 2015 Interim Report, the gearing ratio of the Group (calculated as non-current borrowings divided by total equity of the Group) was approximately 1.20 as at 30 June 2015. As confirmed by the Directors, (i) the total equity of the Group will be enlarged upon completion of the Rights Issue; and (ii) the non-current borrowings of the Group will be reduced when part of the net proceeds from the Rights Issue is applied for the repayment of any non-current borrowings of the Group. Consequently, the gearing level of the Group will be lowered due to the Rights Issue.

As also advised by the Directors, as part of the net proceeds from the Rights Issue (if not utilised) will be used as general working capital of the Group, the working capital position of the Group may be improved immediately upon Completion.

It should be noted that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Rights Issue.

LETTER FROM GRAM CAPITAL

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Rights Issue and the Underwriting Agreement are on normal commercial terms and are fair and reasonable so far as the Company and the Independent Shareholders are concerned; and (ii) the Rights Issue is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Rights Issue and we recommend the Independent Shareholders to vote in favour of the resolution in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.epiholdings.com>):

- annual report of the Company for the year ended 31 December 2012 published on 30 April 2013 (pages 36 to 102) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0430/LTN20130430017.pdf>)
- annual report of the Company for the year ended 31 December 2013 published on 27 April 2014 (pages 38 to 102) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0427/LTN20140427047.pdf>);
- annual report of the Company for the year ended 31 December 2014 published on 22 April 2015 (pages 40 to 114) (<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0422/LTN20150422009.pdf>); and
- interim report of the Company for the six months ended 30 June 2015 (the “**Interim Report**”) published on 18 September 2015 (pages 10 to 29) (<http://www.hkexnews.hk/listedco/listedconews/SEHK/2015/0918/LTN20150918669.pdf>).

2. INDEBTEDNESS STATEMENT

Borrowings

As at 31 October 2015, being the latest practicable date prior to the printing of this circular for the purpose of this indebtedness statement, the Group had outstanding secured bank loan of HK\$218,400,000.

The bank loan is secured by the share capital of certain subsidiaries of the Group, and the share capital and instruments of certain companies in which Mr. Wu, a substantial Shareholder, has financial interests. The relevant loan agreement also requires Mr. Wu to continue to be a substantial Shareholder.

On 26 March 2015, Mr. Wu entered into a deed of undertaking with the Company and undertook (i) at all times to maintain his position as a substantial Shareholder, and (ii) to promptly acquire an adequate number of Shares to maintain his position as a substantial Shareholder in any event that he is reasonably expected to cease to be a substantial Shareholder as a result of issue of new Shares by the Company.

Details of mortgages and charges in relation to the bank loan:

1. Pledge of the entire issued share capital of EP Energy S.A., a subsidiary of the Group;

2. Mortgage of the entire issued share capital of Have Result Investments Limited, a subsidiary of the Group;
3. Mortgage of the entire issued share capital of Southstart Limited and Jovanni Limited, subsidiaries of the Group;
4. Mortgage of the entire issued share capital of Ample Talent Development Group Limited (“**Ample Talent**”), a company indirectly held by Mr. Wu;
5. Pledge of 54% of the registered capital of Guizhou Guoding Jinshi Mining Co., Limited (“**Guizhou Guoding**”), held by Mr. Wu;
6. Security assignment to the bank in relation to all sums including but not limited to all loans or funds made available by Ample Talent to Guizhou Guoding, where Ample Talent has assigned to the bank by way of security, all of its rights, title and interests in the sums made available to Guizhou Guoding;
7. Security assignment to the bank in relation to all sums including but not limited to all loans or funds made available by Rakarta Limited (a shareholder of Ample Talent and a company owned by Mr. Wu) to Ample Talent, where Rakarta Limited has assigned to the bank, by way of security, all of rights, title and interests in the sums made available to Ample Talent; and
8. Guarantee from Ample Talent to the bank.

Financial guarantees

As at 31 October 2015, the Company gave indemnities to two non-controlling shareholders of companies controlled by Mr. Wu, indemnifying them against any loss they may sustain in case of any action or claim against those companies pursuant to the guarantee provided in respect of the bank loan drawn by the Company and that the total amount payable would not exceed an aggregate amount of up to US\$13,000,000 (approximately HK\$101,140,000).

Save as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 October 2015, have any material outstanding (i) debt securities, whether issued and outstanding, authorised or otherwise created but unissued, and term loans, whether guaranteed, unguaranteed, secured (whether the security is provided by the Company, its subsidiaries or by third parties) or unsecured; (ii) other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or acceptance credits or hire purchase commitments, whether guaranteed, secured or unsecured; (iii) mortgage or charges; or (iv) guarantees or other contingent liabilities.

3. WORKING CAPITAL

As at the Latest Practicable Date, the Directors, after due and careful consideration, are of the opinion that, taking into account the financial resources available to the Group including the internally generated funds, Mr. Wu's undertaking to maintain his position as a substantial Shareholder as required under the relevant loan agreement of the Group and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present operating requirements for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practical Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

5. BUSINESS REVIEW OF THE GROUP

The Group's core business is the petroleum exploration and production in the Puesto Pozo Cercado Concession and Chañares Herrados Concession (together, the "**Concessions**") in the Cuyana Basin, Mendoza Province of Argentina. As disclosed in the Interim Report, there were no acquisitions and disposals of subsidiaries and associated companies during the six months ended 30 June 2015 (the "**Interim Period**").

Business review

Set out below is the review of the Group's operations for the Interim Period as extracted from the Interim Report:

"The Group's core business is the petroleum exploration and production in the Concessions in the Cuyana Basin, Mendoza Province of Argentina. There were no acquisitions and disposals of subsidiaries and associated companies during the Interim Period.

For the period from January to June 2015, the Group had performed a workover job on one of its producing oil wells. As at 30 June 2015, the Group had finished drilling 10 oil wells in the Chañares Herrados Concession Area, Mendoza oilfield project. All the 10 wells are in production, of which 5 oil wells were drilled by Have Result where the Group is entitled to 51% interest on production, and 5 oil wells were drilled by EP Energy where the Group is entitled to 72% interest on production.

During the first six months of year 2015, the Group had 10 producing wells generating oil sales revenue. All our oil production was sold to YPF Sociedad Anónima, through Chañares, the Concessions owner. Revenue generated from the sales of petroleum segment for the Interim Period amounted to HK\$32.8 million. As of 30 June 2015, the Company had invested HK\$593.7 million in the drilling and completion of its oil wells, as well as related infrastructure, in the Mendoza project. This amount included: (1) HK\$416.3 million in oil well drilling and completion which was classified as oil & gas properties and for which depreciation

started from the commencement of production; (2) HK\$177.4 million of oil well drilling exploration cost for exploration purpose to collect data in the Potrerillos Formation located at a depth of over 4,200 meters, which was charged to profit or loss in year 2010. During the first six months of year 2015, the depreciation and depletion of the oil & gas properties was HK\$7.6 million.”

Financial prospects and business plan

As disclosed in the Interim Report, the Group’s objectives in managing its capital are to safeguard the Group’s ability to continue as a going concern so as to provide returns and benefits for the Shareholders and to maintain an optimal capital structure with low cost of capital. In order to achieve such objective, the Group may adjust the amount of dividends pay to the Shareholders, return capital to the Shareholders, issue new Shares or sell assets to reduce its debts in the future. The Group does not have a target gearing ratio, but has a policy of maintaining a flexible financing structure so as to capture new investment opportunities that may arise in the future.

For further details about the future development plan of the Group, please refer to the section headed “Business plan of the Group and reasons for the Rights Issue” in the letter from the Board.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The following is the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group which has been prepared to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2015. As it is prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group upon completion of the Rights Issue.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the consolidated net tangible assets of the Group as at 30 June 2015 as extracted and derived from the Group's condensed consolidated financial statements for the six months ended 30 June 2015 included in the published interim report of the Company and is adjusted for the effect of the Rights Issue.

	Unaudited consolidated net tangible assets of the Group attributable to the owners of the Company as at 30 June 2015 <i>HK\$'000</i> <i>(Note 1)</i>	Estimated net proceeds from the Rights Issue <i>HK\$'000</i> <i>(Note 2)</i>	Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the owners of the Company after completion of the Rights Issue <i>HK\$'000</i>	Unaudited consolidated net tangible assets per Share attributable to the owners of the Company as at 30 June 2015 <i>HK\$</i> <i>(Note 3)</i>	Unaudited pro forma adjusted consolidated net tangible assets per Share attributable to the owners of the Company after completion of the Rights Issue <i>HK\$</i> <i>(Note 4)</i>
Based on 3,639,268,185 Rights Shares to be issued at subscription price of HK\$0.14 per Rights Share	<u>21,438</u>	<u>503,698</u>	<u>525,136</u>	<u>0.029</u>	<u>0.120</u>
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 5)</i>	<i>HK\$'000</i>	<i>HK\$</i> <i>(Note 3)</i>	<i>HK\$</i> <i>(Note 6)</i>
Based on 4,119,609,640 Rights Shares to be issued at subscription price of HK\$0.14 per Rights Share	<u>21,438</u>	<u>570,245</u>	<u>591,683</u>	<u>0.029</u>	<u>0.122</u>

Notes:

- The amount of consolidated net tangible assets of the Group is extracted and derived from the condensed consolidated statement of financial position of the Group as at 30 June 2015, as set out in the corresponding published interim report of the Company for the six months ended 30 June 2015, which is based on the total equity of the Group of HK\$136,660,000 and after deducting the exploration and evaluation assets of HK\$115,222,000.
- Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date, the estimated net proceeds from the Rights Issue are based on 3,639,268,185 Rights Shares at HK\$0.14 per Rights Share on the basis of five Rights Shares for every

one existing Share held as at the Latest Practicable Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$5.8 million to be incurred by the Company.

3. The number of shares used for the calculation of this amount is 727,853,637 existing Shares.
4. The number of shares used for the calculation of this amount is 4,367,121,822, representing 727,853,637 existing Shares and 3,639,268,185 Rights Shares.
5. Assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date up to the Record Date other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date, the estimated net proceeds from the Rights Issue are based on 4,119,609,640 Rights Shares at HK\$0.14 per Rights Share on the basis of five Rights Shares for every one existing Share held as at the Latest Practicable Date, after deducting the estimated underwriting commission and other related expenses of approximately HK\$6.5 million to be incurred by the Company.
6. The number of shares used for the calculation of this amount is 4,847,463,277, representing 727,853,637 existing Shares and 4,119,609,640 Rights Shares.
7. No adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2015.

**B. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF EPI (HOLDINGS) LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of EPI (Holdings) Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2015 and related notes as set out in Section A of Appendix II to the circular issued by the Company dated 2 December 2015 (the "Circular"). The applicable criteria on the basis of which the Directors have compiled the unaudited pro forma financial information are described in Section A of Appendix II to the Circular.

The unaudited pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed rights issue of not less than 3,639,268,185 rights shares and not more than 4,119,609,640 rights shares at HK\$0.14 per rights share on the basis of five rights shares for every one share of the Company (the "Rights Issue") on the Group's financial position as at 30 June 2015 as if the Rights Issue had taken place at 30 June 2015. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's condensed consolidated financial statements for the six months ended 30 June 2015, on which no audit or review report has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("HKSAE") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountant comply with ethical requirements and plan and perform

procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Rights Issue at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

2 December 2015

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

(i) As at the Latest Practicable Date:

	Nominal value per Share (HK\$)	Number of Shares	Nominal amount (HK\$)
Authorised:	0.01	<u>100,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:	0.01	<u>727,853,637</u>	<u>7,278,536.37</u>

(ii) Immediately after Completion (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to Completion)

	Nominal value per Share (HK\$)	Number of Shares	Nominal amount (HK\$)
Authorised:	0.01	<u>100,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:			
As at the Latest Practicable Date	0.01	727,853,637	7,278,536.37
Rights Shares to be issued pursuant to the Rights Issue	0.01	<u>3,639,268,185</u>	<u>36,392,681.85</u>
Shares upon Completion	0.01	<u>4,367,121,822</u>	<u>43,671,218.22</u>

- (iii) Immediately after Completion (assuming there is no change in the issued share capital of the Company from the Latest Practicable Date up to Completion other than the issue of new Shares upon exercise in full of the subscription rights attached to all outstanding Share Options and Warrants on or before the Record Date)

	Nominal value per Share (HK\$)	Number of Shares	Nominal amount (HK\$)
Authorised:	0.01	<u>100,000,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid:			
As at the Latest Practicable Date	0.01	823,921,928	8,239,219.28
Rights Shares to be issued pursuant to the Rights Issue	0.01	<u>4,119,609,640</u>	<u>41,196,096.40</u>
Shares upon Completion	0.01	<u>4,943,531,568</u>	<u>49,435,315.68</u>

All the Shares rank *pari passu* with each other in all respect including the rights as to voting, dividends and return of capital.

The Rights Shares, when allotted, issued and fully-paid, will rank *pari passu* with the Shares then in issue in all respects. Holders of such Rights Shares will be entitled to receive all future dividends and distributions which are declared, made or paid with a record date which falls on or after the date of allotment and issue of the fully-paid Rights Shares.

The issued Shares are listed on the Stock Exchange. None of the securities of the Company is listed or dealt in, and no listing or permission to deal in the securities of the Company is being or is proposed to be sought, on any other stock exchange.

As at the Latest Practicable Date, there is no arrangement under which future dividends are or will be waived or agreed to be waived.

3. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Particulars of the Directors and senior management of the Company

Name	Address
<i>Non-executive Chairman</i>	
Mr. HO King Fung, Eric (“ Mr. Ho ”)	Room 1108–09, 11/F Harbour Centre 25 Harbour Road Wanchai Hong Kong
<i>Executive Directors</i>	
Mr. TSE Kwok Fai, Sammy (<i>Chief Executive Officer</i>)	Room 1108–09, 11/F Harbour Centre 25 Harbour Road Wanchai Hong Kong
Mr. CHAN Chi Hung, Anthony (“ Mr. Chan ”)	Block 5, LG/A 8 MT Austin The Peak Hong Kong
<i>Independent Non-executive Directors</i>	
Mr. QIAN Zhi Hui (“ Mr. Qian ”)	Room ABC, 17/F 111 Tiyu Xi Road Tianhe Guangzhou PRC
Mr. TEOH Chun Ming (“ Mr. Teoh ”)	Flat D, 18/F, Block 6 Verbena Heights 8 Mau Tai Road Tseung Kwan O Hong Kong
Mr. ZHU Tiansheng (“ Mr. Zhu ”)	Room 2104, 4/F Li Hong Hua Yuan Chaoyang District Beijing PRC

Senior Management

Mr. TSANG Wing Hung (“ Mr. Tsang ”)	Room 1108–09, 11/F Harbour Centre 25 Harbour Road Wanchai Hong Kong
Mr. PAK Ka Kei (“ Mr. Pak ”)	Flat B, 21/F, Tower 5 Prima Villa No. 8 Chui Yan Street Shatin, N.T. Hong Kong
Mr. QUIROGA Daniel Federico (“ Mr. Quiroga ”)	1102 Napoles Street Bo. Portal de Benegas Godoy Cruz (5501) Mendoza Argentina

Biographies of the Directors*Non-executive Chairman***Mr. HO King Fung, Eric, non-executive Chairman, aged 38**

Mr. Ho is the Company’s Non-executive Chairman. Mr. Ho joined the Company as non-executive Director on 4 April 2013 and was re-designated as the non-executive Chairman on 30 July 2013.

Mr. Ho has extensive experience in investment banking origination, capital markets and legal practice. Prior to joining the Company, he was an analyst at JP Morgan in 2000 and then was a solicitor at Linklaters between 2003 and 2006. Between 2007 and 2010, Mr. Ho worked at Deutsche Bank AG, Hong Kong Branch and his last position held was vice president and the head of Hong Kong and Macau Origination.

Mr. Ho is a committee member of the Chinese People’s Political Consultative Conference of Beijing, a role which he has been in since 2008. He is also the president of the Macau Money Exchangers’ Association. Mr. Ho was awarded the Chinese Economics Elite Award in 2009. From April 2011 and April 2012, Mr. Ho was the non-executive director of United Energy Group Limited (stock code: 467). He has been appointed as the independent non-executive director of Nature Home Holding Company Limited (stock code: 2083) since May 2011. And, Mr. Ho has also been appointed as a non-executive director of AGTech Holdings Limited (stock code: 8279) since 23 May 2013. In Macau, Mr. Ho is the chairman of P&W Money Changer Limited and Jing Yang Company Limited, and an executive director of Mascargo (Macau) Company Limited.

Mr. Ho graduated from the University of New South Wales, Australia with a Bachelor of Commerce degree, majoring in Finance. Mr. Ho has also obtained his Bachelor of Laws degree from the University of New South Wales. He has been designated as a practicing solicitor in Hong Kong.

Executive Directors

Mr. TSE Kwok Fai, Sammy, executive Director and Chief Executive Officer, aged 52

Mr. Tse joined the Company in 2009 as a consultant for the business development in Argentina and has been appointed as an executive Director and Chief Executive Officer of the Company since April 2013.

Mr. Tse's wealth of managerial and executive experience is derived from working at various major corporations including the Hongkong Telecom 2 Group, Hutchison Whampoa Group and South China Group. He had been involved in the day-to-day operations of telecommunications, technology, media, energy and resources businesses in Hong Kong, the PRC and other countries. Mr. Tse has developed an extensive business network in the resources and energy sector and specializes in mergers and acquisitions, listings and asset injections, as well as business development.

Mr. Tse graduated from the University of Hong Kong majoring in Geography and Geology. He also obtained his MBA from the Chinese University of Hong Kong.

Mr. CHAN Chi Hung, Anthony, executive Director, aged 42

Mr. Chan is an executive Director and he was appointed as an executive Director on 16 July 2013.

Prior to joining the Company, Mr. Chan has held senior management positions at other Hong Kong listed companies. He was the executive director of China Financial Leasing Group Limited (stock code: 2312) from April 2007 to July 2013. Mr. Chan has also held the position of non-executive director at Build King Holdings Limited (stock code: 240) since December 2008.

In December 2014, Mr. Chan was appointed as independent non-executive director of China Minsheng Drawin Technology Group Limited (stock code: 726). Mr. Chan has been appointed the independent non-executive director of Milan Station Holdings Company Limited (stock code: 1150) since July 2015. Prior to his managerial career, Mr. Chan was the investment manager of Springfield Financial Advisory Limited, in charge of private equity, fund-of-funds and fixed income investment portfolios for four years. Mr. Chan started his career as a banker in J.P. Morgan covering Asia ex-Japan region.

Mr. Chan is a graduate of the University of Minnesota — Twin Cities and Stanford Graduate School of Business, both in the United States.

*Independent non-executive Directors***Mr. QIAN Zhi Hui, Independent non-executive Director, aged 53**

Mr. Qian joined the Company in September 2008. He joined China National Native Produce & Animal By-Products Import & Export Corporation, Guangdong Province, as chief legal advisor in 1988. He joined Guangzhou King Pound Law Firm as a lawyer in 1993 and is currently a partner of Guangdong Justwin Law Firm. From 2006 to 2008, he was an independent non-executive director of New Times Energy Corporation Limited (stock code: 166). He has a Master degree in Procedural Law from Southwest University of Political Science and Law, China.

Mr. TEOH Chun Ming, Independent non-executive Director, aged 45

Mr. Teoh joined the Company in January 2014. He is currently a non-executive director of Nature Home Holding Company Limited (stock code: 2083) since July 2012 and the chief financial officer and company secretary of Joyer Auto HK Company Limited. Mr. Teoh joined Nature Home Holding Company Limited in 2008 and was appointed as the chief financial officer and the company secretary on 1 September 2008 and 26 March 2009 respectively. Mr. Teoh was also the authorised representative of Nature Home Holding Company Limited for the purpose of the Listing Rules and the Hong Kong Companies Ordinance. Mr. Teoh held the positions of chief financial officer, company secretary and authorised representative of Nature Home Holding Company Limited until his appointment as a non-executive director of Nature Home Holding Company Limited on 1 July 2012. Mr. Teoh was also the investor relations officer of Nature Home Holding Company Limited. Mr. Teoh has over 20 years of accounting and finance experience and had held senior positions in accounting and finance in various companies listed on the Stock Exchange.

Mr. Teoh obtained a Master degree in Professional Accounting from the Hong Kong Polytechnic University in 2005. He is a fellow member of The Hong Kong Institute of Certified Public Accountants, a fellow member of The Association of Chartered Certified Accountants and a member of The Institute of Chartered Accountants in England and Wales.

Mr. ZHU Tiansheng, Independent non-executive Director, aged 70

Mr. Zhu joined the Company in November 2009. He has over 41 years extensive experience in project management, operations, design and construction process of oil and natural gas transmission pipeline, exploration, production and transporting heavy oil, recycling of light hydrocarbon, design and construction of natural gas treatment plants in numerous oil field projects in the PRC.

Mr. Zhu has been employed by China National Offshore Oil Corporation (“CNOOC”) since 1986. Since 2005, he is the Senior Consultant and the Chief Project Officer for China Offshore Oil & Gas Development & Utilization Company of CNOOC,

participating in the construction of asphalt plant. From 2004 to 2005, he was the Deputy Director of Coordination Office of CNOOC and Mr. Fu Chengyu, was the director and currently the General Manager of CNOOC.

From 2001 to 2004, Mr. Zhu was the General Manager of China Ocean Oilfields Services (Hong Kong) Limited. During the period of 1997 to 2001, Mr. Zhu was the General Manager of the Construction Department of CNOOC. The Construction Department was responsible for the organization and investigation of concept design and plans of development, an immediate and final investigation of the basic design. The detailed designs, constructions and installations were managed by the Project Units, which were organised by the Construction Department. The Construction Department also organised and cooperated with foreign companies for the development and construction of oil and gas fields.

From 1992 to 1997, Mr. Zhu was the Deputy Manager of Development and Production Department of CNOOC and he was responsible for construction development. During the period of 1986 to 1992, he was offered the position of Chief of Project Management Office of Construction Department of CNOOC.

In 1986, Mr. Zhu was transferred to CNOOC from Liaohe Oil Field, China where he had worked there for over 11 years in the 70s and his last position was the Chief of Oil and Gas Management Office of Liaohe Oil Field.

Mr. Zhu graduated from the Beijing Petroleum Institute and was majoring in oil and gas storage and transportation engineering since 1969. During his work tenor, Mr. Zhu was trained in Japan for 3 months in recycling of light hydrocarbon and studied project management in EGT in United Kingdom during 1994.

Biographies of the senior management of the Company

Company Secretary

Mr. TSANG Wing Hung, aged 52, joined the Company in May 2013 as Vice President of finance and has been appointed as the company secretary of the Company since June 2014.

Mr. Tsang is a member of The Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants. Mr. Tsang has been a professional accountant since 1986 and has extensive experience in auditing, accounting, management and taxation. Mr. Tsang holds a Bachelor Degree of Economics from University of Manchester, United Kingdom and a Master Degree of Information Management and Systems from Monash University, Australia.

Financial Controller

Mr. PAK Ka Kei, aged 44, joined the Company in November 2009 as a Financial Controller.

Mr. Pak has over 18 years experience in the fields of audit, internal control, accountancy, taxation and treasury. Prior to joining the Company, Mr. Pak had been working for TCL Multimedia Technology Holdings Limited for over 10 years on the finance departments in Hong Kong, Emerging Markets and Europe and he had held the positions of Deputy Internal Control Director and Deputy Financial Controller for Emerging Markets and Europe there.

Mr. Pak graduated from City University of Hong Kong with a Bachelor of Arts degree in Accounting and has been working for Ernst & Young for 5 years.

General Manager, Argentina

Mr. QUIROGA Daniel Federico, aged 51, joined the Company in December 2010 as the General Manager of Argentina business. Mr. Quiroga oversees the Company's oil project in Argentina as the General Manager of Argentina Operation. He has over 28 years extensive experience in operations, exploration and production management of oil field projects in Argentina, and Mexico.

Mr. Quiroga had been employed by Tecpetrol S.A. since year 1991. The last position held by Mr. Quiroga in year 2000 was the Head of Secondary Recovery Division. During the work in Tecpetrol S.A., Mr. Quiroga was appointed as Operation Engineer, Production Manager, Field Operation Manager and had gained experiences in operations, production management for various oil fields in Argentina.

Mr. Quiroga was the Operation Superintendent and Field Manager who was in charge of field operations in oil fields located in Neuquina Basin and S.J. Gulf Basin, Argentina for Pioneer NRA S.A. during 2002 to 2006. After that, Mr. Quiroga also worked for Apache Corp Argentina and Petrolera El Trebol.

Before joining the Company, Mr. Quiroga had been working for Weatherford Regional Mexico as the Operation Coordinator. He was in charge of field operations for oil field in Mexico.

Mr. Quiroga graduated from the National University of Cuyo in Mendoza Province, Argentina and was majoring in Petroleum Engineer in year 1991. Mr. Quiroga was the Postgrade in Business & Finance at National University of Cuyo in Mendoza Province, Argentina.

4. DISCLOSURES OF INTERESTS

(a) Directors' and chief executive's interests in the Company

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

Name of Directors	Capacity	Number of Shares held	Approximate % of shareholding
Mr. Tse	Beneficial owner	330,000	0.04%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or any chief executive of the Company had any interest or short position in any Shares, underlying Shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required (i) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he was taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; and (iii) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions.

(b) Substantial Shareholders and other persons' interests in the Shares and underlying Shares

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of the Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or had any options in respect of such capital:

Name of Shareholders	Capacity	Number of Shares/ underlying Shares held	Approximate % of shareholding
City Smart (<i>Note 1</i>)	Beneficial owner	1,120,027	0.15%
City Wise (<i>Note 2</i>)	Beneficial owner	71,734,945	9.86%
South America Petroleum Investment Holdings Limited (<i>Note 2</i>)	Interest of a controlled corporation	71,734,945	9.86%
Mr. Wu (<i>Notes 1 and 2</i>)	Interest of a controlled corporation	72,854,972	10.01%
Jumbo Eagle Investments Limited (<i>Note 3</i>)	Beneficial owner	31,250,000	6.44%

Notes:

1. City Smart is wholly owned by Mr. Wu.
2. City Wise is wholly owned by South America Petroleum Investment Holdings Limited, which is in turn wholly owned by Mr. Wu.
3. Jumbo Eagle Investments Limited holds outstanding Warrants which entitle it to subscribe for 31,250,000 Shares at the prevailing subscription price of HK\$1.70 per Share (subject to adjustments) during the period from 1 March 2013 to 29 February 2016.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no other person had interests or short positions in the Shares or underlying Shares of any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, beneficially interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or in any options in respect of such capital.

5. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which does not expire or is not determinable by such member of the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTEREST IN ASSETS/CONTRACTS AND OTHER INTERESTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interests in any assets which had been, since 31 December 2014 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or any of their respective close associates (as defined under the Listing Rules) had any interest in any business which competes or might competes with the business of the Group.

8. MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

- (1) a placing agreement dated 11 March 2014 entered into between the Company and Convoy Investment Services Limited in relation to the placing of 1,100,000,000 new Shares and (if applicable) up to 100,000,000 new Shares under the over-allotment option;
- (2) a supplemental agreement dated 17 March 2014 entered into between the Company and Convoy Investment Services Limited in relation to the placing agreement on placing of new Shares dated 11 March 2014;
- (3) a deed of amendment dated 8 January 2015 executed by the Company in relation to the instrument of the Company dated 11 April 2013 relating to the creation and issue of the 8% coupon convertible notes due 2016 in the aggregate principal amount of HK\$100,000,000 issued by the Company on 11 April 2013 to the noteholder(s);
- (4) the underwriting agreement dated 31 March 2015 entered into between the Company and Guotai Junan and Ever-Long Securities Company Limited in relation to the Previous Open Offer;

- (5) a supplemental agreement dated 17 April 2015 entered into among the Company, Guotai Junan and Ever-Long Securities Company Limited in relation to the underwriting agreement as mentioned in item (4) above; and
- (6) the Underwriting Agreement.

9. LITIGATION

As at the Latest Practicable Date, there were no litigation or claims of material importance pending or threatened against any member of the Group.

10. EXPERTS AND CONSENTS

Set out below are the qualification of the experts who have given opinions, letters or advices in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified Public Accountants
Gram Capital	a corporation licensed to carry out Type 6 regulated activities (advising on corporate finance) as defined under the SFO

As at the Latest Practicable Date, none of the above experts had any direct or indirect interests in any assets which had been, since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up), acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the above experts was interested in any securities in any members of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its respective letter and/or report and/or reference to its name in the form and context in which they respectively appear.

11. CORPORATE INFORMATION AND THE PARTIES INVOLVED IN THE RIGHTS ISSUE

Registered office:	Clarendon House 2 Church Street Hamilton HM 11 Bermuda
Principal place of business in Hong Kong:	Room 1108–09, 11/F Harbour Centre 25 Harbour Road Wanchai Hong Kong
Underwriters:	Guotai Junan Securities (Hong Kong) Limited Always Profit Development Limited
Financial Adviser to the Company:	Optima Capital Limited
Independent financial adviser to the Independent Board Committee and the Independent Shareholders:	Gram Capital Limited Room 1209, 12/F., Nam Fung Tower 88 Connaught Road Central/ 173 Des Voeux Road Central Central Hong Kong
Legal advisers to the Company as to Bermuda law:	Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong
Legal advisers to the Company as to Hong Kong law in relation to the Rights Issue:	Cheung Tong & Rosa Solicitors Room 501, 5th Floor Sun Hung Kai Centre 30 Harbour Road Hong Kong

Reporting accountant:	Deloitte Touche Tohmatsu Certified Public Accountants 35/F., One Pacific Place 88 Queensway Hong Kong
Principal bankers:	The Hongkong and Shanghai Banking Corporation Limited 1/F, Causeway Bay Plaza II 463–483 Lockhart Road Causeway Bay Hong Kong
Principal share registrar:	Butterfield Fulcrum Group (Bermuda) Limited 26 Burnaby Street Hamilton HM11 Bermuda
Hong Kong branch share registrar and transfer office:	Tricor Tengis Limited Level 22, Hopewell Centre 183 Queen's Road East Hong Kong
Authorised representatives:	Mr. Ho King Fung, Eric Room 1108-09, 11/F Harbour Centre 25 Harbour Road Wanchai Hong Kong Mr. Tse Kwok Fai, Sammy Room 1108-09, 11/F Harbour Centre 25 Harbour Road Wanchai Hong Kong
Company secretary:	Mr. Tsang Wing Hung (A member of The Institute of Chartered Accountants in England and Wales and The Hong Kong Institute of Certified Public Accountants)

12. EXPENSES

The expenses in connection with the Rights Issue, including the underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be not less than approximately HK\$5.8 million and not more than approximately HK\$6.5 million on the basis of not less than 3,639,268,185 Rights Shares and not more than 4,119,609,640 Rights Shares being issued, which are payable by the Company.

13. MISCELLANEOUS

The English text of this circular shall prevail over their Chinese texts in case of inconsistency.

14. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong from the date of this circular up to and including the date of the SGM:

- (a) the memorandum of association and the bye-laws of the Company;
- (b) annual report of the Company for each of the two years ended 31 December 2013 and 2014 and interim report of the Company for the six months ended 30 June 2015;
- (c) the letter from Gram Capital as set out in this circular;
- (d) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Group, the text of which is set out in section B of Appendix II to this circular;
- (e) the material contracts referred to in the paragraph headed “Material contracts” in this Appendix;
- (f) the written consents referred to in the paragraph headed “Experts and consents” in this Appendix; and
- (g) this circular.

NOTICE OF SGM

EPI EPI (Holdings) Limited 長盈集團(控股)有限公司*

(Incorporated in Bermuda with limited liability)

(Stock code: 689)

NOTICE IS HEREBY GIVEN THAT an special general meeting (the “**SGM**”) of EPI (Holdings) Limited (the “**Company**”) will be held at 10 a.m. on Friday, 18 December 2015, at Meeting Room, Regus Business Centre, 35/F., Central Plaza, 18 Harbour Road, Wanchai, Hong Kong for the purpose of considering and, if thought fit, approving the following ordinary resolutions:

ORDINARY RESOLUTIONS

1. **“THAT**, subject to of ordinary resolutions number 2 having been passed and the conditions set out in the Underwriting Agreement (as defined below) having been satisfied:
 - (a) the underwriting agreement dated 12 November 2015, including all supplemental agreement related thereto (the “**Underwriting Agreement**”) in respect of the Rights Issue (as defined below) and the transactions contemplated thereunder (including but not limited to the underwriting of the Rights Shares (as defined below) by Guotai Junan Securities (Hong Kong) Limited and Always Profit Development Limited (the “**Underwriters**”)) entered into between the Company and the Underwriters (a copy of which has been produced to the Meeting marked “A” and signed by the chairman of the SGM for the purpose of identification), and the transactions contemplated thereunder and all actions taken or to be taken by the Company pursuant to or incidental to the Underwriting Agreement be and are hereby approved, confirmed and ratified;
 - (b) the issue by way of rights (“**Rights Issue**”) of not less than 3,639,268,185 shares of HK\$0.01 each in the Company (“**Shares**”) and not more than 4,119,609,640 Shares (the “**Rights Shares**”) at a subscription price of HK\$0.14 per Rights Share to the qualifying shareholders (the “**Qualifying Shareholders**”) of the Company whose names appear on the register of members of the Company on 30 December 2015 or such other date as may be agreed between the Company and the Underwriters in writing for the determination of the entitlements under the Rights Issue (the “**Record Date**”) (other than those shareholders (the “**Non-Qualifying Shareholders**”) with registered addresses outside Hong Kong whom the directors of the Company (the “**Directors**”), after making relevant enquiry, consider their exclusion from the Rights Issue to be necessary or expedient on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place) on the basis of five (5) Rights Share for every one (1) Share then held on the Record Date and pursuant to the terms and conditions as out in the Underwriting Agreement, as

* *for identification purposes only*

NOTICE OF SGM

described in further details in a circular issued by the Company dated 2 December 2015 of which this notice convening the SGM forms part be and is hereby approved;

- (c) any one of the Directors be and is hereby authorised to allot and issue the Rights Shares (in their nil-paid form and fully-paid form) pursuant to and in connection with the Rights Issue notwithstanding the Rights Shares may be offered, allotted or issued otherwise than pro rata to the Qualifying Shareholders and, in particular, any Director be and is hereby authorised to make such exclusions or other arrangements in relation to fractional entitlements and/or the Non-Qualifying Shareholders as he deems necessary, desirable or expedient having regard to any restrictions or obligations under the bye-laws of the Company or the laws of, or the rules and regulations of any recognised regulatory body or any stock exchange in, any territory outside Hong Kong; and
 - (d) any one of the Directors be and is hereby authorised to do all such acts and things, as he may in his discretion consider necessary, desirable or expedient, for the purposes of or in connection with the implementation of the Underwriting Agreement, the Rights Issue and the transactions contemplated thereunder, including but not limited to the execution of all such documents under seal where applicable, as he considers necessary or expedient in his opinion to implement and/or give effect to the Underwriting Agreement, the Rights Issue and the issue of the Rights Shares and the implementation of all transactions contemplated thereunder, including but not limited to the issue and allotment of Rights Shares and to agree with such variation, amendment or waiver as, in his opinion, appropriate and in the interests of the Company and its shareholders as a whole.”
2. **“THAT** conditional upon the Stock Exchange of Hong Kong Limited (the **“Stock Exchange”**) granting listing of and permission to deal in the Shares to be issued upon the exercise of options under the share option scheme adopted by the Company on 6 November 2006 (the **“Share Option Scheme”**), the existing scheme mandate limit in respect of granting of options to subscribe for Shares under the Share Option Scheme be refreshed and renewed provided that the total number of Shares which may be allotted and issued pursuant to the grant or exercise of the options under the

NOTICE OF SGM

Share Option Scheme (excluding options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the Shares in issue as at the date of passing this resolution and that the Directors of the Company be and are hereby authorised, subject to compliance with the Rules Governing the Listing of Securities on the Stock Exchange, to grant options under the Share Option Scheme up to the refreshed limit and to exercise all the powers of the Company to allot, issue and deal with Shares pursuant to the exercise of such options.”

By the order of the Board
EPI (Holdings) Limited
Tse Kwok Fai, Sammy
Executive Director & CEO

Hong Kong, 2 December 2015

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place of
business in Hong Kong:*
Room 1108-09, 11/F
Harbour Centre
25 Harbour Road
Wanchai, Hong Kong

Notes:

1. A member entitled to attend and vote at the SGM is entitled to appoint one or more than one proxy to attend and, subject to the provisions of the bye-laws of the Company, to vote on his/her behalf. A proxy need not be a member of the Company but must be present in person at the SGM to represent the member. If more than one proxy is so appointed, the appointment shall specify the number of shares in respect of which each such proxy is so appointed.
2. A proxy form for use at the SGM is enclosed. Whether or not you intend to attend the SGM in person, you are requested to complete and return the enclosed proxy form in accordance with the instructions printed thereon.
3. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or if the appointer is a corporation, either under its common seal or under the hands of any officer or attorney duly authorised.
4. In order to be valid, the proxy form, together with a power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority must be deposited at the branch share registrar and transfer office of the Company in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).
5. Completion and return of a proxy form shall not preclude a member from attending and voting in person at the SGM or any adjournment thereof (as the case may be) and in such event, the proxy form appointing a proxy shall be deemed to be revoked.
6. No instrument appointing a proxy shall be valid after expiration of 12 months from the date stated on it as the date of its execution, except at an adjourned meeting in cases where the meeting was originally held within 12 months from such date.

NOTICE OF SGM

7. The voting on the resolutions will be conducted by way of poll.
8. In the case of joint registered holders of the Shares, any one of such persons may vote at the SGM, either personally or by proxy, in respect of such Shares as if he was solely entitled thereto, but if more than one of such joint holders are present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.