

**THIS OFFERING MEMORANDUM IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this Offering Memorandum or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in the Company, you should at once hand the Offering Documents to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Offer Shares 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 Offer Shares on the Stock Exchange or such other date as may be 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 trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time. You should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests.

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



**NEW TIMES ENERGY CORPORATION LIMITED**

**新時代能源有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00166)**

**OPEN OFFER ON THE BASIS OF  
ONE OFFER SHARE FOR EVERY TWO SHARES  
HELD ON THE RECORD DATE**

**Underwriter to the Open Offer**

**Max Sun Enterprises Limited**

Capitalised terms used in this cover page have the same meanings as defined in this Offering Memorandum.

The latest time for acceptance of and payment for the Offer Shares is 4:00 p.m. on Tuesday, 11 April 2017. The procedures for application and payment are set out on pages 29 and 30 of this Offering Memorandum.

It should be noted that the Underwriting Agreement contains provisions entitling Max Sun to, by notice in writing to the Company at any time prior to the Latest Time for Termination, terminate its obligations under the Underwriting Agreement on the occurrence of certain events including force majeure. These events are set out under the section headed "Termination or rescission of the Underwriting Agreement" of the "Letter from the Board" on page 20 of this Offering Memorandum. Accordingly, the Open Offer may or may not proceed.

It should be noted that the Shares have been dealt in on an ex-entitlement basis from Friday, 17 March 2017, and the dealings in Shares will take place whilst the conditions to which the Open Offer is subject remain unfulfilled. Any Shareholder or other person dealing in the Shares up to the date on which all conditions of the Open Offer are fulfilled will accordingly bear the risk that the Open Offer may not become unconditional or may not proceed. Any Shareholders or potential investors of the Company should exercise caution when dealing in the Shares during such period, and if they are in any doubt about their position, they are advised to consult their professional advisers.

\* For identification purpose only

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## DEFINITIONS

*In this Offering Memorandum, unless the context otherwise requires, the following expressions shall have the following meanings:*

“acting in concert”	has the meaning ascribed to it under the Takeovers Code;
“Announcement”	the announcement of the Company dated 13 February 2017 in relation to the Open Offer;
“Application Form(s)”	the form(s) of application for Offer Shares in respect of the Open Offer to be used by the Qualifying Shareholders to apply for the Offer Shares;
“Arrangement”	the arrangement that the Offer Shares not validly applied for by the Shareholders (other than the Excluded Shareholders) are not available for application by the Shareholders in excess of their assured allotments;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Blue Sky”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;
“Board”	the board of Directors;
“Business Day”	a day (other than a Saturday or Sunday or days on which a typhoon signal no. 8 or above or “black” rainstorm signal is hoisted in Hong Kong between 9:00 a.m. to 5:00 p.m.) on which banks are generally open for business for more than five hours in Hong Kong;
“Bye-laws”	the bye-laws of the Company, as amended from time to time;
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC;
“Committed Shares”	an aggregate of 1,758,268,772 Offer Shares to be offered to Max Sun by the Company pursuant to the Open Offer;
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance, Chapter 32 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time);

## DEFINITIONS

“Company”	New Times Energy Corporation Limited, a company incorporated in Bermuda with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange;
“Director(s)”	director(s) of the Company;
“Excluded Shareholder(s)”	Shareholder(s) whose names appear on the register of members of the Company at the close of business on the Record Date and whose addresses as shown on such register are outside Hong Kong and are in a place where the Directors, based on legal opinions provided by the legal advisers of the relevant jurisdictions, consider it necessary or expedient not to offer the Open Offer to such Shareholders 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;
“Goldlink”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;
“Group”	the Company and its subsidiaries;
“HKSCC”	Hong Kong Securities Clearing Company Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Irrevocable Undertaking”	the letter of undertaking dated 13 February 2017 given by Max Sun to the Company in relation to its irrevocable undertaking to, among others, subscribe and pay for the Committed Shares under the Open Offer;
“KPMG”	KPMG, Certified Public Accountants, the auditors and reporting accountants of the Company;
“Last Trading Day”	13 February 2017, being the last trading day of the Shares on the Stock Exchange prior to the issue of the Announcement;
“Latest Practicable Date”	21 March 2017, being the latest practicable date prior to the printing of this Offering Memorandum for ascertaining certain information contained in this Offering Memorandum;

## DEFINITIONS

“Latest Time for Acceptance”	4:00 p.m. on Tuesday, 11 April 2017 (or such other time or date as the Company and Max Sun may agree in writing), being the last day for application of, and payment for, the Offer Shares;
“Latest Time for Termination”	4:00 p.m. on the Business Day immediately after the Latest Time for Acceptance or such later time or date as may be agreed between the Company and Max Sun, being the latest time to terminate the Underwriting Agreement (or such other time or date as Max Sun and the Company may agree in writing);
“Listing Committee”	has the meaning ascribed to it in the Listing Rules;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Max Sun”	Max Sun Enterprises Limited, a company incorporated in the British Virgin Islands and the Underwriter;
“Max Sun Warrants”	has the meaning ascribed to it under the section headed “Underwriting arrangement and undertakings — The Underwriter and undertakings” in the “Letter from the Board” contained in this Offering Memorandum;
“Offering Documents”	this Offering Memorandum and the Application Form;
“Offering Memorandum”	this offering memorandum;
“Offering Memorandum Posting Date”	Monday, 27 March 2017 (or such other date as the Company and Max Sun may agree in writing), being the date of despatch of the Offering Documents;
“Offer Share(s)”	Share(s) to be allotted and issued pursuant to the Open Offer;
“Open Offer”	the proposed offer for subscription of Shares by way of open offer at the Subscription Price to be made by the Company to the Qualifying Shareholders in the proportion of one Offer Share for every two Shares held on the Record Date in accordance with terms and conditions mentioned in the Offering Documents;
“Overseas Shareholder(s)”	Shareholder(s) whose name(s) appear(s) on the register of members of the Company at the close of business on the Record Date and whose registered address(es) on that date is/are in (a) place(s) outside Hong Kong;

## DEFINITIONS

“PRC”	the People’s Republic of China which, for the purpose of this Offering Memorandum, excludes Hong Kong, Macao Special Administrative Region of the PRC and Taiwan;
“PRC Shareholders”	has the meaning ascribed to it under the section headed “Excluded Shareholders and rights of Overseas Shareholders” in the “Letter from the Board” contained in this Offering Memorandum;
“Qualifying Shareholder(s)”	Shareholder(s), other than the Excluded Shareholders, whose name(s) appear(s) on the register of members of the Company on the Record Date;
“Record Date”	Tuesday, 21 March 2017, being the date by reference to which entitlements to the Open Offer were determined;
“Registrar”	Tricor Tengis Limited, being the branch share registrar and transfer office of the Company in Hong Kong;
“Settlement Date”	Thursday, 13 April 2017 (or such other date as the Company and Max Sun may agree in writing), being the second Business Day following the last day for application for, and payment of, the Offer Shares;
“SFO”	the Securities and Futures Ordinance of Hong Kong, Chapter 571 of the Laws of Hong Kong (as amended, supplemented or otherwise modified from time to time);
“SGM”	the special general meeting of the Company held on Wednesday, 15 March 2017 at 11:00 a.m. to approve, among others, the Arrangement and the re-election of retiring Director;
“SGM Circular”	the circular of the Company dated 28 February 2017 in respect of, among others, the Open Offer, the Arrangement and the re-election of retiring Director;
“Share(s)”	ordinary shares of HK\$0.01 each in the issued share capital of the Company;
“Shareholder(s)”	the holder(s) of the Share(s);
“Shine Great”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;

## DEFINITIONS

“Shine Great Agreement”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;
“Shine Great Group”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;
“Shine Great Subscription”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;
“Specified Event”	an event occurring or matter arising on or after the date of the Underwriting Agreement and prior to the Latest Time for Termination which if it had occurred or arisen before the date of the Underwriting Agreement would have rendered any of the warranties contained in the Underwriting Agreement untrue or incorrect in any material respect;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription Price”	HK\$0.25 per Offer Share;
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers;
“Total Belief”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;
“Transaction I”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;

## DEFINITIONS

“Transaction II”	has the meaning ascribed to it under the section headed “3. Directors and senior management of the Company — Interests of Directors — (b) Interests in assets” in “Appendix III — General Information” to this Offering Memorandum;
“Underwriter”	Max Sun;
“Underwriting Agreement”	the underwriting agreement dated 13 February 2017 entered into between the Company and Max Sun in relation to the Open Offer;
“Underwritten Shares”	the total number of the Offer Shares (other than the Committed Shares) which are offered to the Qualifying Shareholders to subscribe for and fully underwritten by Max Sun pursuant to the Open Offer;
“%”	per cent.



## EXPECTED TIMETABLE

*The expected timetable for the Open Offer set out below is indicative only and is subject to change. Any consequential change to the expected timetable will be published by way of announcement.*

Despatch of the Offering Documents ..... Monday, 27 March 2017

Latest time for application of, and payment for,  
the Offer Shares..... 4:00 p.m. on Tuesday, 11 April 2017

Latest time for termination of the  
Underwriting Agreement..... 4:00 p.m. on Wednesday, 12 April 2017

Announcement of results of the Open Offer  
to be published in the respective websites  
of the Stock Exchange and the Company ..... Thursday, 20 April 2017

Despatch of share certificates or refund cheques  
for the Offer Shares ..... Friday, 21 April 2017

Commence dealings in the Offer Shares ..... 9:00 a.m. on Monday, 24 April 2017

*Note:* All times and dates refer to Hong Kong local times and dates.

### **EFFECT OF BAD WEATHER ON THE LATEST TIME FOR APPLICATION OF AND PAYMENT FOR THE OFFER SHARES**

All times and dates in this Offering Memorandum refer to Hong Kong local times and dates. If there is a “black” rainstorm warning or a tropical cyclone warning signal number 8 or above in force in Hong Kong on Tuesday, 11 April 2017, being the date of the Latest Time of 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.

## TERMINATION OR RESCISSION OF THE UNDERWRITING AGREEMENT

If, prior to the Latest Time for Termination:

- (1) in the reasonable opinion of Max Sun, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of Max Sun, 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 Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Max Sun, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Max Sun is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Max Sun will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of members of the Group or the destruction of any material asset of the Group; or
- (4) any suspension in the trading of securities generally or in the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, the SGM Circular or the Offering Documents or other announcements or circulars in connection with the Open Offer; or

## TERMINATION OR RESCISSION OF THE UNDERWRITING AGREEMENT

- (5) the circular, prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of Max Sun be material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the relevant Offer Shares offered to it,

Max Sun shall be entitled to, by notice in writing to the Company served prior to the Latest Time for Termination, terminate the Underwriting Agreement and no party shall have any claim against another party for costs, damages, compensation or otherwise save for any antecedent breaches.

Max Sun shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of Max Sun; or
- (ii) any Specified Event comes to the knowledge of Max Sun.

**Any such notice shall be served by Max Sun to the Company prior to the Latest Time for Termination. Upon termination or rescission of the Underwriting Agreement, the Open Offer will not proceed.**

### **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**The Open Offer is conditional, among others, upon the fulfillment of the conditions set out in the section headed “Conditions of the Open Offer” in the “Letter from the Board” contained in this Offering Memorandum. In particular, the Open Offer is conditional upon the Underwriting Agreement having become unconditional and Max Sun not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the section headed “Termination or rescission of the Underwriting Agreement” in the “Letter from the Board” contained in this Offering Memorandum. Accordingly, the Open Offer may or may not proceed. Any dealing in the Shares from the date of this Offering Memorandum up to the date on which all the conditions of the Open Offer are fulfilled are accordingly subject to the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**



**NEW TIMES ENERGY CORPORATION LIMITED**

**新時代能源有限公司\***

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00166)**

*Executive Directors:*

Mr. Cheng Kam Chiu, Stewart (*Chairman*)  
Mr. Cheng Ming Kit  
Mr. Zhang Kun

*Registered Office:*

Clarendon House  
2 Church Street  
Hamilton HM11  
Bermuda

*Independent Non-executive Directors:*

Mr. Wong Man Kong, Peter  
Mr. Chan Chi Yuen  
Mr. Yung Chun Fai, Dickie  
Mr. Chiu Wai On

*Principal Place of Business  
in Hong Kong:*

Room 1402, 14/F  
New World Tower I  
16–18 Queen's Road Central  
Hong Kong

27 March 2017

*To Shareholders*

Dear Sir or Madam,

**OPEN OFFER ON THE BASIS OF  
ONE OFFER SHARE FOR EVERY TWO SHARES  
HELD ON THE RECORD DATE**

**INTRODUCTION**

Reference is made to the Announcement and the SGM Circular, in which the Company announced that the Board proposed to raise approximately HK\$738.79 million before expenses by way of issuing 2,955,160,996 Offer Shares at the Subscription Price of HK\$0.25 per Offer Share on the basis of one Offer Share for every two Shares held on the Record Date. The Open Offer is only available to the Qualifying Shareholders and will not be available to the Excluded Shareholders.

Reference is also made to the announcement of the Company dated 15 March 2017, where it was announced that the Arrangement was duly approved by the Shareholders at the SGM.

\* *For identification purpose only*

## LETTER FROM THE BOARD

The purpose of this Offering Memorandum is to provide you with further information, among other things, on the Open Offer, the Arrangement, and the financial and other information of the Group.

### THE OPEN OFFER

The details of the Open Offer are set out below:

#### Issue statistics

Basis of the Open Offer:	One Offer Share for every two Shares held as at the close of business on the Record Date
Number of Shares in issue as at the Latest Practicable Date:	5,910,321,992 Shares
Number of Offer Shares to be issued:	2,955,160,996 Offer Shares
Subscription Price:	HK\$0.25 per Offer Share
Underwriter:	Max Sun
	Max Sun is a controlling Shareholder and directly holds 3,516,537,544 Shares, representing approximately 59.50% of the issued share capital of the Company.

The Offer Shares to be issued and allotted pursuant to the Open Offer represent 50% of the existing issued share capital of the Company and approximately 33.33% of the enlarged issued share capital of the Company as enlarged by the issue of the Offer Shares. The aggregate nominal value of the Offer Shares is HK\$29,551,609.96.

As at the Latest Practicable Date, save for the Max Sun Warrants, the Company did not have any convertible securities, options or warrants in issue or similar right which conferred any right to subscribe for, convert or exchange into the Shares or other agreement or arrangement to issue Shares. Max Sun had undertaken not to exercise the Max Sun Warrants between the date of the Irrevocable Undertaking and completion of the Open Offer. As at the Latest Practicable Date, none of the Max Sun Warrants had been exercised.

The Open Offer is fully underwritten by Max Sun on the terms and subject to the conditions set out in the Underwriting Agreement.

Max Sun, being a controlling Shareholder, is a connected person of the Company and accordingly the issue of the Offer Shares to Max Sun constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Pursuant to Rule 14A.92(2)(b) of the Listing Rules, such issue is fully exempt from the relevant requirements under Chapter 14A of the Listing Rules if Rule 7.26A of the Listing Rules is complied with. As no excess application for the Offer Shares is available under the Open Offer and the Open Offer is underwritten by

## LETTER FROM THE BOARD

Max Sun, being a controlling Shareholder, pursuant to Rule 7.26A(2) of the Listing Rules, specific approval has been obtained from the Shareholders in respect of the Arrangement at the SGM. Max Sun, Chow Tai Fook Enterprises Limited and the associates of each of them (which in aggregate held 3,533,052,044 Shares, representing approximately 59.78% of the issued share capital of the Company, as at the Latest Practicable Date), with a material interest in the Arrangement, have abstained from voting at the SGM in respect of the resolution approving the Arrangement. Further, since all applicable percentage ratios (within the meaning of the Listing Rules) in respect of the payment of underwriting commission by the Company to Max Sun pursuant to the Underwriting Agreement are less than 5% and the amount of the said commission is less than HK\$3,000,000, such payment is fully exempt from the relevant requirements under Chapter 14A of the Listing Rules according to Rule 14A.76(1)(c) of the Listing Rules.

### **Qualifying Shareholders**

The Open Offer is only available to the Qualifying Shareholders. The Company will send the Offering Documents to the Qualifying Shareholders, and the Offering Memorandum, for information only, to the Excluded Shareholders on the Offering Memorandum Posting Date.

The last day of dealings in the Shares on a cum-entitlement basis was Thursday, 16 March 2017. The Shares have been dealt in on an ex-entitlement basis from Friday, 17 March 2017. The register of members of the Company was closed on Tuesday, 21 March 2017 to determine the eligibility of the Open Offer and the entitlements of the Qualifying Shareholders to the Open Offer. Accordingly, no transfer of Shares was registered during that period. The Record Date was Tuesday, 21 March 2017.

To qualify for the Open Offer, a Shareholder must be registered as a member of the Company on the Record Date and not be an Excluded Shareholder.

### **Excluded Shareholders and rights of Overseas Shareholders**

The Offering Documents will not be registered or filed under the applicable securities or equivalent legislation of any jurisdiction.

As at the Record Date, based on the register of members of the Company, there were three Shareholders (who in aggregate held approximately 330,500 Shares as at the Latest Practicable Date) whose registered addresses were in the PRC.

The Company has complied with all necessary requirements specified in Rule 13.36(2)(a) of the Listing Rules (including notes 1 and 2 thereto) and has made enquiry with its legal advisers regarding the feasibility of extending the Open Offer to the Overseas Shareholders under the laws of the relevant place and the requirements of the relevant regulatory body or the stock exchange.

Based on the advice provided by the legal advisers on the laws of PRC, the issue of Shares pursuant to the Open Offer to the Shareholders whose address as appeared in the register of members of the Company are in the PRC (the “**PRC Shareholders**”) does not

## LETTER FROM THE BOARD

constitute securities offering in the PRC, and the Offering Documents do not constitute an offering document/memorandum in the PRC under PRC laws. Therefore, the offering of the Offer Shares does not require any approval or permit of, or registration or filing with any PRC governmental or regulatory authorities under PRC securities laws. As such, the Open Offer can be extended to the Overseas Shareholders with addresses registered in the register of members of the Company on the Record Date in the PRC as there are no restrictions, or no onerous restrictions, or there are relevant exemptions available in relation to the offer of the Offer Shares to the PRC Shareholders. Therefore, the Directors have decided to extend the Open Offer to the PRC Shareholders.

It is the responsibility of the Shareholders, including Overseas Shareholders, to observe the local legal and regulatory requirements applicable to them for taking up and the onward sale (if applicable) of the Shares issued pursuant to the Open Offer.

As at the Record Date, there were no Excluded Shareholders based on the register of members of the Company.

### **Subscription Price**

The Subscription Price of HK\$0.25 per Offer Share is payable in full upon application of the relevant assured allotment of the Offer Shares.

The Subscription Price represents:

- (a) at par to the closing price of HK\$0.25 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (b) a discount of approximately 1.96% to the average closing price of HK\$0.255 per Share as quoted on the Stock Exchange for the five consecutive trading days up to and including the Last Trading Day;
- (c) a discount of approximately 4.21% to the average closing price of HK\$0.261 per Share as quoted on the Stock Exchange for the ten consecutive trading days up to and including the Last Trading Day;
- (d) at par to the theoretical ex-entitlement price of HK\$0.25 per Share based on the closing price per Share of HK\$0.25 as quoted on the Stock Exchange on the Last Trading Day; and
- (e) a discount of approximately 71.59% over the net asset value per Share of approximately HK\$0.88 based on the unaudited net asset value as at 30 June 2016 of approximately HK\$2,199,513,000 divided by 2,500,321,992 Shares in issue as at 30 June 2016.

The Subscription Price was arrived at after arm's length negotiations between the Company and Max Sun with reference to, among other things, the prevailing market prices of the Shares and the financial conditions of the Company. To assess the fairness and reasonableness of the Subscription Price, the Board has, with reference to the prevailing

## LETTER FROM THE BOARD

market prices of the Shares, considered the abovementioned average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days (being HK\$0.255) and ten consecutive trading days (being HK\$0.261), respectively. The Board has also considered the financial conditions of the Company with reference to the unaudited net asset value per Share as at 30 June 2016 (being HK\$0.88). As set out above, the Subscription Price already represents a discount to the said prices, being a 1.96% discount to the average closing price for the five consecutive trading days, a 4.21% discount to the average closing price for the ten consecutive trading days and a 71.59% discount to the unaudited net asset value per Share as at 30 June 2016. Considering the effect of the Open Offer to the unaudited net asset value per Share as illustrated in the “Unaudited pro forma financial information of the Group” as set out in Appendix II to this Offering Memorandum, the Board is of the view that applying a higher discount of Subscription Price to the market prices of the Shares would result in a further decline of the net asset value per Share after the completion of the Open Offer. Further, in view of the expected financial needs of the Company as more particularly described in the section headed “Reasons for the Open Offer and use of proceeds” in this letter below, the Directors consider that setting the Subscription Price at the closing price of the Share as quoted on the Stock Exchange on the Last Trading Day (and the corresponding expected net proceeds from the Open Offer) is in the interests of the Company and the Shareholders as a whole.

Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Basis of assured allotment**

The basis of the assured allotment shall be one Offer Share for every two existing Shares held by the Qualifying Shareholders on the Record Date. Application for all or any part of a Qualifying Shareholder’s assured allotment should be made by completing the Application Form and lodging the same with the remittance for the Offer Shares being applied for.

### **Fractions of the Offer Shares**

Entitlement to Offer Shares will be rounded down to the nearest whole number. Assured allotments of fractions of the Offer Shares will not be offered but may be aggregated, rounded down to the nearest whole number, and taken up by Max Sun. The Company will not provisionally allot any fractions of the Offer Shares.

### **No application for excess Offer Shares**

The Qualifying Shareholders will not be entitled to apply for any Offer Shares in excess of their respective Offer Shares under the Open Offer. All Offer Shares (other than the Committed Shares) not taken up by the Qualifying Shareholders and not available to the Excluded Shareholders are underwritten by Max Sun.



## **LETTER FROM THE BOARD**

Given that each Qualifying Shareholder will be given equal and fair opportunity to participate in the Open Offer to maintain their respective pro-rata shareholding in the Company and to benefit from the future growth and development of the Group, the Board considers that it will not put in additional effort, time and costs to administer the excess application procedures. Since the excess application procedures will incur extra costs including the preparation, printing, posting of excess application form for the Offer Shares and handling of any excess application for the Offer Shares, it is not cost effective from the viewpoint of the Company. After arm's length negotiations with Max Sun and taking into account that the administration costs of the Open Offer would be lowered in the absence of such excess application, the Board considers that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to simplify the administration procedures of the Open Offer and not to offer excess application to the Qualifying Shareholders. Max Sun acts as the Underwriter and has undertaken to subscribe for the Committed Shares pursuant to the Irrevocable Undertaking in support of the Open Offer. The Company understands that Max Sun saw this as an appropriate opportunity to increase its shareholding in the Company.

### **Status of the Offer Shares**

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

### **Share certificates or refund cheques for the Offer Shares**

Subject to the fulfillment of the conditions of the Open Offer, share certificates for the Offer Shares are expected to be posted by ordinary mail to the Qualifying Shareholders by Friday, 21 April 2017 at such Shareholders' own risk. If the Open Offer is terminated, refund cheques will be despatched on or before Friday, 21 April 2017 by ordinary mail at the respective Shareholders' own risk.

### **Application for listing**

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Offer Shares. The Offer Shares will continue to be traded in the existing board lot of 2,000 Shares. Dealings in the Offer Shares on the Stock Exchange will be subject to the payment of stamp duty in Hong Kong, Stock Exchange trading fees and other applicable fees and charges in Hong Kong.

Subject to the granting of the listing of, and permission to deal in, the Offer Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Offer Shares 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 Offer Shares on the Stock Exchange or such other date as may be determined by HKSCC. Settlement of transactions between participations of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the general rules of CCASS and CCASS operational procedures in effect from time to time.

## LETTER FROM THE BOARD

All necessary arrangements will be made to enable the Offer Shares in their fully paid form to be admitted into CCASS. The first day of dealings in the Offer Shares is expected to commence on Monday, 24 April 2017.

### UNDERWRITING ARRANGEMENT AND UNDERTAKINGS

#### The Underwriting Agreement

Date: 13 February 2017

Underwriter: Max Sun

Number of Offer Shares  
underwritten: 1,196,892,224 Offer Shares

Commission: An underwriting commission at the rate of 0.8% to Max Sun of the total Subscription Price of 1,196,892,224 Underwritten Shares, being the maximum number of Underwritten Shares to be taken up by Max Sun (the amount of such commission payable to Max Sun being approximately HK\$2,393,784) together with all costs, fees and out-of-pocket expenses properly incurred by it in connection with the underwriting of the Underwritten Shares and agreed in advance by the Company in writing.

The Company has not approached any other independent underwriters for the underwriting of the Open Offer considering that Max Sun, being the controlling Shareholder of the Company and the holder of Max Sun Warrants, has always been supportive of the development of the Company, including through its subscription for further Shares in 2016 (for details, please refer to the circular of the Company dated 28 June 2016). Taking into account the strong financial background of Max Sun and its experience in acting as an underwriter in the Company's open offer in 2015, as well as the terms of the Underwriting Agreement as agreed with Max Sun after arm's length negotiations, the Board considers that the engagement of Max Sun as the Underwriter is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The said commission rate was determined after arm's length negotiation between the Company and Max Sun with reference to the existing financial position of the Group, the size of the Open Offer, the current and expected market condition and the prevailing market rate. The Directors are aware that the underwriting commission charged by the underwriters in similar transactions of listed issuers in the market ranged from nil to 4% in general, and the commission rate charged by Max Sun at 0.8% falls within the said market range. The Directors consider that the terms of the Underwriting Agreement including the commission rate are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

Pursuant to the Underwriting Agreement and subject to the terms and condition thereof, Max Sun shall underwrite up to such number of the Offer Shares not taken up by the Qualifying Shareholders (other than Committed Shares) under the Open Offer, i.e. 1,196,892,224 Offer Shares.

Having taken into account of the Committed Shares and the Offer Shares to be underwritten by Max Sun (assuming no new Share being issued and no Share being repurchased by the Company on or before the Record Date), an aggregate of 2,955,160,996 Offer Shares shall be subscribed and underwritten by Max Sun if the Qualifying Shareholders will not take up their Offer Shares under the Open Offer.

Save with the consent of Max Sun, no further share capital (other than the Shares to be issued upon exercise of the Max Sun Warrants, which Max Sun has undertaken not to exercise between the date of the Irrevocable Undertaking and the completion of the Open Offer) or loan capital will be issued by the Company and no alteration will be made in the rights attached to any of the issued Shares pending the commencement of dealings in the fully paid Offer Shares.

### **The Underwriter and undertakings**

Max Sun is principally engaged in investment holding, which does not include underwriting. As at the Latest Practicable Date, (i) Max Sun was a controlling Shareholder and directly held 3,516,537,544 Shares, representing approximately 59.50% of the issued share capital of the Company; and (ii) Chow Tai Fook Enterprises Limited (being a wholly owned subsidiary of Chow Tai Fook (Holding) Limited, which held 99.80% of the issued share capital of Chow Tai Fook Nominee Limited, which in turn held the entire issued share capital of Max Sun) directly held 16,514,500 Shares, representing approximately 0.28% of the issued share capital of the Company. Max Sun also held certain warrants (the “**Max Sun Warrants**”) issued by the Company on 16 July 2012 in the aggregate principal amount of HK\$105,000,000 expiring on 15 July 2017, all of which were still outstanding as at the Latest Practicable Date. Pursuant to the Irrevocable Undertaking, Max Sun had undertaken not to exercise the Max Sun Warrants between the date of the Irrevocable Undertaking and completion of the Open Offer. As at the Latest Practicable Date, none of the Max Sun Warrants had been exercised.

Pursuant to the Underwriting Agreement, Max Sun also undertakes and/or confirms to the Company, among others, that:

- (a) its obligation to subscribe for the Underwritten Shares pursuant to the Underwriting Agreement is for its own account and it shall not hold the Company responsible for any loss or damage to any persons arising from any such transaction except where such loss or damage arises from any breach by the Company of its obligations under the Underwriting Agreement or the gross negligence or wilful default or omission of the Company. Max Sun undertakes that it shall fully comply with all applicable laws, rules and regulations, including without limitation the Listing Rules and Takeovers Code, and its constitutional documents and shall not do anything, the doing of which shall or may cause the Company or any of its Directors to be in breach of any applicable laws, rules and regulations;

## LETTER FROM THE BOARD

- (b) it will not, without first having obtained the prior written consent of the Company, transfer or otherwise dispose (including without limitation the creation of any option, charge or other encumbrances or rights over or in respect of) or acquire (except by taking up the Offer Shares underwritten by it and pursuant to the Underwriting Agreement and pursuant to the Irrevocable Undertaking) any Shares or any interest or voting rights therein between the date of the Underwriting Agreement and the Latest Time for Acceptance; and
- (c) if the subscription for the Offer Shares by Max Sun pursuant to the Underwriting Agreement will result in insufficient public float of the Company within the meaning of the Listing Rules, Max Sun shall take all appropriate steps including but not limited to the engagement of a placing agent to procure subscribers (who are independent third parties not connected with the directors, chief executive and substantial shareholders of the Company or its subsidiaries or any of their respective associates (all of which within the meaning of the Listing Rules)) to subscribe for the Shares which would otherwise be required to be taken up by Max Sun under the Underwriting Agreement in order to restore the minimum public float requirement of the Company in compliance with Rule 8.08(1)(a) of the Listing Rules.

### **Irrevocable Undertaking**

On the date of the Announcement, Max Sun had irrevocably undertaken to the Company that:

- (i) it shall remain as the beneficial owner of a total of 3,516,537,544 Shares up to and including the Latest Time for Acceptance; and it, together with the parties acting in concert with it, shall remain as the beneficial owner of a total of 3,533,052,044 Shares up to and including the Latest Time for Acceptance;
- (ii) it shall accept, subscribe and pay for the Committed Shares, and undertake to lodge with the Company its acceptance for the Committed Shares, with payment in full therefor in cash by no later than the Latest Time for Acceptance in the manner as set out in the Offering Documents; and
- (iii) it will not exercise the subscription rights attaching to any of the Max Sun Warrants, or transfer or otherwise dispose of (including without limitation the agreement to dispose of, or the creation of any option or derivative) or acquire any Shares, any interest or voting rights in the Company (save for the Committed Shares to be subscribed by it pursuant to the Open Offer or otherwise pursuant to the Underwriting Agreement) between the date of the Irrevocable Undertaking and completion of the Open Offer.

Save for the Irrevocable Undertaking, the Board has not received any information or irrevocable undertakings from any substantial Shareholders of their intention to take up their respective Offer Shares under the Open Offer. As at the Latest Practicable Date, none of the Max Sun Warrants had been exercised.

## LETTER FROM THE BOARD

### Conditions of the Open Offer

The obligations of Max Sun under the Underwriting Agreement are conditional upon:

- (1) the Company having despatched the SGM Circular and the notice and proxy form for the SGM to the Shareholders containing, among other matters, details of the Open Offer;
- (2) the passing by the Shareholders at the SGM by way of poll of the necessary resolution(s) approving, among others, the Arrangement;
- (3) (if required under the Companies (Winding Up and Miscellaneous Provisions) Ordinance) the delivery to the Stock Exchange for authorisation and the registration with the Registrar of Companies in Hong Kong, respectively, one copy of each of the Offering Documents duly signed by two Directors (or by their agents duly authorised in writing) as having been approved by resolution(s) of the Directors (and all other documents required to be attached thereto) not later than the Offering Memorandum Posting Date and otherwise in compliance with the Listing Rules and the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (4) the posting of the Offering Documents to the Qualifying Shareholders and the posting of the Offering Memorandum for information only to the Excluded Shareholders on the Offering Memorandum Posting Date;
- (5) the Listing Committee of the Stock Exchange granting or agreeing to grant (subject to allotment) and not having withdrawn or revoked the listing of and permission to deal in the Offer Shares by no later than the first day of their dealings as stated in the Offering Memorandum;
- (6) compliance with and performance of all undertakings and obligations of the Company pursuant to the terms and conditions of the Underwriting Agreement;
- (7) compliance with and performance of all undertakings and obligations of Max Sun, pursuant to the terms and conditions of the Underwriting Agreement; and
- (8) the obligations of Max Sun under the Underwriting Agreement not being terminated in accordance with the terms thereof.

Save for the condition (7) above which can be waived by the Company (to the extent such condition is waivable) and conditions (6) and (8) above which can be waived by Max Sun (to the extent such conditions are waivable), none of the above conditions can be waived by the Company or Max Sun. If the conditions precedent are not fully satisfied (or waived, as the case may be) by the Latest Time for Termination or such other date and time as the Company and Max Sun may agree, the Underwriting Agreement shall be terminated and no party shall have any claim against another party for costs, damages, compensation or otherwise save for any antecedent breaches, and the Open Offer will not proceed. As at the Latest Practicable Date, conditions (1) and (2) above had been satisfied and the relevant authorisation and registration in respect of the Offering Documents under condition (3) above are not required.

## LETTER FROM THE BOARD

### Termination or rescission of the Underwriting Agreement

If, prior to the Latest Time for Termination:

- (1) in the reasonable opinion of Max Sun, the success of the Open Offer would be materially and adversely affected by:
  - (a) the introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may, in the reasonable opinion of Max Sun, 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 Open Offer; or
  - (b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets which may, in the reasonable opinion of Max Sun, materially and adversely affect the business or the financial or trading position or prospects of the Group as a whole or materially and adversely prejudice the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
  - (c) any material adverse change in the business or in the financial or trading position of the Group as a whole; or
  - (d) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic or threatened epidemic, terrorism, strike or lock-out; or
- (2) any adverse change in market conditions (including without limitation, any change in fiscal or monetary policy, or foreign exchange or currency markets, suspension or material restriction or trading in securities) occurs which in the reasonable opinion of Max Sun is likely to materially or adversely affect the success of the Open Offer or otherwise makes it inexpedient or inadvisable to proceed with the Open Offer; or
- (3) there is any change in the circumstances of the Company or any member of the Group which in the reasonable opinion of Max Sun will adversely affect the prospects of the Company, including without limiting the generality of the foregoing the presentation of a petition or the passing of a resolution for the liquidation or winding up or similar event occurring in respect of any of members of the Group or the destruction of any material asset of the Group; or

## LETTER FROM THE BOARD

- (4) any suspension in the trading of securities generally or in the Company's securities on the Stock Exchange for a period of more than ten consecutive Business Days, excluding any suspension in connection with the clearance of the Announcement, the SGM Circular or the Offering Documents or other announcements or circulars in connection with the Open Offer; or
- (5) the circular, prospectus or announcements of the Company published since the date of the Underwriting Agreement when published contain information (either as to business prospects or the condition of the Group or as to its compliance with any laws or Listing Rules or any applicable regulations) which has not prior to the date of the Underwriting Agreement been publicly announced or published by the Company and which may in the reasonable opinion of Max Sun be material to the Group as a whole and is likely to affect materially and adversely the success of the Open Offer or might cause a prudent investor not to accept the relevant Offer Shares offered to it,

Max Sun shall be entitled to, by notice in writing to the Company served prior to the Latest Time for Termination, terminate the Underwriting Agreement and no party shall have any claim against another party for costs, damages, compensation or otherwise save for any antecedent breaches.

Max Sun shall be entitled by notice in writing to rescind the Underwriting Agreement if prior to the Latest Time for Termination:

- (i) any material breach of any of the representations, warranties or undertakings contained in the Underwriting Agreement comes to the knowledge of Max Sun; or
- (ii) any Specified Event comes to the knowledge of Max Sun.

**Any such notice shall be served by Max Sun to the Company prior to the Latest Time for Termination. Upon termination or rescission of the Underwriting Agreement, the Open Offer will not proceed.**

### **WARNING OF THE RISKS OF DEALING IN THE SHARES**

**The Open Offer is conditional, among others, upon the fulfillment of the conditions set out in the section headed "Conditions of the Open Offer". In particular, the Open Offer is conditional upon the Underwriting Agreement having become unconditional and Max Sun not having terminated the Underwriting Agreement in accordance with the terms thereof as set out in the section headed "Termination or rescission of the Underwriting Agreement". Accordingly, the Open Offer may or may not proceed. Any dealing in the Shares from the date of this Offering Memorandum up to the date on which all the conditions of the Open Offer are fulfilled are accordingly subject to the risk that the Open Offer may not become unconditional or may not proceed. Shareholders and potential investors of the Company should therefore exercise extreme caution when dealing in the Shares, and if they are in any doubt about their position, they should consult their professional advisers.**

## LETTER FROM THE BOARD

### FUND RAISING ACTIVITIES OF THE COMPANY IN THE PAST TWELVE MONTHS

The following states the equity fund raising activities conducted by the Group in the past twelve months immediately preceding the Latest Practicable Date:

Date of announcement	Date of completion	Event	Net proceeds (approximately)	Intended use of proceeds	Actual use of proceeds
17 May 2016	20 July 2016	Subscription of new Shares under specific mandate	HK\$447.23 million	For (i) works in the Tartagal Concession and Morillo Concession; (ii) repayment of short term loans; and (iii) general working capital, as more particularly set out in the circular of the Company dated 28 June 2016	(i) Approximately HK\$11.57 million used as intended for the works in the Tartagal Concession and Morillo Concession; (ii) approximately HK\$112.61 million used as intended for the repayment of short-term loans; and (iii) approximately HK\$37.83 million used as intended as general working capital (including the payment of interest expenses, consultancy fees, legal and professional fees and operation expenses in Argentina)
28 October 2016	4 November 2016	Subscription of new shares under general mandate	HK\$110 million	For (i) repayment of short term loans; (ii) purchase of equipment; and (iii) general working capital, as more particularly set out in the announcement of the Company dated 28 October 2016	(i) Approximately HK\$47.46 million used as intended for the repayment of short term loan; and (ii) approximately HK\$10.78 million used as intended as general working capital (including payment of audit fee, interest expenses and legal and professional fees)

Save for the Open Offer and the equity fund raising exercise as stated above, the Company has not undertaken any fund raising activity in the past twelve months immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, the Company had in aggregate unutilised proceeds of approximately HK\$336.98 million raised by the abovementioned share subscriptions, of which (i) the proceeds of approximately HK\$285.22 million from the share subscription completed on 20 July 2016 will be used for the works in the Tartagal Concession and Morillo Concession; and (ii) the proceeds of approximately HK\$51.76 million from the share subscription completed on 4 November 2016 will be used (a) as to approximately HK\$23.28 million, for the purchase of equipment (comprising a coil tubing unit and a workover rig) and (b) as to remaining approximately HK\$28.48 million, for general working capital of the Company.

The Group expects that (i) substantive expenditures will be incurred in the Tartagal Concession and Morillo Concession since the first exploratory well is expected to be spudded in April 2017, the unutilised proceeds of approximately HK\$285.22 million in relation to such works will then be utilised prior to the expiry of the exploration permits on 13 September 2017



## LETTER FROM THE BOARD

(for details of such works, please refer to the section headed “3. Reasons for the Subscription and use of proceeds and the intention of the Subscriber — (i) Works in the T&M Concessions” in the circular of the Company dated 28 June 2016); (ii) the unutilised proceeds of (a) approximately HK\$23.28 million will be utilised in the second half of 2017 upon the confirmation of technical specifications of the equipment and finalisation of the terms of purchase; and (b) approximately HK\$28.48 million for general working capital will be utilised by July 2017 for, among others, the payment of interest expenses, audit fees, legal and professional fees and operation expenses in Argentina.

### REASONS FOR THE OPEN OFFER AND USE OF PROCEEDS

The principal activity of the Company is investment holding, and its subsidiaries are mainly engaged in exploration, development, production and sale of natural resources.

As at the Latest Practicable Date, the net proceeds of the Open Offer were estimated to be approximately HK\$735.16 million, which was equivalent to the net price of approximately HK\$0.249 per Offer Share. The net proceeds are intended to be used (i) as to approximately HK\$135.16 million for the general working capital of the Group (including approximately HK\$40.00 million for overhead expenses for Hong Kong office, approximately HK\$35.87 million for the repayment of loan upon due and the remaining approximately HK\$59.29 million for interest expenses, operations in Argentina and development of its existing upstream business segment); and (ii) as to approximately HK\$600.00 million to strengthen and build a lucrative and balanced oil and gas portfolio of the Group when the suitable opportunities arise. As at the Latest Practicable Date, the Company had not identified any specific target for such purposes.

As disclosed in the announcements of the Company dated 4 July 2016 and 30 December 2016 respectively, the Company disposed of its remaining downstream business and the United States upstream business during the year of 2016. Following such disposals, the remaining assets and investments of the Group are mainly concentrated in Argentina, and the Group is reassessing its oil and gas assets and investment portfolios. To continue with the Group’s strategy to strengthen and build a lucrative and balanced oil and gas portfolio, the Group intends to identify potential oil and gas assets and/or business around the world in order to enhance its profitability and diversify its business risks. Therefore, the Directors consider that it will be a merit for the Group to have additional working capital to allow the Group to seize suitable opportunities of investment when they arise.

Further, considering the Group’s recorded negative cash flows from operating activities of approximately HK\$47.98 million for the six months ended 30 June 2016 and the development of its existing upstream business segment, it is expected that the Group may have to incur operation costs and general and administrative expenses for such development and administration of such development. Therefore, the Directors consider that it will be beneficial to the Group for additional working capital for the operation and development of its existing upstream business segment.

## LETTER FROM THE BOARD

### **Funding needs of the Company**

As at 31 January 2017, the Group had cash and bank balances of approximately HK\$393.37 million, which included the unutilised funds of approximately HK\$336.98 million raised from the previous share subscriptions as set out in the section headed “Fund raising activities of the Company in the past twelve months” in this letter above. As discussed in the said section, over 90% of such unutilised funds were designated for specific uses (being the works in the Tartagal Concession and Morillo Concession and the purchase of equipment), with a remainder of approximately HK\$28.48 million for the general working capital of the Company. In view of the business risks, operation costs and general and administrative expenses expected to be incurred as disclosed above, the Board considers that the Company has funding needs for general working capital and to strengthen and build a lucrative and balanced oil and gas portfolio of the Group when suitable opportunities arise.

### **Fairness and reasonableness of the Subscription Price, the Arrangement and Max Sun acting as the Underwriter**

#### *(a) The Subscription Price*

As set out in the section headed “The Open Offer — Subscription Price” in this letter above, the Subscription Price was arrived at after arm’s length negotiations between the Company and Max Sun with reference to, among other things, the prevailing market prices of the Shares and the financial conditions of the Company. To assess the fairness and reasonableness of the Subscription Price, the Board has, with reference to the prevailing market prices of the Shares, considered the abovementioned average of the closing prices of the Shares as quoted on the Stock Exchange for the five consecutive trading days (being HK\$0.255) and ten consecutive trading days (being HK\$0.261), respectively. The Board has also considered the financial conditions of the Company with reference to the unaudited net asset value per Share as at 30 June 2016 (being HK\$0.88). As set out in the said section, the Subscription Price already represents a discount to the said prices, being a 1.96% discount to the average closing price for the five consecutive trading days, a 4.21% discount to the average closing price for the ten consecutive trading days and a 71.59% discount to the unaudited net asset value per Share as at 30 June 2016. Considering the effect of the Open Offer to the unaudited net asset value per Share as illustrated in the “Unaudited pro forma financial information of the Group” as set out in Appendix II to this Offering Memorandum, the Board is of the view that applying a higher discount of Subscription Price to the market prices of the Shares would result in a further decline of the net asset value per Share after the completion of the Open Offer. Further, in view of the expected financial needs of the Company set out above, the Directors consider that setting the Subscription Price at the closing price of the Share as quoted on the Stock Exchange on the Last Trading Day (and the corresponding expected net proceeds from the Open Offer) is in the interests of the Company and the Shareholders as a whole.

Each Qualifying Shareholder is entitled to subscribe for the Offer Shares at the same price in proportion to his/her/its existing shareholding in the Company. The Directors consider that the Subscription Price is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## LETTER FROM THE BOARD

### *(b) The Arrangement*

As set out in the section headed “The Open Offer — No application for excess Offer Shares” in this letter above, given that each Qualifying Shareholder will be given equal and fair opportunity to participate in the Open Offer to maintain their respective pro-rata shareholding in the Company and to benefit from the future growth and development of the Group, the Board considers that it will not put in additional effort, time and costs to administer the excess application procedures. Since the excess application procedures will incur extra costs including the preparation, printing, posting of excess application form for the Offer Shares and handling of any excess application for the Offer Shares, it is not cost effective from the viewpoint of the Company. After arm’s length negotiations with Max Sun and taking into account that the administration costs of the Open Offer would be lowered in the absence of such excess application, the Board considers that it is fair and reasonable and in the interests of the Company and the Shareholders as a whole to simplify the administration procedures of the Open Offer and not to offer excess application to the Qualifying Shareholders. The Arrangement was duly approved by the Shareholders at the SGM.

### *(c) Max Sun acting as the Underwriter*

As set out in the section headed “Underwriting arrangement and undertakings — The Underwriting Agreement” in this letter above, the Company has not approached any other independent underwriters for the underwriting of the Open Offer considering that Max Sun, being the controlling Shareholder of the Company and the holder of Max Sun Warrants, has always been supportive of the development of the Company, including through its subscription of further Shares in 2016 (for details, please refer to the circular of the Company dated 28 June 2016). Taking into account the strong financial background of Max Sun and its experience in acting as an underwriter in the Company’s open offer in 2015, as well as the terms of the Underwriting Agreement as agreed with Max Sun after arm’s length negotiations, the Board considers that the engagement of Max Sun as the Underwriter is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Other fund raising alternatives**

The Open Offer will strengthen the Company’s capital base and enhance its financial position. The Board has considered several alternatives for raising funds, such as bank borrowing, debt financing, pro-rata equity fund raising exercise and placing of new Shares under the general mandate. Bank borrowing and debt financing would, however, be difficult provided that the Group had recorded losses consecutively in the past several years and such additional debts would increase the gearing ratio of the Group. The Board has also considered raising funds by way of placing of new Shares. However, the Company has already utilised approximately 99.99% of the existing general mandate of the Company obtained from the Shareholders at the annual general meeting of the Company held on 31 May 2016. The Board has also considered the possibility of rights issue which would allow Shareholders to trade the nil-paid rights. However, given the additional administrative costs and expenses to be borne by the Company in arranging trading arrangement of the nil-paid rights, the Company considers that the Open Offer is a better option. Therefore, the Board considers that the Open Offer, as a means of equity financing, is an appropriate means on fair basis to provide all the Shareholders

## LETTER FROM THE BOARD

an equal opportunity to maintain their proportionate interest in the Company and participate in the future growth and development of the Company, if they so wish. In this regard, the Directors are of the view that the Open Offer is the preferred means of fund raising and is in the interests of the Company and the Shareholders as a whole.

In view of the above factors, the Directors consider that the Open Offer is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### CHANGES IN THE SHAREHOLDING STRUCTURE

The table below sets out the shareholding structures of the Company as at the Latest Practicable Date and, for illustrative purpose, under different scenarios immediately after the Open Offer:

	As at the Latest Practicable Date		Immediately after the Open Offer (assuming nil application by Qualifying Shareholders, other than Max Sun)		Immediately after the Open Offer (assuming full application by Qualifying Shareholders)		Immediately after the Open Offer (assuming nil application by Qualifying Shareholders, other than Max Sun, and the Max Sun Warrants are exercised in full after the Open Offer)		Immediately after the Open Offer (assuming full application by Qualifying Shareholders and the Max Sun Warrants are exercised in full after the Open Offer)	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<b>Substantial Shareholder and its concert party</b>										
Max Sun*	3,516,537,544	59.50	6,471,698,540	73.00	5,274,806,316	59.50	6,593,791,563	73.37	5,396,899,339	60.05
Chow Tai Fook Enterprises Limited**	16,514,500	0.28	16,514,500	0.19	24,771,750	0.28	16,514,500	0.18	24,771,750	0.27
Max Sun and its concert party	3,533,052,044	59.78	6,488,213,040	73.19	5,299,578,066	59.78	6,610,306,063	73.55	5,421,671,089	60.32
<b>Public Shareholders</b>	2,377,269,948	40.22	2,377,269,948	26.81	3,565,904,922	40.22	2,377,269,948	26.45	3,565,904,922	39.68
	<u>5,910,321,992</u>	<u>100</u>	<u>8,865,482,988</u>	<u>100</u>	<u>8,865,482,988</u>	<u>100</u>	<u>8,987,576,011</u>	<u>100</u>	<u>8,987,576,011</u>	<u>100</u>

Notes:

- \* As at the Latest Practicable Date, Max Sun held the Max Sun Warrants and Max Sun had undertaken that the Max Sun Warrants will not be exercised before completion of the Open Offer. None of the Max Sun Warrants had been exercised as at the Latest Practicable Date.

Max Sun is wholly-owned by Chow Tai Fook Nominee Limited, which is in turn held as to 99.80% by Chow Tai Fook (Holding) Limited. Chow Tai Fook (Holding) Limited is held as to approximately 78.58% by Chow Tai Fook Capital Limited (which is in turn held by Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited as to approximately 48.98% and 46.65%, respectively). Dr. Cheng Kar Shun, Henry, Mr. Cheng Kar Shing, Peter, Ms. Sun Cheng Lai Ha, Cecilia and Ms. Doo Cheng Sau Ha, Amy collectively hold a controlling interest in each of Cheng Yu Tung Family (Holdings) Limited and Cheng Yu Tung Family (Holdings II) Limited.

- \*\* Chow Tai Fook Enterprises Limited (being a wholly owned subsidiary of Chow Tai Fook (Holding) Limited, which held 99.80% of the issued share capital of Chow Tai Fook Nominee Limited, which in turn held the entire issued share capital of Max Sun) held 16,514,500 Shares, representing approximately 0.28% of the issued share capital of the Company as at the Latest Practicable Date.

## LETTER FROM THE BOARD

### FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in exploration, development, production and sale of natural resources. To follow the strategy of the Group and to carve out its loss making business segment, as set out in the announcements of the Company dated 4 July 2016 and 30 December 2016, respectively, the Group has disposed of the downstream liquefied natural gas (LNG)/ compressed natural gas (CNG) business and its upstream business located in the Uinta Basin in the United States. The business of the Group is now focused on its upstream oil and gas business in Argentina.

For the year ended 31 December 2015, the net loss of the Group amounted to approximately HK\$1,687.53 million. For the six months ended 30 June 2016, the net loss of the Group amounted to approximately HK\$22.54 million.

#### Upstream business

Further to the disclosure in the interim report of the Company for the six months ended 30 June 2016, the Group has completed the refurbishment of its own rig in Argentina and commissioning will commence in March 2017. The Group intends to use its own rig for exploration drillings as originally planned for the Tartagal and Morillo concessions. The Group will also use the said rig for exploring the Chirete concession after the issues pertaining to regulatory requirements have been resolved. Furthermore, the Group will continue to perform the workovers for the wells in Palmar Largo to enhance the present production level.

Looking forward, the Group will continue to proactively manage and structure its business to best serve the interests of the Shareholders. The Group will also seek new investment opportunities to strengthen and build a lucrative and balanced oil and gas portfolio of the Group with the view to enhancing Shareholders' value.

### RISK FACTORS

#### Unpredictable fluctuations in crude oil prices

The Group is principally engaged in petroleum-related activities and its business is therefore sensitive to the fluctuations in international crude oil prices. Such fluctuations and instability in international crude oil prices may possibly have a material and unforeseeable impact on the crude oil selling prices and upstream oil and gas business of the Group in the future, which may possibly result in the business, financial condition, result of operations and prospects of the Group being materially and adversely affected. Potential impairment loss on goodwill or other relevant assets of the Group may possibly be recorded if any assessment result on these assets turn out to be negative.

## LETTER FROM THE BOARD

### **Unpredictable result in future oil and gas reserves available**

The oil and gas assets owned by the Group substantially consist of prospective resources, which involve quantities of petroleum estimated to be potentially recoverable from undiscovered accumulations. The value of such prospective resources and future oil and gas reserves available may vary significantly from the current result if revision is made following the interpretation of further data acquired. Such uncertainty in future oil and gas reserves available may possibly have a material and unforeseeable impact on the upstream business, financial result and prospects of the Group.

### **ADJUSTMENTS RELATING TO MAX SUN WARRANTS**

As at the Latest Practicable Date, the Company had outstanding Max Sun Warrants in the aggregate principal amount of HK\$105,000,000 which entitle Max Sun to subscribe for 122,093,023 fully paid Shares at HK\$0.86 per Share. Since the Subscription Price is not less than 80% of the market price of the Shares (being, pursuant to the terms of the Max Sun Warrants, the average of the closing prices of one Share on the Stock Exchange for the five consecutive business days ending on the last business day preceding the date of Announcement), no adjustment is required to be made to the exercise price and the number of the outstanding Max Sun Warrants pursuant to the terms of Max Sun Warrants. Accordingly, the exercise price and the number of the outstanding Max Sun Warrants will remain unchanged upon completion of the Open Offer.

## LETTER FROM THE BOARD

### PROCEDURE FOR APPLICATION AND PAYMENT

For each Qualifying Shareholder, an Application Form is enclosed with this Offering Memorandum which entitles you to subscribe for the number of the Offer Shares as shown therein subject to payment in full by the Latest Time for Acceptance.

If you, as a Qualifying Shareholder, wish to exercise your right to subscribe for all number of the Offer Shares in your entitlement of Offer Shares or any number of the Offer Shares less than your entitlement of Offer Shares to which you are entitled, you must complete, sign and lodge the Application Form in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by no later than 4:00 p.m. on Tuesday, 11 April 2017 (or, under bad weather conditions, such later date and/or time as mentioned in the section headed "Expected Timetable" in this Offering Memorandum). All remittance(s) must be made in Hong Kong dollars. Cheques must be drawn on an account with, or banker's cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "**New Times Energy Corporation Limited — Open Offer Account**" and crossed "**Account Payee Only**".

It should be noted that unless the duly completed and signed Application Form, together with the appropriate remittance, have been lodged with the Registrar by 4:00 p.m. on Tuesday, 11 April 2017 (or, under bad weather conditions, such later date and/or time as mentioned in the section headed "Expected Timetable" in this Offering Memorandum), the entitlements of the respective Qualifying Shareholders under the Open Offer and all rights in relation thereto shall be deemed to have been declined and will be cancelled.

All cheques and banker's cashier orders will be presented for payment immediately following receipt and all interest earned on such monies (if any) will be retained for the benefit of the Company. Completion and lodgment of the Application Form together with a cheque or banker's cashier order in payment of the Offer Shares being applied for will constitute a warranty that the cheque or banker's cashier order will be honoured upon first presentation. Any Application Form in respect of which the accompanying cheque or banker's cashier order is dishonoured on first presentation is liable to be rejected, and in that event the relevant entitlement of Offer Shares and all rights thereunder will be deemed to have been declined and will be cancelled.

The Application Form is for use only by the Qualifying Shareholders and is not transferable. No receipt will be issued in respect of any application monies received. If the Underwriting Agreement is terminated before the Latest Time for Termination, the Open Offer will not proceed and the monies received in respect of acceptances of the Offer Shares without interest will be returned to the Qualifying Shareholders, by means of cheques crossed "**Account Payee Only**" to be despatched by ordinary post to their registered addresses and in the case of joint applicants to the registered address of the applicant whose name first appears on the register of members of the Company at their own risk on or before Friday, 21 April 2017.

**LETTER FROM THE BOARD**

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

**ADDITIONAL INFORMATION**

Your attention is drawn to the information contained in the appendices to this Offering Memorandum.

By Order of the Board  
**New Times Energy Corporation Limited**  
**Cheng Kam Chiu, Stewart**  
*Chairman*



## 1. THREE-YEAR FINANCIAL INFORMATION

Details of the financial information of the Group for each of the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2016 are disclosed in the annual reports of the Company for the years ended 31 December 2013, 2014 and 2015 and the interim report of the Company for the six months ended 30 June 2016, respectively. These annual reports and interim report are published on the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://www.nt-energy.com>):

- annual report of the Company for the year ended 31 December 2013 published on 23 April 2014 (pages 51–192);
- annual report of the Company for the year ended 31 December 2014 published on 29 April 2015 (pages 55–174);
- annual report of the Company for the year ended 31 December 2015 published on 26 April 2016 (pages 72–210); and
- interim report of the Company for the six months ended 30 June 2016 published on 14 September 2016 (pages 5–35).

## 2. INDEBTEDNESS STATEMENT

### **Borrowings**

As at 31 January 2017, being the latest practicable date prior to the printing of this Offering Memorandum for the purpose of this indebtedness statement, the Group had outstanding unsecured and unguaranteed other borrowings of approximately HK\$331,443,000.

### **Contingent liabilities**

As at 31 January 2017, being the latest practicable date prior to the printing of this Offering Memorandum for the purpose of this indebtedness statement, no member of the Group is engaged in any litigation or claims of material importance known to the Directors to be pending or threatened against any members of the Group.

Saved as aforesaid and apart from intra-group liabilities, the Group did not, as at 31 January 2017, 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 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**

The Directors, after due and careful enquiry, are of the opinion that the working capital available to the Group is sufficient for the Group's requirements for at least the next 12 months from the date of publication of this Offering Memorandum after taking into account (i) the internal resources of the Group; and (ii) the estimated net proceeds from the Open Offer.

**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 2015, being the date to which the latest published audited consolidated financial statement of the Company were made up.

**(1) UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP**

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Open Offer on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 as if it had taken place on 30 June 2016.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group as at 30 June 2016 or at any future date.

The following pro forma statement of adjusted consolidated net tangible assets of the Group is prepared based on the unaudited consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 derived from the published unaudited condensed consolidated interim financial statements of the Group and adjusted to reflect the effect of the Open Offer.

Consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 HK\$'000 <i>Note 1</i>	Add: Estimated net proceeds from the Open Offer HK\$'000 <i>Note 2</i>	Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company HK\$'000	Consolidated net tangible assets of the Group attributable to owners of the Company per Share as at 30 June 2016 HK\$ <i>Note 3</i>	Pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share HK\$ <i>Note 4</i>
Based on 2,955,160,996 Offer Shares at Subscription Price of HK\$0.25 per Offer Share				
<u>2,197,023</u>	<u>735,160</u>	<u>2,932,183</u>	<u>0.88</u>	<u>0.54</u>

*Notes:*

- The consolidated net tangible assets of the Group attributable to owners of the Company as at 30 June 2016 of HK\$2,197,023,000 is calculated based on the unaudited consolidated statement of financial positions of the Group as at 30 June 2016 included in the Group's published interim report for the six months ended 30 June 2016, which is based on the consolidated total equity attributable to owners of the Company as at 30 June 2016 of HK\$2,249,836,000 after deducting intangible assets and goodwill attributable to owners of the Company of HK\$52,813,000.
- The estimated net proceeds from the Open Offer of approximately HK\$735.16 million are based on 2,955,160,996 Offer Shares to be issued at the Subscription Price of HK\$0.25 per Offer Share assuming all Offer Shares would be accepted and after deduction of the estimated related expenses of approximately HK\$3,630,000.

3. The number of Shares used for the calculation of consolidated net tangible assets of the Group attributable to the owners of the Company per Share as at 30 June 2016 is based on 2,500,321,992 Shares in issue as at 30 June 2016.
4. The calculation of the pro forma adjusted consolidated net tangible assets of the Group attributable to owners of the Company per Share is based on 5,455,482,988 Shares after completion of Open Offer as if the Open Offer of 2,955,160,996 Offer Shares were completed as at 30 June 2016.
5. Except for the Open Offer, no adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2016.

**(2) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from the reporting accountants, KPMG, Certified Public Accountants, Hong Kong, in respect of the Group's pro forma financial information for the purpose in this Offering Memorandum.*

**INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE  
COMPILATION OF PRO FORMA FINANCIAL INFORMATION****TO THE DIRECTORS OF NEW TIMES ENERGY CORPORATION LIMITED**

We have completed our assurance engagement to report on the compilation of pro forma financial information of New Times Energy Corporation Limited (the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors of the Company (the “**Directors**”) for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma statement of adjusted consolidated net tangible assets of the Group as at 30 June 2016 and related notes as set out in Part 1 of Appendix II to the offering memorandum dated 27 March 2017 (the “**Offering Memorandum**”) issued by the Company. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described in Part 1 of Appendix II to the Offering Memorandum.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the open offer on the basis of one offer share for every two shares held on the record date (the “**Open Offer**”) on the Group's financial position as at 30 June 2016 as if the Open Offer had taken place at 30 June 2016. As part of this process, information about the Group's financial position as at 30 June 2016 has been extracted by the Directors from the interim financial report of the Group for the six months ended 30 June 2016, 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 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**”).

### **Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Control 1 “Quality Control for Firms That Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting Accountants’ Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the 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 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 accountants 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the 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 pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the 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 events or transactions at 30 June 2016 would have been as presented.

A reasonable assurance engagement to report on whether the 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 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 pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, 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 pro forma financial information.

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

We make no comments regarding the reasonableness of the amount of net proceeds from the issuance of the Company's shares, the application of those net proceeds, or whether such use will actually take place as described in the section headed "Letter from the Board — Reasons for the Open Offer and use of proceeds" in this Offering Memorandum.

### **Opinion**

In our opinion:

- (a) the 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 pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

### **KPMG**

*Certified Public Accountants*

Hong Kong

27 March 2017

## 1. RESPONSIBILITY STATEMENT

This Offering Memorandum, for which the Directors collectively and individually accept full responsibility, include particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief 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 Offering Memorandum misleading.

## 2. SHARE CAPITAL

### (a) Share capital

#### (i) Share capital as at the Latest Practicable Date:

	Nominal value per Share	Number of Shares	Amount (HK\$)
<b>Authorised:</b>			
As at the Latest Practicable Date	0.01	200,000,000,000	2,000,000,000.00
<b>Issued and fully paid:</b>			
As at the Latest Practicable Date	0.01	5,910,321,992	59,103,219.92

#### (ii) Share capital upon completion of the Open Offer:

	Nominal value per Share	Number of Shares	Amount (HK\$)
<b>Authorised:</b>			
As at the Latest Practicable Date	0.01	200,000,000,000	2,000,000,000.00
<b>Issued and fully paid:</b>			
As at the Latest Practicable Date	0.01	5,910,321,992	59,103,219.92
Offer Shares to be issued pursuant to the Open Offer	0.01	2,955,160,996	29,551,609.96
Shares upon completion of the Open Offer	0.01	8,865,482,988	88,654,829.88



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

The Offer Shares to be allotted and issued will, when issued and fully paid, rank *pari passu* in all respects with all the Shares in issue as at the date of allotment and issue of the Offer Shares, including the right to any dividends or distributions made or declared on or after the date of allotment and issue of the Offer Shares. No arrangement has been made under which future dividends are waived or agreed to be waived.

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

**(b) Max Sun Warrants**

As at the Latest Practicable Date, the Company had the following outstanding Max Sun Warrants:

On 16 July 2012, pursuant to the conditional warrant subscription agreement dated 29 May 2012 entered into between the Company and Max Sun, the Max Sun Warrants, being a total of 100,000,000 unlisted warrants were issued by the Company to Max Sun at an issue price of HK\$0.02, which, as a result of the adjustment pursuant to the open offer of the Company completed in 2015, conferred to Max Sun the right to subscribe for an aggregate of 122,093,023 Shares at an exercise price of HK\$0.86 per Share. The Max Sun Warrants shall be due on 15 July 2017. As at the Latest Practicable Date, no such Max Sun Warrants were exercised.

### 3. DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

#### Particulars of the Directors

Name	Address
<i>Executive Directors</i>	
Mr. CHENG Kam Chiu, Stewart	Room 1402, 14/F, New World Tower I, 16–18 Queen’s Road Central, Hong Kong
Mr. CHENG Ming Kit	Room 1402, 14/F, New World Tower I, 16–18 Queen’s Road Central, Hong Kong
Mr. ZHANG Kun	32/F, New World Tower, 16–18 Queen’s Road Central, Hong Kong
<i>Independent Non-executive Directors</i>	
Mr. WONG Man Kong, Peter	16/F, Chinachem Century Tower, 178 Gloucester Road, Wanchai, Hong Kong
Mr. CHAN Chi Yuen	13/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong
Mr. YUNG Chun Fai, Dickie	Room 1402, 14/F, New World Tower I, 16–18 Queen’s Road Central, Hong Kong
Mr. CHIU Wai On	Room 2502, 25/F, 148 Electric Road, North Point, Hong Kong
<i>Senior Management</i>	
Mr. TANG, John Wing Yan	Room 1402, 14/F, New World Tower I, 16–18 Queen’s Road Central, Hong Kong
Mr. LAI Chi Fung	Room 1402, 14/F, New World Tower I, 16–18 Queen’s Road Central, Hong Kong

**Biographies of the Directors***Executive Directors*

**Mr. CHENG Kam Chiu, Stewart**, aged 62, was appointed as an executive Director in February 2008 and the Chairman in May 2009. Mr. Cheng holds a Bachelor's degree in Civil and Environmental Engineering from the University of Wisconsin-Madison, the United States of America ("USA"); a Master's degree in Civil Engineering from the University of California, Berkeley, USA; and a Master's degree in Business Administration from the Chinese University of Hong Kong. Being a member of The Hong Kong Institution of Engineers, Mr. Cheng is a professional engineer with extensive experience in property development and construction management. Mr. Cheng is a member of the Shunde District, Foshan City Committee of the Chinese People's Political Consultative Conference since November 2006.

Mr. Cheng joined Hip Hing Construction Company Limited in 1984 as a project manager and was subsequently appointed as director. From 1993 to 1997, Mr. Cheng was transferred to New World Development (China) Limited as a director and an assistant general manager, overseeing property development in the PRC. He was a director of NWS Service Management Limited from 1997 to 2006, and was mainly responsible for the construction and the electrical and mechanical engineering businesses and pursuing business opportunities in the PRC. Mr. Cheng is the managing director of Cheung Hung Development (Holdings) Limited, principally engaging in property development in both Hong Kong and the PRC. He is currently an executive director of International Entertainment Corporation and was an executive director of Grand T G Gold Holdings Limited from November 2008 to May 2009, which shares are listed on the Stock Exchange.

Mr. Cheng is the uncle of Mr. Cheng Ming Kit, an executive Director of the Company.

**Mr. CHENG Ming Kit**, aged 42, was appointed as an executive Director in October 2009 and the Chief Executive Officer in March 2012. Mr. Cheng resigned as the Chief Executive Officer on 19 August 2015. Mr. Cheng holds a Bachelor's degree in Commerce from the University of Alberta, Canada and a Master's degree in Business Administration from the University of North Carolina, Charlotte, USA.

Mr. Cheng has over 10 years of experience in merger and acquisition, capital markets and corporate finance. He also has extensive investment and management experience in the energy business in Hong Kong, the PRC and overseas. He served various positions with New World Development Company Limited, a company listed on the Stock Exchange, and was responsible for corporate finance, fund raising and real estate activities in the PRC. From 2003 to 2008, Mr. Cheng was involved in the investment and operations in the gold mining industry in the PRC and held various senior positions in a mining company listed on the Toronto Stock Exchange Venture Board with mining and exploration operations in the PRC. Mr. Cheng is currently an executive director and the co-chairman of Beijing Gas Blue Sky Holdings Limited (formerly known

as “Blue Sky Power Holdings Limited”), which shares are listed on the Stock Exchange. He was an executive director of Grand T G Gold Holdings Limited from November 2008 to June 2009, which shares are listed on the Stock Exchange.

Mr. Cheng is the nephew of Mr. Cheng Kam Chiu, Stewart, an executive Director and the Chairman of the Company.

**Mr. ZHANG Kun**, aged 34, was appointed as an executive Director in December 2016. Mr. Zhang holds a Bachelor of Applied Science degree in Electrical Engineering from the University of Waterloo in Ontario, Canada, and a Master of Science degree from Harvard University in Massachusetts, USA.

Mr. Zhang has over 8 years of experience in corporate finance, investment, international capital markets and engineering. Prior to joining the Company, Mr. Zhang worked at the Corporate Finance Division of Deutsche Bank AG and The Hongkong and Shanghai Banking Corporation Limited. Mr. Zhang joined Chow Tai Fook Enterprises Limited (being a fellow subsidiary of the holding company of Max Sun), which held approximately 0.28% of the issued share capital of the Company as at the Latest Practicable Date, since April 2013 and is currently a senior vice president of Chow Tai Fook Enterprises Limited.

#### *Independent Non-executive Directors*

**Mr. WONG Man Kong, Peter**, BBS, JP, aged 68, was re-designated as an Independent Non-executive Director in May 2013. He acted as a Non-executive Director from February 2008 to May 2013. Mr. Wong holds a Bachelor of Science degree in Mechanical Engineering (Naval Architecture) from the University of California, Berkeley, USA. He was awarded the Bronze Bauhinia Star by the Government of the Hong Kong Special Administrative Region, and was an awardee of the “Young Industrialist Award of Hong Kong”. Mr. Wong is a deputy to the National People’s Congress of the PRC. He is also the standing committee vice chairman of Hong Kong Pei Hua Education Association, the executive chairman of China Chamber of Tourism, a director of Ji Nan University, and a senior member of The University of Hong Kong Foundation for Educational Development and Research.

Mr. Wong currently holds directorship in several companies listed on the Stock Exchange including a non-executive director of Hong Kong Ferry (Holdings) Company Limited, and an independent non-executive director of Glorious Sun Enterprises Limited, China Travel International Investment Hong Kong Limited, Sun Hung Kai & Company Limited, Sino Hotels (Holdings) Limited, Chinney Investments Limited, Far East Consortium International Limited and MGM China Holdings Limited. He is also the chairman of M.K. Corporation Limited, North West Development Limited, Culture Resources Development Company Limited, Silk Road Hotel Management Company Limited and Silk Road Travel Management Limited.

**Mr. CHAN Chi Yuen**, aged 50, was re-designated as an Independent Non-executive Director in May 2012. He acted as an executive Director and the Chairman from May to October 2006 and a Non-executive Director from October 2006 to May 2012. Mr. Chan holds a Bachelor's degree with honors in Business Administration and a Master of Science degree with distinction in Corporate Governance and Directorship. He is a fellow member of the Hong Kong Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Institute of Chartered Accountants in England and Wales. He is a practicing certified public accountant and has extensive experience in financial management, corporate development, corporate finance and corporate governance.

Mr. Chan is currently an executive director of Noble Century Investment Holdings Limited, e-Kong Group Limited and Royal Century Resources Holdings Limited (formerly known as "Kate China Holdings Limited"), and an independent non-executive director of Affluent Partners Holdings Limited (formerly known as "Man Sang Jewellery Holdings Limited"), Asia Energy Logistics Group Limited, China Baoli Technologies Holdings Limited (formerly known as "REX Global Entertainment Holdings Limited"), Jun Yang Financial Holdings Limited, Media Asia Group Holdings Limited, Leyou Technologies Holdings Limited and U-RIGHT International Holdings Limited, which shares are listed on the Stock Exchange. Mr. Chan was an executive director of Kong Sun Holdings Limited from December 2011 to September 2013, South East Group Limited (currently known as "China Minsheng Drawin Technology Group Limited") from December 2013 to July 2015 and Co-Prosperity Holdings Limited from December 2014 to October 2015, and an independent non-executive director of China Sandi Holdings Limited from September 2009 to July 2014.

**Mr. YUNG Chun Fai, Dickie**, aged 64, was appointed as an Independent Non-executive Director in March 2013. Mr. Yung holds a Master's degree in Business Administration from the University of East Asia, Macau. He is a member of the Institute of Management and a fellow of the Chartered Management Institute. Mr. Yung has been engaged in finance and banking businesses for over 25 years. He was the deputy chief executive officer of Industrial & Commercial Bank of China (Macau) Limited and an executive director, deputy general manager and alternate chief executive officer of Industrial & Commercial International Capital Limited (currently known as "ICBC International Holdings Limited"), a wholly owned subsidiary of Industrial & Commercial Bank of China Limited.

Mr. Yung is currently the chief executive officer of Landbridge Holdings Limited, a wholly-owned subsidiary of Landbridge Group which is principally engaged in port logistics, petrochemicals, timber trading and real estate development.

**Mr. CHIU Wai On**, aged 47, was appointed as an Independent Non-executive Director in November 2006. Mr. Chiu is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants in the United Kingdom (“UK”). He possesses extensive professional experience in accounting and auditing services. Mr. Chiu is currently an independent non-executive director of DeTai New Energy Group Limited, which shares are listed on the Stock Exchange.

### *Senior Management*

#### *General Manager*

**Mr. TANG, John Wing Yan**, aged 64, joined the Group as General Manager in August 2015. Mr. Tang brought with him over 20 years of senior management experience and had held top executive positions with various internationally listed companies prior to joining the Group.

Formally trained as a structural engineer, Mr. Tang was a Chartered Engineer in the UK as well as a Registered Professional Engineer in USA and Canada. Author and co-author of peer-reviewed publications in several technical journals and conferences, Mr. Tang is also the holder of U.S. Patent US6329589 pertaining to wireless transmission of solar power for exterior curtain wall in buildings.

Mr. Tang holds a Bachelor’s degree in Civil Engineering, Magna Cum Laude, from the University of Massachusetts, USA; a Master’s degree in Engineering from the University of California, Berkeley, USA; and a Graduate-Level Diploma in Financial Engineering from Stanford University, USA.

#### *Financial Controller and Company Secretary*

**Mr. Lai Chi Fung**, aged 36, joined the Company in April 2012 and is currently the Financial Controller of the Group. He was also appointed as the Company Secretary in October 2015. He holds a Bachelor of Business Administration degree with honours in Accounting. He is a member of the Hong Kong Institute of Certified Public Accountants and has over 10 years of professional experience in accounting and auditing.

**INTERESTS OF DIRECTORS****(a) Interests in shares, underlying shares and debentures of the Company and its associated companies**

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 (a) were required 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); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

*Long positions in the Shares*

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 would have 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) or which was required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules to be notified to the Company and the Stock Exchange.

None of the Directors is a director or employee of a company which had any interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as at the Latest Practicable Date.

**(b) Interests in assets**

On 7 October 2014, Shine Great Investments Limited (“**Shine Great**”), an indirect wholly-owned subsidiary of the Company and Goldlink Capital Limited (“**Goldlink**”), a direct wholly-owned subsidiary of Blue Sky Power Holdings Limited (currently known as “Beijing Gas Blue Sky Holdings Limited”) (“**Blue Sky**”) entered into a subscription agreement pursuant to which a total of 1,453,790 subscription shares of Shine Great representing approximately 14.54% of the enlarged issued share capital of 10,000,000 shares shall be subscribed by Goldlink at a cash consideration of HK\$37,800,000 (“**Shine Great Subscription**”).

On the same date, Total Belief Limited (“**Total Belief**”), a direct wholly-owned subsidiary of the Company and the parent company of Shine Great, and Goldlink entered into a sale and purchase agreement (“**Shine Great Agreement**”) pursuant to which Goldlink conditionally agreed to acquire and Total Belief conditionally agreed to sell the entire interest in Shine Great. The said disposal was completed in two transactions as follows:

- (1) sale of 36.46% of Shine Great’s enlarged share capital of 10,000,000 shares to Goldlink (“**Transaction I**”)
- (2) sale of 49.00% of Shine Great’s enlarged share capital of 10,000,000 shares to Goldlink (“**Transaction II**”)

The consideration for Transaction I was satisfied by a cash consideration of HK\$17,000,000 and the issue of convertible bonds by Blue Sky to Total Belief in a principal amount of HK\$77,805,000 upon the fulfillment of certain conditions precedent. The consideration for Transaction II was satisfied by the issue of convertible bonds by Blue Sky to Total Belief in a principal amount of HK\$135,240,000 upon fulfillment of certain conditions precedent. The principal amount of convertible bonds in Transaction II will be adjustable in case of any shortfall between (i) revenue guarantee as defined in the Shine Great Agreement and the actual consolidated revenue of Shine Great and its subsidiaries (“**Shine Great Group**”) for the year ending 31 December 2015, and/or (ii) profit guarantee as defined in the Shine Great Agreement and the actual consolidated profit of Shine Great Group for the year ending 31 December 2015. If the shortfall is within 20%, the principal amount of the convertible bonds will be adjusted from HK\$135,240,000 to HK\$133,888,000. Otherwise, the principal amount of the convertible bonds will be adjusted from HK\$135,240,000 to HK\$132,535,000.

On 24 February 2015, the Shine Great Subscription and Transaction I were completed and convertible bonds in principal amounts of HK\$77,805,000 were issued by Blue Sky to Total Belief. Upon the completion of the Shine Great Subscription and Transaction I, the Group’s effective interest in Shine Great decreased from 100% to 49%. Accordingly, Shine Great Group, which carried out the Group’s operation in distribution of natural gas business segment, ceased to be subsidiaries of the Group.

On 4 July 2016, Transaction II was completed and convertible bonds in principal amounts of HK\$132,535,348 were issued by Blue Sky to Total Belief. Upon the completion of Transaction II, the Group ceased to hold any interests in Shine Great Group.

As at the Latest Practicable Date, the Company understood that Mr. Cheng Ming Kit, an executive Director, who was also an executive director and co-chairman of Blue Sky, was interested in 1,335,139,986 shares of Blue Sky (representing approximately 13.60% of the issued share capital of Blue Sky) according to publicly available information. Therefore, Mr. Cheng Ming Kit was considered materially interested in the transactions contemplated under the Shine Great Subscription and Shine Great Agreement.



Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up.

**(c) Interests in contracts or arrangements**

Save for the Shine Great Subscription and the Shine Great Agreement as disclosed in the sub-paragraph headed “(b) Interest in assets” above, as at the Latest Practicable Date, none of the Directors had any material interests in any contract or arrangement subsisting at the date of this Offering Memorandum which was significant in relation to the business of the Group taken as a whole.

**(d) Directors’ service contracts**

As at the Latest Practicable Date, there was no existing or proposed service contract between any member of the Group and any Director or proposed Director (excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensations)).

**(e) Competing business**

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

#### 4. INTERESTS OF SUBSTANTIAL SHAREHOLDERS

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 of the Company which would fall to be disclosed to the Company and the Stock Exchange 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:

##### (a) Long positions in securities

Name of shareholders	Capacity	Total interests held	Approximate percentage of shareholding (note (vii))
Max Sun (note (i))	Beneficially owned	3,638,630,567 (note (viii))	61.56%
Chow Tai Fook Nominee Limited (note (ii))	Interests in a controlled corporation	3,638,630,567	61.56%
Chow Tai Fook (Holding) Limited (note (iii))	Interests in a controlled corporation	3,655,145,067	61.84%
Chow Tai Fook Capital Limited (note (iv))	Interests in a controlled corporation	3,655,145,067	61.84%
Cheng Yu Tung Family (Holdings) Limited (note (v))	Interests in a controlled corporation	3,655,145,067	61.84%
Cheng Yu Tung Family (Holdings II) Limited (note (vi))	Interests in a controlled corporation	3,655,145,067	61.84%
Elberta Holdings Limited	Beneficially owned	529,900,000	8.97%

Notes:

- (i) The entire issued share capital of Max Sun is legally and beneficially owned by Chow Tai Fook Nominee Limited.
- (ii) Chow Tai Fook Nominee Limited holds 100% direct interest in Max Sun and is accordingly deemed to have an interest in the interests held by Max Sun.

- (iii) Chow Tai Fook (Holding) Limited holds 99.80% direct interest in Chow Tai Fook Nominee Limited and 100% direct interest in Chow Tai Fook Enterprises Limited and is accordingly deemed to have an interest in the interests of Chow Tai Fook Nominee Limited and Chow Tai Fook Enterprises Limited.
- (iv) Chow Tai Fook Capital Limited holds 78.58% direct interest in Chow Tai Fook (Holding) Limited and is accordingly deemed to have an interest in the interests of Chow Tai Fook (Holding) Limited.
- (v) Cheng Yu Tung Family (Holdings) Limited holds 48.98% direct interest in Chow Tai Fook Capital Limited and is accordingly deemed to have an interest in the interests of Chow Tai Fook Capital Limited.
- (vi) Cheng Yu Tung Family (Holdings II) Limited holds 46.65% direct interest in Chow Tai Fook Capital Limited and is accordingly deemed to have an interest in the interests of Chow Tai Fook Capital Limited.
- (vii) The approximate percentage of interests held is calculated on the basis of 5,910,321,992 Shares of the Company in issue as at the Latest Practicable Date.
- (viii) This comprises direct holding of 3,516,537,544 Shares and interest held through the Max Sun Warrants which enable Max Sun to subscribe for 122,093,023 Shares.

**(b) Interests in other members of the Group:**

Name of member of the Group	Place of Incorporation	Name of shareholder	Approximate percentage of shareholding
High Luck Group Limited Tartagal Oriental and Morillo UTE	Argentina	South American Hedge Fund LLC	18%
United Resources Trading Limited	British Virgin Islands	Amax Enterprising Limited	49%

Save as disclosed above, the Company had not been notified of any other relevant interests or short positions in the issued share capital of the Company or other member of the Group as at the Latest Practicable Date.

## 5. EXPERTS AND CONSENT

- (a) The following is the qualification of the experts who have given opinions, letters or advice which are contained or referred to in this Offering Memorandum:

Name	Qualification
KPMG	Certified Public Accountant
Commerce and Finance Law Offices	Legal advisers as to PRC law

- (b) Each of the above experts has given, and has not withdrawn, its written consent to the issue of this Offering Memorandum with the inclusion of the references to its name and/or its opinion in the form and context in which they are included. The above experts' statements were issued on the date of this Offering Memorandum and was made for incorporation or reference (as the case may be) in this Offering Memorandum.
- (c) As at the Latest Practicable Date, none of the above experts had any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (d) As at the Latest Practicable Date, none of the above experts had any interest, direct or indirect, in any asset which had been, since 31 December 2015, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group.

## 6. LITIGATION

As at the Latest Practicable Date, so far as was known to the Directors, there were no litigation or claims of material importance pending or threatened against any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) were entered into by the members of the Group within the two years preceding the date of this Offering Memorandum which are or may be material:

- (1) a farm-in offer from High Luck Group Limited which was accepted by Petrobras Argentina S.A. on 15 April 2015 pursuant to which High Luck Group Limited acquired from Petrobras Argentina S.A. 50% of the participating interest in the Chirete Block in consideration of High Luck Group Limited performing, or causing to perform, the drilling, logging, testing and completion of an exploration, and paying all of the costs to be incurred in respect thereof in the amount of approximately US\$8 million (equivalent to approximately HK\$62 million);
- (2) an agreement dated 23 June 2015 between the Company and Sun Securities Limited in relation to the placing of up to 415,000,000 new Shares at the price of HK\$0.268 per Share (for a total consideration of HK\$111,220,000);
- (3) a subscription agreement dated 17 May 2016 entered into between the Company and Max Sun in relation to the subscription of 2,910,000,000 Shares at HK\$0.154 per Share (for a total consideration of HK\$448,140,000);
- (4) a subscription agreement dated 28 October 2016 entered into between the Company and Elberta Holdings Limited in relation to the subscription of 500,000,000 Shares at HK\$0.22 per Share (for a total consideration of HK\$110,000,000);
- (5) a sale and purchase agreement dated 30 December 2016 entered into between Total Belief and Foothills Exploration Operating Inc. in relation to the proposed disposal of the entire issued shares of Clear Elite Holdings Limited, Prominent Sino Holdings Limited and Value Train Investments Limited for a total consideration of US\$10,750,000 (equivalent to approximately HK\$83,420,000);
- (6) the Underwriting Agreement; and
- (7) the Irrevocable Undertaking.

**8. CORPORATE INFORMATION AND THE PARTIES INVOLVED IN THE OPEN OFFER**

Registered office:	Clarendon House 2 Church Street Hamilton HM 11, Bermuda
Principal place of business in Hong Kong:	Room 1402, 14/F New World Tower I 16–18 Queen’s Road Central Hong Kong
Underwriter:	Max Sun 31/F, New World Tower 16–18 Queen’s Road Central Hong Kong
Legal advisers to the Company:	<i>As to Bermudan law:</i>  Conyers Dill & Pearman 2901 One Exchange Square 8 Connaught Place Central Hong Kong  <i>As to Hong Kong law:</i>  Reed Smith Richards Butler 20th Floor, Alexandra House 18 Chater Road Hong Kong  <i>As to PRC law:</i>  Commerce and Finance Law Offices 27C Shenzhen Te Qu Bao Ye Building 6008 Shennan Road Shenzhen, PRC
Auditors and reporting accountants:	KPMG 8th Floor, Prince’s Building 10 Chater Road Central, Hong Kong (Certified Public Accountants)

Principal bankers:	Bank of China (Hong Kong) Limited 25/F, Millennium City 5, 418 Kwun Tong Road Kwun Tong, Hong Kong
	The Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central, Hong Kong
Principal share registrar and transfer agent:	Codan Services Limited Clarendon House 2 Church 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. Cheng Kam Chiu, Stewart Mr. Lai Chi Fung
Company secretary:	Mr. Lai Chi Fung

## 9. EXPENSES

The expenses in connection with the Open Offer, including the underwriting commission, printing, registration, translation, legal and accounting fees, are estimated to be approximately HK\$3.63 million on the basis of 2,955,160,996 Offer Shares being issued, which are payable by the Company.

## 10. MISCELLANEOUS

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

## 11. 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, Room 1402, 14/F, New World Tower I, 16–18 Queen's Road Central, Hong Kong, up to 10 April 2017:

- (a) the memorandum of association of the Company and the Bye-laws;
- (b) annual report of the Company for each of the years ended 31 December 2013, 2014 and 2015;

- (c) interim report of the Company for the six months ended 30 June 2016;
- (d) the material contracts referred to in the section headed “Material contracts” in this Appendix III to this Offering Memorandum;
- (e) the report prepared by KPMG on the unaudited pro forma financial information of the Group, the text of which is set out in this Appendix II to this Offering Memorandum;
- (f) the written consent from each of the experts referred to in the section headed “Expert and consent” of this Appendix III to this Offering Memorandum;
- (g) letter from Commerce and Finance Law Offices in respect of PRC Shareholders;
- (h) the circular of the Company dated 28 June 2016 in respect of a connected transaction relating to the subscription of new shares by a substantial shareholder;
- (i) the circular of the Company dated 11 October 2016 in respect of a discloseable and connected transaction in relation to the exercise of convertible bonds of Blue Sky; and
- (j) this Offering Memorandum.